Event transcript

KPN Q2 2021 Results

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Operator: Good day, ladies and gentlemen. Welcome to KPN’s second quarter 2021 earnings webcast and conference call. Please note that this event is being recorded. At this time, all participants are in listen-only mode. We will be facilitating a question-and-answer session towards the end of today’s prepared remarks. If you would like to ask a question, you may do so by pressing *1 on your telephone.

I will now turn the call over to your host for today, Reinout van Ierschot, Head of Investor Relations. You may begin.

Reinout van Ierschot (Head of IR, KPN): Good afternoon, ladies and gentlemen. Thanks for joining us. Welcome to KPN’s second quarter and half-year 2021 results webcast. With me today are Joost Farwerck, our CEO, and Chris Figee, our CFO.

As usual, before turning to our presentation, I would like to remind you of the Safe Harbor on page 2 of the slides, which also applies to any statement made during this presentation. In particular, today’s presentation may include forward-looking statements including KPN’s expectations with respect to its outlook and ambitions, which were also included in the press release published this morning. All such statements are subject to the Safe Harbor.

Let me now hand over to our CEO, Joost Farwerck.

Joost Farwerck (CEO, KPN): Thank you Reinout and welcome everyone.

Today’s results show an important proof point of the progress on our strategy and execution, as we are delivering ahead of schedule. Mass-market service revenues grew in the second quarter, the first step towards sustainable top-line growth for the whole company.

For the first time in 4 years we saw growth in Consumer Mobile service revenues supported by a strong performance of our Unlimited proposition. And our broadband base has grown in the second quarter. We also see service revenue trend improving in SME. Total SME service revenues grew compared to last quarter, which keeps us well on track to stabilize before the year end.

We are installing fiber at a record pace. We have passed the milestone of 3 million households and nearly half of Dutch houses now have a fiber connection, the vast majority via our network; the network of the Netherlands. The joint venture with APG, which is called “Glaspoort“, is now up and running and enables us to further accelerate the fiber rollout together.
Our efforts in modernizing the mobile network are paying off. Our mobile network has yet again been recognized as the best mobile network with fastest 5G in the Netherlands.

We were able to grow adjusted EBITDA in the second quarter, despite the elevated spend to improve our customer support and facing a tougher comparison base in terms of COVID related savings. I am glad to see that these investments are paying off and that customer experience and Net Promoter Score are improving again. With mass-market service revenues growing ahead of schedule and our best-in-class network coupled with NPS being back on track, we reiterate our outlook and ambitions.

Finally, while we keep investing to drive further growth and maintain room for value creating growth opportunities, we pay out a progressive dividend that is comfortably covered by Free Cash Flow. The confidence in our strategy and the successful execution of our strategy gives us comfort around our multi-year cash generation perspective, enabling us to structurally return additional capital to our shareholders. As a first step, we intend to buy back shares worth €200m this year.

Let me briefly touch base on the two unrelated unsolicited approaches we rejected in the second quarter. As stated in our press release issued at the beginning of May, the Boards of KPN reviewed both approaches carefully, taking into account the interest of all stakeholders.

Both approaches were rejected as they failed to provide tangible added value over our strategy. When we updated our strategy last November, we were determined to implement a strategy that focusses on both short-to-medium-term business improvement and long-term sustainable value creation. This was illustrated by the acceleration of our fiber rollout to unprecedented levels in the Dutch market. That is not only a plan on paper. We are actually executing which is clearly visible in today’s numbers.

Revenue growth, cost reductions and lower future capital intensity levels once the fiber rollout is behind us, will fuel growth of Free Cash Flow further, and that in turn, will fuel attractive shareholder returns. We are fully confident that our “Accelerate to grow” strategy will create long-term sustainable value for all our stakeholders.

Let’s now look at the first pillar of our strategy, our best-in-class networks.

In the second quarter, we rolled out fiber to 113,000 households. Together with the Glaspoort Joint Venture, we expect to reach 80% of Dutch households by the end of 2026. After reaching that point, Capex will come down to a much lower, sustainable level. In the meantime – and visible in our Homes Activated – we continue to successfully add new fiber customers and
upgrade existing customers from copper to fiber. That will deliver higher quality service and better customer experience, leading to a growing fiber customer base. And we foresee significant cost savings as we gradually shut down our copper network in the coming years. All in all, fiber is at the heart of our strategy to return to sustainable revenue growth.

We are proud that Ookla once again recognized our leading mobile network. With this recognition we retain our position as the best mobile network in the Netherlands, with the highest up- and download speed, the best coverage, and the fastest 5G in the Netherlands.

Let’s now move to our customers. In the Consumer market, we aim to be the preferred digital partner for households.

To provide the best digital access, KPN continued its SuperWiFi campaign and made the 1Gig proposition more accessible by lowering the price point, while doubling the upload speed. Regardless of the subscription, all our fiber customers can upload just as quickly as they can download. And this is a unique advantage over cable, and important when working from home or gaming online.

Furthermore, we improved customer interaction in the MyKPN app and we signed a unique entertainment partnership with Microsoft and we upgraded the Xbox Game Pass Ultimate into our offering. Our customers can now play more than 100 games in our interface.

We have also managed to turn the tide in Mobile service revenues, which returned to growth for the first time since the first quarter in 2017. This was supported by a strong commercial performance of especially our Unlimited data proposition.

Fixed-Mobile revenues increased more than 3%. Total Consumer service revenues still declined 0.7%, but showed growth compared to the first quarter.

Customer satisfaction remains one of our top priorities. And I am very glad to see that our efforts in this area are paying off. The Consumer Net Promoter Score improved to +14, as we successfully invested in increased capacity, improved processes and knowledge training for our customer support. As a result, the amount of issues that were solved first time right increased more than 10% since the start of the year. That is important because especially for these colleagues it is difficult to perform on the highest level with all COVID-19 rules and restrictions still in place out there.

Now let’s take a deeper look into our Consumer KPIs. We have again delivered a solid fiber inflow, reflected by 47,000 new customers in the quarter, further fuelling the stabilization of
broadband net ads. Fiber ARPA is significantly higher compared to copper, and that is due to higher speed take-up, more Value Added Services, and more SIMs per household. And importantly, fiber service revenue growth is offsetting the copper declines. The decline in Consumer Fixed service revenues is fully driven by Legacy services.

As we accelerate our fiber rollout, we are confident fiber is set to make up for Legacy declines as well, setting the stage for increasing Fixed service revenues.

Our Postpaid base improved by 16,000 net adds and Postpaid ARPU grew by 1.1%. Combined, this led to a return to growth in Mobile service revenues.

Let’s now move to the B2B segment. This year we started to run the Business segment focussing on three distinctive customer segments: SME, LCE, and Tailored Solutions.

To remove complexity and to improve efficiency in our SME and LCE segments, we have introduced a simple target portfolio with standardized building blocks. Since more than half of B2B EBITDA comes from SME, we have prioritized transforming that segment. The decline in Business revenues was broadly in line with the first quarter. As roaming impact lapsed, SME service revenues improved to minus 3%. And we expect the SME service revenue trend to improve further in the next quarters.

LCE and Tailored Solutions declined, mainly because the second quarter last year was quite strong, despite COVID. Also, our Business NPS improved markedly as customers continued to value KPN for the stability, the reliability and the quality of our network and services.

The transformation of the SME segment is taking place and is taking shape with 95% of SME customers now migrated to the future-proof portfolio. The graph you see here on the left illustrated the customer journey of a migrated KPN EEN customer. First, ARPU takes a hit when a customer is migrated to the target portfolio. But after migration we are well positioned to up- and cross-sell additional products. The order we have shown here is purely illustrative, but generally, when a customer takes two additional products the ARPU returns to -or surpasses- pre-migration levels. And in that light, it is positive to see that the number of triple-play customers within the KPN EEN proposition increased by more than 50% compared to last year.

Quarter on quarter, revenues grew 2.6% and the trend is backed by healthy base developments. This means we are on track to stabilize service revenues in SME by the end of the year.
In Wholesale, revenues increased 9% in the second quarter, supported by our attractive open access policy. [In Q2], we have added 16,000 broadband lines, corrected for the migration of 22,000 Oxxio customers coming to our Consumer portfolio.

With ESG fully embedded in our strategy and operations, we are contributing to making the Netherlands a better place. Not only by conducting our own operations fully sustainably, but also by using our technology to make other companies and other activities more sustainable. For instance in agriculture, logistics, traffic management, and Health we contribute with our digital services. We have again been awarded a triple-A ESG rating by MSCI, the highest possible score.

So, that is all good. Now, I would like to turn to Chris to take you through our financials.

**Chris Figee (CFO, KPN):** Thank you, Joost. Let me start by summarizing some key figures for the second quarter.

Our adjusted revenues increased by 0.2%, supported by growth in mass-market service revenues and some non-service revenues.

Adjusted EBITDA after leases increased by 0.6%. And our Free Cash Flow in the quarter was more or less flat versus last year.

For the full first half year, Free Cash Flow increased by 17% year-on-year, despite higher Capex.

Our return on capital employed increased with 50 bps to 10.3%.

The adjusted Group revenues increased 0.2% year-on-year.

Consumer revenues were flat as growth in Mobile service revenues and non-service revenues countered declining Legacy services. Fiber and copper revenue developments effectively cancelled each other out.

Business revenues declined nearly 5%, mostly driven by our LCE and Tailored Solutions performance; with SME revenue developments turning increasingly favorable.

Wholesale revenues grew by 9%, mainly driven by Broadband.

Other revenues were partly supported by non-recurring benefits related to IPR, or Intellectual Property Rights.
Six months ahead of schedule, we have already managed to grow mass-market service revenues. These activities, which together represent about 75% of our revenues and 90% of our EBITDA, are now growing both year-on-year as well as sequentially. Joost already took you through the main drivers.

We see this as an important proof point for the success of our strategy and the first step towards full and complete top-line growth for the Group.

Our EBITDA grew 0.6% compared to last year, despite the tough comparison base in terms of cost savings. The cost savings run-rate this quarter was impacted by two factors. First, temporarily elevated spend to improve customer support, which has paid off with an improving NPS in Consumer and Business segments, and we expect these additional cost to fade throughout the rest of the year. Secondly, less tailwind from COVID-related savings. Last year, we experienced a strict lockdown in Q2 and shops and offices were mostly closed. As a result, we have a difficult comparison base for costs related to travel, housing & facilities, and marketing.

Finally, a few other elements affected our cost performance this quarter, such as the dotation to holiday provisions and the fact that we are planning a larger restructuring in the B2B segment which will help push down costs, but this will be executed in the second half of the year.

Let’s now turn to Capex.

We are accelerating the rollout of fiber to prepare for the years to come. And Capex related to fiber was € 280 million in the first half of the year, driving the entire step-up in Capex spend. In the same period, we stepped down other Capex by € 29 million, mainly driven by rationalization and increased effectiveness of our investment programs in copper infrastructure, IT, and mobile access. Our non-fiber Capex-to-sales ratio was contained at about 16%.

For the coming years, we expect fiber Capex to remain broadly stable between € 450 million and € 500 million per year. And after 2026, when the fiber rollout is largely complete, we expect to significantly reduce our capital intensity levels.

In the first half of the year, we have seen strong underlying cash generation, despite higher Capex and higher taxes. The higher Capex caused our Operational Free Cash to decline, but this was countered by several other line items. More favourable developments in working capital, as our continued effort to reduce working capital intensity is paying off. We have a € 33 million lower cash interest paid as a result of bond redemptions last year and lower cash
restructuring. Please note that our reported Free Cash Flow excludes the effect of the JV with APG.

Our Free Cash Flow margin improved to 11.7% of revenues.

On slide 24, we report our Return on Capital employed: upon request, we have given a little bit more insight into the breakdown of our Capital Employed, which we hope is helpful. Our ROCE – Return on Capital Employed – is solid and has increased 50 bps year-on-year to 10.3%, a level consistent with a healthy value creation. We see room to further optimize ROCE in the years to come, driven by fiber investments, cost savings, and an improving top-line profile.

On 9 June, KPN and APG announced the closing and effective launch of the fiber joint venture called Glaspoort. APG has agreed to pay nearly € 480 million for a 50% stake in the JV. For this transaction, KPN has recorded a net cash inflow of € 217 million in the first half of this year, which is classified as a cash-in, a cash flow from investing activities.

This transaction has had several implications on our balance sheet and P&L in the second quarter. In the P&L, you can see an € 840 million incidental book gain in lines revenues, EBITDA, Operating Profit, and Profit before tax. This amount equates to the transaction value minus goodwill and some minor prepayments.

P&L taxes related to the transaction are € 191 million and consequently, the net effect of € 649 million is visible in Profit for the period.

On our balance sheet the following movements are visible. First, a reduction of € 64 million goodwill related to the transaction. Second, other non-current assets, which include the book value of 50% ownership and a financial asset representing the discounted value of future payments by APG.

Thirdly, current assets and specifically Cash and Cash equivalents include the initial payment by APG. And total equity includes the net effect of the aforementioned € 649 million in profit for the period.

Our balance sheet continues to be resilient. Committed liquidity, consisting of € 795 million of cash in short-term investments and a € 1.25 billion undrawn RCF, together cover debt maturities through 2023.

Versus Q1, our net debt declined by € 20 million, mainly driven by the payment we received for Glaspoort and all other corresponding Glaspoort cash flows, by the Free Cash Flow generated
during the quarter, and as some of those were partly offset by the final dividend payment over 2020 in April this year.

Our leverage ratio is now at 2.2 times, comfortably below our ceiling of 2.5 times. So, reassured by the growth in mass-market service revenues, good and solid strategic progress, we confidently reiterate our 2021 outlook. We expect the adjusted EBITDA after leases to come in at € 2.345 billion, Capex of € 1.2 billion and we expect Free Cash Flow of € 765 million, in line with last year.

Our regular dividend will grow to 13.6 euro cents per share over 2021 and we will already reward our shareholders with an interim dividend of 4.5 euro cents per share.

Finally, we reiterate all our ambitions for 2023, as outlined in the Strategy Update last November.

The execution of our strategy is on track and we are focused to deliver long-term value to all our stakeholders. KPN remains fully committed to an investment grade credit profile and aims for a leverage no more than 2.5 times.

Our progressive dividend policy targets growth of 3% to 5% per annum. Our proposed 2021 dividend implies growth of 4.6% and is at the top-end of this range.

We are confident that this progressive dividend policy can now be complemented with structural incremental capital returns to our shareholders, driven and supported by 1) the continued strong execution of our “Accelerate to grow” strategy which already led to an earlier-than-planned and sustainable mass-market service revenue inflection; 2) A healthy outlook for our Free Cash Flow generation, taking into account our Capex commitment; and 3) A robust balance sheet and a disciplined financial framework with a leverage ratio comfortably below our targeted level.

We will continue to run an efficient balance sheet going forward, providing scope for attractive cash returns to our shareholders and we will not retain more cash than is absolutely needed. We will also of course expect to retain ample flexibility to pursue bolt-on growth investments as they may arise, such as the acquisition of Oxxio recently and to acquire further spectrum.

So, while we invest strongly to deliver on our strategy to drive growth, we see no reason to retain our Free Cash Flow this year. We intend to execute a share buyback programme of € 200 million this year, effectively returning all 2021 Free Cash Flow to our shareholders.
To summarize, today’s results show an important proof point of the success of our strategy. We returned to mass-market service revenue growth already and earlier than planned. And we will structurally return additional capital to our shareholders, starting with a € 200 million share buyback this year.

Thank you for listening. Now, let’s turn to your questions!

**Questions and Answers**

**Operator:** Ladies and gentlemen, we will start question and answer session now. If you would like to ask a question you may do so by pressing *1 on your telephone.

The first question is from Keval Khiroya, Deutsche Bank. Go ahead, please.

**Keval Khiroya (Deutsche Bank):** Thanks for taking the questions. I have got two please. Firstly, you have highlighted some of the items which weighed on Q2 opex reduction but can you elaborate a bit more on how we should think about the level of opex reduction in the second half, when you gave the € 250 million target you did update the 2019 to 2020 target, which I think implied about € 100 million to € 120 million of cost reduction in 2021. Do you still see that as achievable?

Secondly, if we add the dividend and the welcome buyback you are distributing roughly 100% of 2021 Free Cash Flow. How do you think about future additional cash returns? Would you consider distributing more than 100% as a tool to increase leverage as EBITDA also grows?

Thank you.

**Joost Farwerck (CEO, KPN):** Thanks for your questions. On opex reduction, this comes in batches. We run a cost efficiency program now for years and we aim to continue that. We expect to do more in the second half of the year than we did in the first half of the year. To give you an example, we are working already for six months on two large reorganizations. That will affect in the months to come and that will impact our opex as well. Also, this quarter we saw clearly less cost reductions due to holiday provisioning keeping in, et cetera. So, we are really confident in our opex reduction. If we completely meet the € 100 million for this year, I cannot say. In total, we also add some more cost to drive mass-market revenues up but in total, I am happy with the balance of things and I expect more cost reduction to come in the third and the fourth quarter.

**Chris Figee (CFO, KPN):** I think the € 250 million definitely stands. We will meet the € 250 million. As Joost said, we incurred some more cost when it comes to customer support and
a number of large reorganizations, which will come in the second half of the year, at the end of Q3 and the beginning of Q4.

To your second question on the Free Cash Flow, indeed, as you correctly point out, we retain no cash this year. As we said, additional capital returns will be a structural part of our shareholder reward. The exact number next year we will determine next year, but it is certainly possible that we will exceed our Free Cash Flow any given year in terms of what we return. It depends a bit on how the world evolves. It depends on additional investment opportunities; it depends a bit on spectrum but we are not necessarily constrained by our Free Cash Flow any given year when it comes to capital returns.

Keval Khiroya (Deutsche Bank): That is clear. Thank you.

Operator: The next question is from Joshua Mills, Exane. Go ahead, please.

Joshua Mills (Exane): Hi guys, thanks for the questions, two for me. The first is on the Net Promoter Score improvement which is quite healthy across both Consumer and Enterprise. I am particularly interested in what exactly you have done to drive that and probably more in the enterprise side, if you could give some specific examples. That would be helpful.

And then the second question is around Huawei, a quite familiar topic. Obviously, in Q2 we saw these headlines around historic potential, security, equipment. I know that it has been a big topic of debate in the Dutch press and I think also in the government. So my question is, what has the government said to you directly about Huawei within your network? Has the situation changed in the last six months and do you envisage any situation or future cost to take out existing Huawei equipment from your network, which may not have been included in your prior guidance? Thank you.

Joost Farwerck (CEO, KPN): Yes Joshua, first your question on the Net Promoter Score improvements. We really invested in the frontline of the company. Like last quarter we explained all these people are working from home to serve our customers. A couple of them we took back to the office and we really scaled up on people, on training and on support, which is clearly visible in the reduction of calls and in the speed they can handle calls. So, 10% improvement there already in the first month, so that is very good. So, it is an end-to-end quality steering we do, starting at the service centres, completely until the backend of the company. This cooperation through the company is super important and that we really improved. But we also invested in that. That was one of the reasons why we made more costs in that part of the company last quarter and now we see the calls going down and we see the things more under control. In B2B we stepped up from two to four which is also all related to
improving customer support and helping out our people. So all in all, I could say that COVID is not helpful for this kind of work. I think we made the right steps to support our colleagues there and it pays off that is clearly visible.

On Huawei, that is every now and then popping up in the news. For a long time we are discussing that topic with our government. Like all Western European telcos, we have Huawei in our network. Already more than a year ago we announced our strategy that we only will work in the future with Western vendors in our critical domains. We also announced that the core network of mobile, which is currently delivered by Huawei, will be replaced. We selected Ericsson for that. And we have been discussing the plan with our government in great detail. The government gave us and the other two operators a message and instruction based on a legal order. That was not a surprise for us, so we know the plan. What is in the plan is state secret but it is for us not a surprise. It is completely in the life cycle of things, so we will not see additional opex or Capex related to that because we have our time and it fits in our strategy. So, that is that. Every now and then Huawei will pop up again in the newspapers and we are fully aware of that, but it fits in our plans, what we are currently doing and also in our migration plans. We have the time to do what we have to do.

**Joshua Mills (Exane):** That is very clear. Thank you.

**Operator:** The next question is from Andrew Lee, Goldman Sachs. Go ahead, please.

**Andrew Lee (Goldman Sachs):** Good afternoon everyone. I had a question on your balance sheet flexibility in the current filing with your use of the words ‘first step’ with regards to your buy-back. You mentioned earlier on in the presentation that you rejected those private offers, given their failure to show value creation above your strategy. I just wondered, has your approach towards target leverage and flexibility changed at all?

Maybe specifically your buy-back takes you to around the 2.3 times net debt to EBITDA right now. That is 0.2 times below your ceiling. Is that 0.2 times buffer close to the amount of flexibility you need within your strategy for the longer term? Obviously, I am thinking about the scope for more buy-backs this year and going forward to see delever. Any kind of help you can give in how you are thinking about the balance sheet and the required level of flexibility would be great. Thank you.

**Chris Figee (CFO, KPN):** Sure Andrew. Well calculated, this buy-back will take us at the end of the year to our 2.3 times net debt to EBITDA, kind of my planning as well. For this year we tend to do 200 million, so do not expect anything more this year but 2021 is 200 million to start. Our ceiling is 2.5 times; you may want to end a bit below that to have some buffer for –
as I said – some M&A or spectrum acquisitions. I do not think we necessarily need to stop at 2.3. the effective ceiling including buffers is a bit higher than that, so it gives you some feeling for where we are and what the scope is. But we want to start with not retaining any free cash for this year and next year we have to set the number again. But to your point that 2.5 times is the upper limit, we could run a little below that to keep some flexibility. It depends also of course on how the speed of our fiber client-base develops. As more clients become sticky fiber clients, that also gives some room for additional leverage going forward. It depends on how the Dutch market evolves. If competition is developing healthy, margins stay where they are, that will support things. So, a couple of things coming together but at this point 2.5 times is our ceiling and you would run a little bit below that, but not necessarily at 2.3 times.

Andrew Lee (Goldman Sachs): Great, thanks very much. That is really helpful.

Operator: The next question is from Matthijs van Leijenhorst, Kepler Cheuvreux. Go ahead, please.

Matthijs van Leijenhorst (Kepler Cheuvreux): Good afternoon, gentlemen. It is regarding the Dutch competition authority, ACM. Apparently, they have identified the risk that your access conditions could make it more difficult for competitors to compete. What is your view on this new study? Do you foresee any risk that we could see regulation implemented again?

Joost Farwerck (CEO, KPN): For us it is not a surprise that ACM is working on a new market analysis because that is what they have to do. It is our regulator and they will always work on a new market analysis every three years and they look five years ahead, so that is not a surprise. The last time was in 2018 and that one was annulled by the highest court in March, the CBb in 2020. We all know that. So, the interesting unusual situation is that we are not regulated. Now, according to ACM there could be a risk that KPN’s access conditions could complicate the possibility of competitors to compete with KPN. We do not see that. We have an open network policy, an open access policy. We did not change the model after we were no longer regulated. I think, one of the most important proof points there is that the strongest growth is in the base of the challengers using KPN’s network in the Dutch market. That is where the real growth is. Us growing 1,000 organically, Ziggo I do not know but probably has a small decline and then 16,000 growth on our network from internet service providers. So that shows that there is good room for them to act and they are doing that. We did not change conditions. We did lower wholesale tariffs when we lowered the 1Gig price in retail. So, we think there is a fair balance. Of course, regulators will always try to regulate so that is not a surprise for us. But from a legal standpoint we think it is very difficult to declare KPN a dominant player in the Dutch market with a market share of 37.8% and Vodafone Ziggo around 43%. So, we will see. We expect the market analysis and probably they will really look how to regulate us. We are
not that much against regulation. We are much against interfering in pricing because we think the Dutch market is working quite well. But we will see how it works and we will take it step by step but we are pretty confident that we have a very good standpoint and a solid legal standpoint as well in this whole matter.

Matthijs van Leijenhorst (Kepler Cheuvreux): Thank you, much appreciated.

Operator: The next question is from Siyi He, Citi. Go ahead, please.

Siyi He (Citi): Hello, hi, good afternoon and thank you for taking my questions. I just have one and I will probably [...] clarification. My question is on your guidance for your EBITDA. During your conference call you said that you were comfortable to reiterate values and when we look service revenues trajectory and also the cost savings opportunities it sounds like the second half is to become materially easier than the first half. Maybe, if you could walk us through, what kind of potential headwinds we should bear in mind that might mean that EBITDA growth will be less than the number simply implies?

My second question is just a clarification. In your presentation you said that there is a difference between the IT revenues between SME and also the larger enterprises. Just wondering why that is the case and whether that is simply COVID related or if you actually see more delays in public contracts. Thank you very much.

Chris Figee (CFO, KPN): On the first question, Siyi, we confirm our guidance and reiterate our guidance for the year. Is the second half year facing much headwind? Not necessarily; you will recall last year. Q3 last year was very strong and Q4 of last year was a bit weaker. In year-on-year comps you find that the comps on Q3 will be a bit more difficult and the comps in Q4 will be a little bit more easy. I expect the mass-market service revenue developments to continue. You would expect SME to join the bandwagon and to also move to inflection and possibly even some growth. Let us inflect first but there is positive upside there. We will see, as Joost said, the cost reductions kicking in Q3 possibly Q4. With that, we feel confident with the EBITDA outlook, confident with the Free Cash Flow outlook. If anything I am a bit more bullish on Free Cash Flow; I think we can actually surprise a bit on the upside there although of course we need to deliver that first and we can confirm it at the end of Q3. So, that is how we look at the year. Let’s remain prudent and conservative, we reiterate our outlook, confirm what we need to confirm and share with you that on the Free Cash Flow a little bit more upside might be possible.

Joost, do you want to talk about the SME and LCE business?
Joost Farwerck (CEO, KPN): Yes, so your question – if I am not mistaking – on SME and LCE; in SME we said we are almost there and 95% migrated and inflection coming up, minus 6% last quarter and minus 3% now. Looking at all the quarters behind us, we think we are moving in the right trend and that is related to these migrations. On LCE we do the same but we are later and that is because it is less profitable, so we decided to prioritise on that whole SME business. 75% has been migrated in LCE and we also try to do it a little bit more careful than we did in the past on SME. So, let’s see. I think if we fix mass-market revenues like we are currently doing and if we can really show broadband Consumer growth, SME growth, then we have to announce the plan on LCE. That is what we are working on. But I am confident that we can migrate it in the right direction, just as we did on SME.

Siyi He (Citi): That is perfect. Thank you.

Operator: The next question is from Polo Tang, UBS. Go ahead, please.

Polo Tang (UBS): Hi, thanks for taking questions. My first one is really about the COVID impact from here. Can you maybe talk about where your mobile roaming revenues are currently compared to 2019 levels and have you seen much of a bounce back or recovery in Q2? Also, are you seeing any indications of rising bad debt amongst SME or business clients or alternatively are there positive benefits from COVID in terms of people trigging up the fastest of broadband speeds as they work from home? So really, just a question around COVID impacts from here.

The second one is really just coming back to business revenues. You have obviously seen an improvement in terms of SME revenues but declines are continuing in terms of the rest of the business units. So, can you maybe just talk about some of the puts and takes in terms of business revenues from here and how optimistic are you that total business revenues can stabilize as we look at 2022?

Chris Figue (CFO, KPN): Polo, let me answer the question on COVID. If I just talk about revenues first and costs later. On the revenue side there is little roaming revenues kicking in. If I look at the outlook for the year, perhaps roaming revenues could be a few million more but then you think about 2-3 million more. The biggest source of roaming revenues or roaming profits actually are clients travelling across the globe. We see a careful travel inside Europe picking up. We have seen some small pick-up in visitor traffic into the Netherlands. We have seen good development in IoT but again, that is all inside Europe. So, on roaming I am afraid that the upside for the year is € 3 million – that is kind of what it is – compared to last year and it is actually still to happen in Q3 and Q4. Unfortunately, not much there.
On the good news side is that bad debts are not there. We see our clients paying our bills all in time and sometimes earlier than in time. Most of our clients still have quite some cash, so in terms of bad debt we have not seen an increase in write-offs or even hints that require us to increase our bad-debt provisions. So, it all feels stable versus last year.

On the cost side we face a bit of headwind versus last year, meaning that in 2020 we had the strict lockdown in Q2 and no travel, leisure, entertainment or education costs. Today, we have got some home-work allowance. So, on the cost side COVID is a bit of a headwind versus last year simply because the give-back to our employees. All in all, it is flattish with a small potential upside in roaming. In the year-on-year comps some adverse developments when it comes to costs but all in all, it is not a massive impact yet on our results.

**Joost Farwerck (CEO, KPN):** Yes, and on LCE and integration in B2B, I just said that in SME we are moving in the right direction, so we will follow that trend and we worked for quarters on that. We are doing now the same in LCE. Integration is a bit different. Integration is projects we do on large enterprises and we really are improving there. But it goes a bit up and down. Sometimes we invest in costs related to larger projects but all in all, we think that we can run that business more in a stable way already soon. The question is how we strengthen our company by doing that.

On LCE we are doing the same as we did in SME but it is more complicated. It is larger, enterprise customers that have to swap hardware on their side when we start migrating. So, we are more prudent in the whole migration programme than we were on SME. It is mainly about SDH and ISDN services that we really have to migrate because of the lifecycle of the networks and the platforms behind those services but for the rest we think we can replicate the services. So, we are trying to do it a bit smarter and to support our customers not to change all the hardware on their side. We will take our time and after we have done the SME inflection at the end of this year we will work on the LCE. If it is going to happen next year I cannot promise you yet but we will give you more of an update on that at the end of this year, I guess. You know us; the migration works but we try to do it in a bit smarter way than we did in the past.

**Polo Tang (UBS):** Great. Thanks.

**Operator:** The next question is from Jakob Bluestone, Credit Suisse. Go ahead, please.

**Jakob Bluestone (Crédit Suisse):** Good afternoon, thanks for taking the question. I had a question just on your improvement in your Consumer service revenues. Your Fixed and Mobile service revenues both are roughly 2% improvement in growth. I was just hoping you could
maybe break down what drove that. I guess there was an annualization of comps on the 
roaming side but anything else you could call out. It looks like it is mostly ARPU-driven, so was 
it price action or mix change, just to helps us understand what is it that is driving that service 
 improvement in Q2 versus the Q1 run rate.

And then just very briefly, can you also confirm that you have not had any further approaches 
since the press release that you sent out a few months ago? Thank you.

Joost Farwerck (CEO, KPN): On approaches, I do not have that much to announce of course, 
otherwise we would have done that. Like I said, we have carefully considered the two 
approaches and we rejected both unsolicited offers. We are very focused on the execution of 
our own strategy. We think that is the best way to create value. We do not have any new 
information on the whole topic. For us, the most important thing is that we will keep on 
executing on our strategy and show good results there.

Now, for the question on service revenue in Consumer I will hand over to Chris who knows all 
about that.

Chris Figee (CFO, KPN): Very good, Jakob. When it comes to the mobile side, the main driver 
of Mobile service revenues is net adds. We have seen positive net adds growth for a few months 
now. I think it started in early Feb, so March, April, May, June were all months with positive net 
adds in Postpaid, as you also saw in the quarter.

ARPU in Mobile is stable. If you dive a bit deeper, non-committed ARPU is slightly down versus 
last year, committed ARPU is up. Overall ARPU is stable, so no roaming impact just stable 
ARPUs. The ARPU development is mostly driven by a solid share of Unlimited and some gradual 
uptick in clients moving to higher bundles, but by and large in Consumer mobile it is net adds 
with stable ARPUs. When you look at the Consumer Fixed side, we of course have seen some 
decline in net adds in the first quarter and plus one [thousand] organically in the second quarter 
and plus 22 [thousand] from Oxxio, while the Oxxio-impact on one quarter is relatively small.
And then, when it comes to the ARPU we have seen in the fixed ARPU a couple of moving parts, 
some small pressure on the fixed ARPU due to Voip on the Consumer side due to a legacy on 
the Consumer side and in the first quarter lower value added services, which is returned in the 
second quarter with more value added services and effectively stable ARPUs. So, when you look 
at the broadband side, declining net adds in Q1, return to small but not negligible growth in Q2 
and effectively some stable ARPUs. So overall, we found that this year net adds is the main 
driver towards service revenues and as you know we have announced a small price increase, 
inflation, which will kick in in the summer, to support Consumer broadband developments going 
forward. On the Consumer mobile side we continue to see good inflow of net adds.
Jakob Bluestone (Crédit Suisse): Thank you.

Operator: The next question is from Steve Malcolm, Redburn. Go ahead, please.

Steve Malcolm (Redburn): Good afternoon guys and thanks for taking the questions. I will go for a couple. Just so on the Dutch competitive environment we have seen a couple of interesting developments at VodafoneZiggo in the quarter, a broadband-only product for the first time and they also lost the Formula 1 rights impacting their offering. So maybe any thoughts you have on your strategy in response to that and following up on Chris’s comments, any updates you can give us on where the price rises landed and any wrinkles to look for in Q3 as that comes through.

And then, just coming back to the point of Free Cash Flow Chris was making, should we assume that the straining factor is basically working capital? You are 70 [million] ahead in the first half versus last year on working capital. Everything else feels like it is the same; EBITDA, Capex, interest. Is that where the swing factor will be, whether you update guidance in Q3 or not? Thanks.

Joost Farwerck (CEO, KPN): Well, on the competitive environment, the Dutch market is a competitive market. On the other hand, we have seen consolidation in the market. We have seen lower price points been taken out. Like Chris just mentioned, we increased our tariffs and another large player followed a month later. So, on the mobile side, T-Mobile built up a very important Postpaid consumer back-book; they are the largest in the consumer market in the Netherlands, us no. 2 and Vodafone no. 3. So, they are no longer a challenger, they are more or less protecting their back-book. That ends up in a three-player market with a lot of challengers around us, mainly on our network, challengers like Lebara, Lyca, Youfone. They are all wholesale customers of KPN, so there are enough lower-priced propositions out in the market. I think we stand out with the quality play; it is clearly visible that customers in the Netherlands like to pay for quality and for instance 1Gig symmetrical up and down [-load speed] is different than what others can supply in the market. So, I think that is the game we have to play in the environment. Of course, T-Mobile is up for sale but we expect the buyer of T-Mobile also to aim for value creation instead of anything else. So, it is a busy market. We are a small country with a lot of providers but what we did in the last quarters is that we really differentiate in the way we should and that is by leading the quality game and customers like to pay for that.

On Free Cash Flow, Chris?

Chris Figee (CFO, KPN): Yes Steve, on Free Cash Flow indeed you are right. The main change will be on working capital management, which I think is going to support our Free Cash Flow.
One little point of note, last year’s Q3 was very strong, as you recall. Last year Q3 we had a big impact on the working capital, so the delta Free Cash Flow will show up not in Q3 but likely will show up in Q4 driven by working capital. We tightly manage our inventories, tightly manage our payment terms, relationship with vendors and suppliers, smart working capital solutions with them. So, that is kind of the driver of our Free Cash Flow developments. Today, we are €45 million ahead of last year. I do not want to disappoint you but we are not going to be €45 million over last year for the full year but the upside will be mostly there in Q4, driven by working capital and cash management areas.

Steve Malcolm (Redburn): Thanks!

Operator: The next question is from Usman Ghazi, Berenberg. Go ahead, please.

Usman Ghazi (Berenberg): Gentlemen, two questions please. The first one is from the report actually rather than on the presentation. In the report, I think for the first time you specifically outlined that in Consumer you have an ambition to grow service revenues by the end of 2021. Could you perhaps highlight the factors that will get you to that growth number? Because, if I look at the numbers today I see the Legacy decline is 20%. Are they expected to moderate or is the MSR growth expected to pick up? Any colour there would be helpful.

And then just on the shape of the mass-market service revenue trend through the year. I guess in Q3 we should see an additional kick with SME kind of stabilizing from where we are today and then in Q4 you are indicating that Consumers should be growing as well. So, it seems to me that the mass-market service revenue trend is not only sustainable but that it should be getting better through H2. Is that the right way of framing this?

Joost Farwerck (CEO, KPN): Yes, on mass-market service revenues we are positive. We think that we will improve the whole trend of mass-market service revenues in the second half of this year. Like we said, it is our strategy and it is in our plans we announced last year to inflect in the second half of the year. So, that is our holy target. Well, we have seen inflection on the total of things in this quarter and you are right, SME will further improve. It is in the trend. If you look at the quarters behind us, we think year-on-year we will show improvement in the quarters to come in SME. Also on the Consumers side we want to improve further service revenues, supported by all commercial actions. Consumer, end of this year.

Chris Figee (CFO, KPN): On the Consumer side we see Mobile service of revenue growth to continue to grow. Consumer broadband is on the brink. I think we make a good chance to get there, also with the price increases coming up. It depends a bit on how the net adds of course will evolve. Legacy will continue to decline although a decline in Legacy tends to take place in
Q1. That is typically where you step down, so during the remainder of this year you may see some decline but a little bit less. It is a seasonal thing. So, will Consumer service revenues grow? I think we are getting close. Ask us again in Q3 when we have more visibility. The total mass-market service revenue will definitely continue to grow, as SME joins, mobile continues to grow, Wholesale continues to grow and the broadband-side of things is going to be on the brink of growth, with the drag from Legacy actually fading away gradually during the year.

Usman Ghazi (Berenberg): Thank you. My second question was on the regulation. You are obviously right that you have not changed any of your wholesale pricing since the court ruling but I guess what has changed is the nature of the incremental fiber deployment that you announced after the court ruling as a point-to-multipoint network, which gives an excuse to an alternative operator to say that this kind of network discriminates against us in terms of replicating owner economics as the ODF-product that you have out there. Is there any way to reduce the risk from this complaint by an alternative operator that the nature of the fiber deployment is discriminatory or do you not see it like that at all?

Chris Figee (CFO, KPN): As you said correctly, we have not changed anything actually. When you look at what we have offered, we have actually kept the same location with ODF to all our customers. We have kept and reduced wholesale prices a tiny bit in line with the pricing that we reduced for 1Gig in the Consumer market. So, that is all aligned.

When it comes to point-to-multipoint, we have a Virtual Unbundled Local Access (VULA) solution. So effectively, it is an unbundled offer, which we think is actually quite attractive and works very well.

Joost, you want to add to that?

Joost Farwerck (CEO, KPN): Well, you mentioned ODF access and of course, that is the passive access on fiber and that is what we do in most of the fiber areas point-to-point but Wholesale partners only buy it in the really larger areas, on large points of presence. Otherwise, it does not make any sense to roll out your backhaul to these kinds of areas. So, it is a bit theoretical that we have to offer that kind of service in the smaller regions because we have that VULA-service to replace that.

On the other hand, you mentioned the idea of having a different position on the network side. This whole regulation of course is in the first place on our retail market position. But this is all theory, so let’s see what the draft market analysis from our regulator will show. There will be a consultation process and I can assure you that we will join it in great detail. Then we will really understand what the plans are. Like I said, from a legal standpoint and looking at the
way the market has been regulated in the past and also in other countries, we think we have a fair and open network policy that really is serving the whole market.

**Usman Ghazi (Berenberg):** Thank you.

**Operator:** The next question is from Ulrich Rathe, Jefferies. Go ahead, please.

**Ulrich Rathe (Jefferies):** Thank you. I have two questions, please. The first one is on the IPR benefit that you mentioned. Is that one dispute that arose, a big one that came out and that you are highlighting it or are there further instalments of this sort of things coming potentially if it goes your way? Could you confirm that the impact is actually larger than the revenue and EBITDA growth that you had? You talked about revenue and EBITDA growth for the group, which was € 4 million year-on-year, both for revenues and EBITDA, I think the IPR benefit was larger than that potentially, which would mean that the underlying growth in EBITDA is still in decline.

The second question is on the joint venture with APG. In the big picture you have the partner to provide the capital upfront but of course you will pay out to them over time a share of the returns when they come. On the other hand, you now return some of that cash that you got from APG, as you got them in, to shareholders. Could you describe how that creates value for KPN shareholders? It sounds as if you could have accelerated the fiber rollout with your own capital rather than returning it to shareholders. Effectively, what you are saying is, that the returns you could make in fiber are lower than the returns you are making by buying back shares. I was just wondering how you think about that balance. Thank you.

**Chris Figee (CFO, KPN):** Ulrich, on the first question IPR, we do have a regular stream of IPR-type of revenues. It is something that has generated income before and will generate income in the future. It is a bit lumpy so you cannot have it every quarter. It is lumpy in terms of timing and in terms of size but I would say it is almost like a product-fixed set of revenues. If you strip it out, yes, it would impact our EBITDA but at the same time, it is one of the incidentals that goes through our results. In all fairness, if you look at our results last year and this year, and you strip out all those one-offs or semi-one-offs, so lumpy type of revenues, last year you have deltas in holiday provisions, you have deltas in the way we reserve for STIs and LTIs – short-term and long-term incentive programmes for our staff -, you may have other different one-offs. If you strip out all those one-offs and you [ex]clude IPR there as well, you would still have € 3 million to € 4 million EBITDA growth. As you strip one out you strip the other one out as well. The underlying EBITDA growth is still around € 3-4 million in this, quarter on quarter, so Q2 last year to Q2 this year.
When it comes to the joint venture, the share buyback in my mind is not the money we receive from APG. I know it feels like it is the same amount of euros but it is really driven by the organic replicable generation of cash from our group. That is what we are paying out. Effectively not retaining any cash and effectively paying out our Free Cash Flow.

Could we have invested it in fiber? Possibly, but again we separated the JV for a few reasons. One is the cost of capital from our partner, from APG, appears to be lower than our cost of equity, so it is an effective way to fund this business. You might actually argue that the return on capital in buying back your own shares is bigger than the cost of capital from the capital APG provides. But more importantly, we felt that this JV gives us much more flexibility to further accelerate our fiber into a scale that we could not do ourselves or didn’t want to do ourselves without affecting our Free Cash Flow. So, the JV with APG is to me separate from the share buyback. It is relatively low cost of equity capital with a deep pocketed partner that allows to scale up fiber to a level that we would not be able to do ourselves without affecting our Free Cash Flow. Secondly, the ongoing cash generation of the business and the balance sheet that we have, even without the APG joint venture, looks very promising. If we had not done the JV, we still would have come to the same share buyback conclusion. To me, they are separate worlds and you cannot immediately connect them. At least we in our minds do not connect them.

Ulrich Rathe (Jefferies): Very clear. Thank you very much.

Operator: The next question is from David Vagman, ING. Go ahead, please.

David Vagman (ING): Thank you and good afternoon, everyone. Thanks for taking my questions. The first one is on the working capital evolution, also for the coming years. Could you describe the evolution that you expect, in particular in relation with the capital investment, the fiber Capex? How is it evolving? Any positive developments there?

And then in Consumer fiber and the take-up rate, how should we be thinking about the evolution, the progress that you could have on the take-up rate going forward and any potential swing to expect quarter on quarter, lumpiness I would say?

Joost Farwerck (CEO, KPN): Well, to start on fiber, what we see is an improvement in the take-up rate and that is also because of a change in our strategy. When we enter a new fiber area we are focused on migrating as many customers as we can to fiber in the first wave. In the past we did that later, in the second wave. We are in the middle of improving our total performance there, so end-to-end customer service, the sales people and the rollout, the network organization, hand-in-hand. It is very important business and we are working to
improve it on a daily base. So, it is very important to improve the take-up. Currently, we are doing well and we keep on focussing on upgrading customers faster and sooner to fiber. It is also new for us, because in the past we rolled out like 250,000 lines per year and now we do 500,000, including APG in one and a half year from now maybe 700,000 or 750,000, so that is a lot. We are working on 100 areas at the same time, so we are building, selling and delivering all in the same time in 100 different areas on new fiber. We also have other areas, so it is really something we are trying to optimize but this is one of the most important topics. The upgrade to fiber faster than we did in the past. That is one of our main KPIs.

On working capital?

Chris Figee (CFO, KPN): That has become my hobby since I joined KPN. When you look at working capital. The increase in fiber rollout has a negative implication for working capital, as a portion of the cash is paid upfront to the construction company. So effectively, it is not even the level of fiber but the delta in fiber that is driving the amount of the working capital drag that we have. This year is the last year that we have a big increase in our fiber rollout. From next year it will be stable at the level that we reach this year, as we committed to on our Capital Markets Day. So, 2021 is the last and final year of an increase in fiber rollout on our own balance sheet. That drives an investment in working capital. So, this year we still commit investments and capital to working capital. There will still be a drag on cash flow albeit it a lot less than last year. All our measures that we are taking today are countering that working capital drag by taking other measures to optimize the other parts of working capital. That means that this year we will still have an investment in working capital; from next year the investment will be very close to flattish unless of course our business grows massively or we have more inventory. But we will sort that out right then. So, I would think this year the commitment of cash in working capital for the last year, countered and mitigated by working capital measures. Next year the investment in working capital will be a lot smaller and very close to zero.

David Vagman (ING): Thank you very much. Just one very quick follow-up. On the swing in the take-up rate should we expect any particular swing, from one quarter to the other given the super large scope of the rollout?

Joost Farwerck (CEO, KPN): Well, you saw the swing in this quarter. The more we roll out, the more we will push the upgrades. But this is where we are. Like I said, it is super important for us to further improve there. We are already doing much better than we did in the past. In the coming quarters we will give you more updates on how we do the fiber thing but that is of course one of our challenges looking forward.

David Vagman (ING): Thank you very much.
Operator: The next question is from Luigi Minerva, HSBC. Go ahead, please.

Luigi Minerva (HSBC): Thank you for taking my questions. The first one is on the pace of the fiber deployment. Clearly, it is gaining speed. I was wondering if you can share with us your kind of key learning points. How have you improved in your fiber deployment compared to a year or two years ago? Do you still see some room for further improvement, for example in the way you do the digging or in the way you get the authorizations? I appreciate also the nature of the market is a bit one where you have also different types of deployments and there is an element of who gets there first in a given area, so probably you also improved on that respect.

My second question is on the wholesale relationship with the JV. When the JV will start deploying fiber KPN’s Retail business will wholesale fiber access from the JV. What are going to be the terms of that wholesale access and how will that impact your P&L and cash flow? Thank you.

Joost Farwerck (CEO, KPN): Well, on the speed of rolling out fiber I can mention three important drivers to speed it up for us, at least. The first one is capacity. I think the most important change we did at the end of last year is that we locked in a lot of construction capacity for the years to come. So, in the past we did that more on a quarterly base; when one quarter was done we asked for more capacity for quarters in a row. But that does not give enough confirmation to these contractors. They like to have long-term visibility on the portfolio and for a good reason, because then they plan more efficiently in some areas in the Netherlands. So, we worked out a plan for the whole of the Netherlands together with these contractors and we signed off the construction plans for the years to come. That is an important partnership we built there. Of course, we know all these contractors but now it is really about longer-term partnerships we did together. The way we rollout changed. In the innovation part of construction together with contractors we can speed up the rollouts by improving the way we connect households. It is a bit technical but instead of bringing all the hardware into households we can pre-install more equipment outside the household, dug in the ground, perfectly sealed but in a more efficient way than we did in the past, to connect all customers when they order for a fiber line. The third thing is that every municipality has its own plan. We build for every municipality, every village a plan. You have to go to these civil servants for a permit. It works different in different areas. We have an organization working on the permits for also the years to come. Because if you try to rollout fiber, digging a hole and putting fiber in it, that is the easiest part. That is probably taking two weeks. The rest of the twelve months is all about engineering, permits, and construction planning with your contractors. That whole plan, that we have improved and that gives us the opportunity to rollout faster and with far more capacity. These are the most important changes, I would say, in the fiber rollout.

On the JV interface?
Chris Figee (CFO, KPN): Luigi, let me first outline to you how the financial interaction within KPN and the JV works and how the JV works. The JV itself provides fiber in wholesale broadband access. To this extent the JV has a passive fiber product and procures the active layer, the access services from KPN. So, KPN provides at cost the active layer to the JV, which will be added to the JV's passive lines for wholesale broadband access. Which means in practice for KPN, as being one of the wholesale clients of that JV – we hope and count on other wholesale clients – that if we sell fiber in a JV area the Consumer unit books Consumer revenues, our TDO and Network unit pays wholesale broadband access fees to the JV and the JV pays pack a compensation for the active layer to KPN in the segment Other. That will be how this thing will float through the KPN P&L. The impact of KPN will be relatively small in the beginning; the JV has 12,000 homes passed right now. I think we are going to add 70,000 to 80,000 fiber-to-the-home connections to the JV for this year. So, in 2021 the impact will be relatively small. But I think next year, with the JV, we will ramp up to 150,000 to 200,000 fiber-to-the-home rollouts. So I guess in the course of next year, the second half of next year in 2023, this could become meaningfully large. So, as I said, streams through the Consumer revenues, in Network and the segment Other, but this thing will be really impacting our P&L at more size in the second half of next year and in 2023. We will also see in the minority interest line of KPN a stake that we have in the profit in the JV.

Joost Farwerck (CEO, KPN): Although we will see some more opex in our company because of this construction, the whole business case is also upfront consolidation still very interesting for us, because with the JV we focus on areas where we have a lower market share and the business opportunity in total of things is very interesting for us altogether. The total business case, also in the first years, works quite well.

Luigi Minerva (HSBC): Right. Thank you very much.

Reinout van Ierschot (Head of IR, KPN): Okay. Thank you, Joost and Chris. That concludes the Q2 call. If there are any further questions, please contact the Investor Relations team. Thank you.

[END OF TRANSCRIPT]