

KPN delivers on FY 2021 ambitions with sustainable growth in mass-market service revenues

- Solid progress ‘Accelerate to grow’ strategy
- Turnaround SME established, strong mobile momentum and improving broadband trends in Consumer
- FY adjusted EBITDA AL up to € 2,347m (+1.2% y-on-y) amid improving service revenues and lower cost base
- Fiber rollout 433k HP at fastest pace ever in the Netherlands (>500k homes passed including Glaspoort)
- Best mobile network and fastest 5G position in the Netherlands retained
- Only telco in the World Dow Jones Sustainability Index for ten consecutive years
- Steadily improving ROCE to 11.0%, reflecting shareholder value creation
- 2022 outlook; adj. EBITDA AL of ~€ 2,400m, Capex of € 1.2bn, FCF of >€ 825m
- New € 300m share buyback and 5.1% DPS growth, returning over € 850m to shareholders in 2022

Message from the CEO, Joost Farwerck

“In 2021, we continued to make good progress against our strategic and financial ambitions. We delivered growth in mass-market service revenues; a clear proof point of the success of our strategy and an important step towards sustainable top-line growth for KPN. SME service revenues grew for the second quarter in a row, providing momentum and confidence that we can stabilize our total business segment service revenues by the end of 2022. In Consumer, fiber and our converged portfolio are delivering revenue growth. Mobile service revenues are now growing and fixed service revenues are stabilizing. Wholesale continued to make a strong contribution, thanks to our successful open wholesale access policy. The commitment shown by my colleagues towards customer centricity has been paying off, as illustrated by customer satisfaction improvements in both Business and Consumer.

To remain the undisputed quality leader in the Netherlands, we accelerated our fiber rollout to unprecedented levels. In 2021, we added a record number of households to our fiber footprint, together with Glaspoort even over half a million households this year and we are well on track to deliver 80% coverage of Dutch households by 2026. The efforts to modernize our mobile network are paying off. We have been awarded the Ookla best mobile network in the Netherlands for the third time in a row; proving KPN offers the fastest 5G speeds and best coverage in the Dutch market, and we see more and more customers benefiting from this. Our mobile base expanded for business and consumer customers, we see continued growth in the SME broadband base, and we also delivered small growth in consumer broadband. In a world heavily dependent on digital interactions, the stability and reliability of our networks is fundamental and the importance of cyber security is becoming more evident every day, for which reason we continue to put security first. I highly value the contributions of our determined people who every day go all out to connect everyone in the Netherlands to a sustainable future.

We are fully committed to create long-term value for all our stakeholders in a sustainable way and have delivered on our 2021 outlook and ambitions. Although cost savings were moderate, productivity increased considerably and improving service revenues supported growth in EBITDA, while Free Cash Flow exceeded our guidance. The overall progress made in 2021 illustrates the successful execution of our strategic plan. This drives future growth and combined with our strong financial position, this enables us to considerably grow shareholders returns for 2022 through a growing dividend and new share buyback.”

Key figures

Group financials (unaudited) (in € m, unless stated otherwise)	Q4 2020	Q4 2021	Δ y-on-y	FY 2020	FY 2021	Δ y-on-y
Adjusted revenues	1,354	1,359	+0.3%	5,275	5,256	-0.3%
Adjusted EBITDA AL	561	584	+4.1%	2,320	2,347	+1.2%
As % of adjusted revenues	41.4%	43.0%		44.0%	44.7%	
Operating profit (EBIT)	223	253	+13%	912	1,862	>100%
Net profit	174	157	-9.7%	561	1,283	>100%
Capex	289	332	+15%	1,147	1,216	+6.0%
As % of adjusted revenues	21.3%	24.4%		21.8%	23.1%	
Operational Free Cash Flow	272	252	-7.5%	1,172	1,131	-3.5%
As % of adjusted revenues	20.1%	18.5%		22.2%	21.5%	
Free Cash Flow	268	251	-6.2%	765	784	+2.5%
As % of adjusted revenues	19.8%	18.5%		14.5%	14.9%	
Net debt				5,332	5,307	
ROCE				10.1%	11.0%	

Continued strong operational momentum

- **Consumer:** mobile service revenues showed sustainable continued growth for the third quarter in a row, growing 1.9% y-on-y in Q4 2021 driven by base growth and stable ARPU
 - Fixed-Mobile households: +11k (Q3 2021: +7k); Fixed-Mobile ARPA at € 83 (+1.9% y-on-y)
 - Broadband: +42k fiber net adds (Q3 2021: +36k), total broadband net adds +3k (Q3 2021 flat)¹
 - Postpaid: +17k net adds (Q3 2021: +27k); ARPU stable at € 17 (+0.8% y-on-y)
 - NPS improved y-on-y to +16 (Q4 2020: +11); driven by quality and customer journey improvements
- **Business:** sequential growth in SME service revenues, driven by good base developments in broadband and mobile
 - Mobile SIMs: +21k net adds (Q3 2021: +40k); SME +20k (Q3 2021: +20k)
 - NPS improved to +4 (Q4 2020: -2); driven by customer centricity and reliability of products and services
- **Wholesale:** success of open wholesale policy illustrated by continued revenue growth and base growth
 - Broadband lines: +21k net adds (Q3 2021: +18k)
 - Postpaid SIMs: +29k net adds (Q3 2021: +33k)
- **Network:** fiber rollout highest production ever in the Netherlands in 2021 with 433k HP (507k HP incl. Glaspoort 74k)
 - Fiber rollout: +121k HP in Q4 2021 (Q3 2021: +93k HP)
 - In Q4 activated 58k households, FY 2021 activations +237k
 - Best mobile network in the Netherlands with best coverage and fastest 5G in 2021 (Ookla mobile network award)
- **Cost savings:** Net indirect opex savings of € 21m in Q4 with FY 2021 savings totaling € 47m

Solid financial performance

- Q4 2021 **adjusted revenues** increased 0.3% y-on-y mainly due to continued mass-market service revenue growth (+1.5% y-on-y). Mobile service revenues grew in Wholesale (+24% y-on-y), SME (+2.8% y-on-y) and Consumer (1.9% y-on-y). FY 2021 adjusted revenues showed a small decline of -0.3% y-on-y, with mass-market service revenue growth (+0.6% y-on-y) offset by lower LCE and Tailored Solutions service revenues
- Q4 2021 **adjusted EBITDA AL** increased 4.1% y-on-y, supported by growing mass-market service revenues and cost savings. FY 2021 adjusted EBITDA AL increased 1.2% y-on-y driven by higher mass-market service revenues and a lower cost base. Adjusted EBITDA AL margin increased to 44.7% (FY 2020: 44.0%)
- Q4 2021 **net profit** of € 157m decreased € 17m y-on-y, mainly impacted by higher income taxes. FY 2021 net profit of € 1,283m is mainly impacted by Glaspoort effects (net effect € 651m). Excluding Glaspoort incidentals, FY 2021 net profit would have increased 11% y-on-y
- **Capex** increased € 43m y-on-y in Q4 2021. FY 2021 Capex increased € 69m y-on-y driven by the accelerated fiber rollout
- **Operational Free Cash Flow in Q4 2021** of € 252m decreased 7.5% y-on-y solely due to higher Capex. FY 2021 Operational Free Cash Flow decreased 3.5% y-on-y
- **Q4 2021 Free Cash Flow** of € 251m decreased € 17m y-on-y, mainly due to higher Capex and taxes, partially offset by positive impact from release of provisions. FY 2021 Free Cash Flow increased € 19m as higher Capex and cash taxes paid were more than offset by higher EBITDA, lower cash interest paid and cash restructuring
- Steadily improving **ROCE** to 11.0% in FY 2021 (+90bps y-on-y), driven by higher NOPLAT

Outlook for 2022 and 2023 ambitions

KPN achieved its FY 2021 outlook. The FY 2022 adjusted EBITDA AL outlook is set at approximately € 2,400m. Capex will stay stable at € 1.2bn. The 2022 Free Cash Flow outlook is set to more than € 825m. The expected dividend payout over 2022 is € 14.3 cents per share (+5.1% y-on-y). KPN announces a new share buyback program of € 300m in 2022. For 2023, KPN reiterates its ambitions for adjusted EBITDA AL and Free Cash Flow as communicated at the Strategy Update, and sets Capex at a stable level of € 1.2bn. KPN intends to pay a regular dividend per share of € 13.6 cents over 2021. The final regular dividend of € 9.1 cents is subject to shareholder approval at the Annual General Meeting of Shareholders on 13 April 2022. The provisional ex-dividend date is 19 April 2022, and the provisional payment date is 22 April 2022.

	Achievements FY 2021	Outlook FY 2022	Ambitions 2023
Adjusted EBITDA AL	€ 2,347m	~€ 2,400m	>€ 2,450m
Capex	€ 1,216m	€ 1.2bn	€ 1.2bn
Free Cash Flow	€ 784m	>€ 825m	>€ 870m
Regular DPS	€ 13.6ct	€ 14.3ct, +5.1% y-on-y	Progressive dividend, +3-5% annual growth
Share buyback	€ 200m	€ 300m	

¹ Corrected for migrations to, and new customers of, business propositions (10k in Q4 2021, 7k in Q3 2021, 8k in Q2 2021, 8k in Q1 2021, 8k in Q4 2020)

Financial review KPN Group Q4 and FY 2021

Key financial metrics

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q4 2020	Q4 2021	Δ y-on-y	FY 2020	FY 2021	Δ y-on-y
Service revenues	1,225	1,228	+0.2%	4,877	4,839	-1.1%
Non-service revenues & other	130	131	+1.1%	398	417	+4.9%
Adjusted revenues	1,354	1,359	+0.3%	5,275	5,256	-0.3%
Cost of goods & services	355	358	+0.9%	1,284	1,298	+1.1%
Personnel expenses	229	221	-3.3%	892	863	-3.3%
IT/TI	89	80	-9.2%	328	316	-3.5%
Other operating expenses	84	81	-4.4%	300	290	-3.3%
Total adjusted opex	757	740	-2.2%	2,803	2,767	-1.3%
Depreciation right-of-use asset	31	30	-4.5%	130	123	-5.7%
Interest lease liabilities	5	4	-16%	22	20	-10%
Total adjusted indirect opex after leases	438	417	-4.9%	1,671	1,611	-3.6%
Adjusted EBITDA AL	561	584	+4.1%	2,320	2,347	+1.2%
<i>As % of adjusted revenues</i>	<i>41.4%</i>	<i>43.0%</i>		<i>44.0%</i>	<i>44.7%</i>	
Operating profit (EBIT)	223	253	+13%	912	1,862	>100%
Net profit	174	157	-9.7%	561	1,283	>100%
ROCE*				10.1%	11.0%	
FTE own personnel (#)				10,102	9,699	-4.0%

* ROCE is calculated on a 4-quarter average rolling basis

Q4 2021

Adjusted revenues increased 0.3% y-on-y. Mass-market² service revenues increased 1.5% y-on-y driven by continued growth in SME and Consumer mobile and ongoing momentum in Wholesale. This was offset by a consumer fixed service revenue correction in Q1 2021 which partly impacted Q4 2020, lower subcontractor revenues at B2B and lower hardware non-service revenue sales. Adjusted service revenues increased 0.2% y-on-y.

Cost of goods and services increased 0.9% y-on-y due to higher costs related to hardware sales, and higher acquisition and retention costs in Consumer. Personnel expenses declined 3.3% y-on-y, driven by fewer personnel due to the ongoing digital transformation of KPN and a highly competitive labor market. IT/TI expenses declined 9.2% y-on-y and adjusted other opex declined 4.4% y-on-y. Further simplification and digitalization of the company resulted in a decline of 2.2% of total adjusted indirect opex, translating into € 21m net indirect opex savings.

Adjusted EBITDA AL increased 4.1% y-on-y mainly due to growing mass-market service revenues and cost control. Adjusted EBITDA AL margin increased to 43.0% (Q4 2020: 41.4%).

Net profit of € 157m decreased € 17m y-on-y, impacted by higher income tax in Q4 2021.

FY 2021

Adjusted revenues declined 0.3% y-on-y, impacted by an € 8m one-off correction in Q1 2021 to Consumer Fixed service revenues related to the timing of revenue recognition in 2020. Corrected for this, adjusted revenues decreased 0.2%.

Cost of goods and services increased 1.1% y-on-y due to higher traffic, and higher acquisition and retention costs. Personnel expenses declined 3.3% y-on-y due to the ongoing transformation of KPN and a highly competitive labor market, making it tougher to fill vacancies. IT/TI expenses declined 3.5% y-on-y. Total net indirect opex savings for FY 2021 were € 47m.

The effect of lower revenues was fully offset by lower indirect opex, leading to an increase of 1.2% adjusted EBITDA AL in 2021. FY adjusted EBITDA AL margin increased from 44.0% to 44.7% y-on-y. FY 2021 net indirect opex savings amounted to € 47m, supported by lower personnel and IT/TI expenses. KPN delivered on its FY 2021 adjusted EBITDA AL outlook, whereas the build-up of earnings growth was driven more by mass-market service revenue growth than initially forecasted. Net indirect cost savings were somewhat lower than initially planned, mainly due to additional costs to support revenue growth and customer satisfaction, higher employee related provisions and less tailwind from COVID-related savings than in 2020. KPN recognizes that it will continue to incur additional costs related to investments to sustain revenue growth, but also higher opex for Glaspoort and the

² Mass market consists of Consumer, SME and Wholesale segments

effects of higher inflation are affecting its indirect cost savings run-rate. On the other hand, these factors are expected to have a positive effect on revenues and therefore the net effect on EBITDA is expected to be neutral. KPN remains fully focused to reduce indirect costs and still aims to deliver the earlier communicated cost savings target, but foresees that this will take additional time beyond 2023. KPN expects ~€ 50m net indirect cost savings in 2022. The changing mix of EBITDA generation is not impacting KPN's outlook for EBITDA growth in the coming years, with a FY 2022 outlook of ~€ 2,400m and reiteration of the 2023 ambition of at least € 2,450m.

Operating profit (EBIT) of € 1,862m increased € 950m y-on-y, mainly impacted by an € 830m book gain related to the 'Glaspoort' transaction and other incidentals (incl. €13m release of provisions in Wholesale in Q3, and € 15m book gain on the extended Glaspoort scope in Q4). Excluding all incidentals, operating profit would have increased by € 108m y-on-y driven by lower depreciation and amortization.

Net profit of € 1,283m increased € 722m y-on-y, mainly impacted by net effects of € 651m related to the 'Glaspoort' transaction. Excluding this incidental, net profit would have increased by € 71m (net of tax) mainly driven by higher operating profit and lower finance costs partially offset by higher income tax.

ROCE was 11.0% FY 2021, an increase of ~90 basis points compared to FY 2020 (10.1%). This increase was mainly driven by higher NOPLAT as operational efficiency increased, driven by cost control. Capital employed increased with 0.2% y-on-y to € 7,194m.

Financial position

Group financials (unaudited) (in € m, unless stated otherwise)	Q4 2020	Q4 2021	Δ y-on-y	FY 2020	FY 2021	Δ y-on-y
Operational Free Cash Flow	272	252	-7.5%	1,172	1,131	-3.5%
As % of adjusted revenues	20.1%	18.5%		22.2%	21.5%	
Free Cash Flow	268	251	-6.2%	765	784	+2.5%
As % of adjusted revenues	19.8%	18.5%		14.5%	14.9%	
Net debt				5,332	5,307	
Gross debt				6,197	6,400	
Cash & short-term investments				864	1,093	
Leverage ratio*				2.3x	2.3x	
Interest cover ratio**				9.9x	11.2x	
Credit ratings				Rating	Outlook	
Standard & Poor's				BBB	Stable	
Fitch Ratings				BBB	Stable	
Moody's				Baa3	Stable	

* Net debt (excl. leases) / LTM adjusted EBITDA AL

** LTM adjusted EBITDA AL / LTM Net interest paid (excl. lease interest, incl. perpetual hybrid coupon)

FY 2021

Operational Free Cash Flow of € 1,131m was 3.5% lower y-on-y due to higher Capex, driven by the accelerated fiber rollout. Free Cash Flow of € 784m increased € 19m, or 2.5% y-on-y. Higher Capex and cash taxes paid were more than offset by more favorable working capital developments, lower cash interest paid and cash restructuring. Free Cash Flow margin improved ~40 basis points to 14.9%.

At the end of Q4 2021, net debt amounted to € 5,307m, € 14m higher compared to end Q3 2021. The increase in net debt was mainly driven by tax payments and the share buyback program (€ 110m in Q4), partly offset by Free Cash Flow generation during the quarter.

KPN issued a € 700m Sustainability-linked bond in November 2021 in accordance with its Sustainability-Linked Finance Framework and links the coupon of the bond to its commitment to reduce Scope 3 CO₂ emissions by the end of 2030.

KPN had a strong balance sheet and liquidity position at the end of Q4 2021. Nominal debt outstanding was € 6,868m including € 60m short-term commercial paper. KPN's committed liquidity consisted of € 1,093m cash & short-term investments and a € 1.0bn undrawn revolving credit facility which covers debt maturities through 2024. At 31 December 2021, the net debt to EBITDA ratio was 2.3x (Q3 2021: 2.3x). KPN's interest cover ratio was 11.2x at the end of the fourth quarter (Q3 2021: 11.4x). At 31 December 2021, the weighted average cost of senior debt was 2.69%, 19 basis points lower y-on-y (Q4 2020: 2.88%).

At the end of Q4 2021, Group equity amounted to € 3,230m, € 100m higher compared to the end of Q3 2021. This was driven by net income generated during the quarter, partly offset by € 110m of shares repurchased in Q4. KPN repurchased 73,684,157 ordinary shares at an average price of € 2.71 per share under the € 200m share buyback in 2021. The shares will be cancelled during Q1 2022.

Capex

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q4 2020	Q4 2021	Δ y-on-y	FY 2020	FY 2021	Δ y-on-y
Fiber rollout	91	106	+18%	295	407	+38%
Customer driven	42	41	-0.7%	155	157	+1.6%
Other	156	184	+18%	698	652	-6.6%
Capex	289	332	+15%	1,147	1,216	+6.0%
<i>As % of adjusted revenues</i>	<i>21.3%</i>	<i>24.4%</i>		<i>21.8%</i>	<i>23.1%</i>	

Capex was € 332m in Q4 2021. FY 2021 Capex increased € 68m y-on-y to 23.1% of adjusted revenues (FY 2020: 21.8%) as investments in fiber rollout increased by € 112m (+38%) to € 407m. Customer driven Capex increased to € 157m in order to support mass-market service revenue growth by investments in e.g. CPE's, and mechanics. Other Capex declined by € 48m (-6.6% y-on-y), mainly driven by lower investments in copper infrastructure, IT, and mobile access. The percentage of Other Capex over adjusted revenues declined by 86bps y-on-y to 12.4% (FY 2020: 13.2%).

Personnel

# FTE own personnel by segment at the end of the period <i>(unaudited)</i>	FY 2020	FY 2021	Δ y-on-y	Δ y-on-y
Consumer	2,519	2,566	+48	+1.9%
Business	2,829	2,694	-135	-4.8%
Wholesale	202	213	+11	+5.4%
Network, Operations & IT	3,525	3,232	-293	-8.3%
Other	1,027	993	-33	-3.2%
KPN Group	10,102	9,699	-403	-4.0%

At the end of 2021, KPN employed 9,699 own personnel (in FTEs). This is 403 FTE lower compared to the end of 2020, whilst also insourcing ~400 FTE external personnel. The decline in personnel is mainly related to KPN's simplification and digitalization program supported by restructurings in KPN's Business and Network, Operations & IT organization, and natural attrition.

Financial and operating review per segment Q4 and FY 2021

Consumer

Segment financials (unaudited) (in € m, unless stated otherwise)	Q4 2020	Q4 2021	Δ q-on-q	Δ y-on-y	FY 2020	FY 2021	Δ y-on-y
Fixed-Mobile service revenues	360	371		+3.2%	1,416	1,455	+2.7%
Fixed-only service revenues	201	196		-2.9%	810	779	-3.9%
Postpaid-only service revenues	60	60		-0.3%	242	241	-0.6%
Legacy/other service revenues	31	25		-17%	135	109	-19%
Adjusted Consumer service revenues	652	652		+0.1%	2,604	2,584	-0.8%
Non-service & Other revenues	80	78		-2.8%	259	273	+5.5%
Adjusted Consumer revenues	732	731		-0.3%	2,863	2,857	-0.2%
Households (k)							
Fixed-Mobile households	1,475	1,496	+11	+1.5%			
Fixed-only households	1,297	1,270	-15	-2.1%			
Postpaid-only households	780	766	-6	-1.8%			
Total Consumer households	3,551	3,532	-10	-0.5%			
ARPA (€)							
ARPA Fixed-Mobile households	81	83		+1.9%			
ARPA total Consumer households	58	59		+1.6%			
NPS Consumer	11	16	+1	+5			

KPN achieved consistent mobile service revenue growth over the last three quarters. In 2022, KPN's ambition is to broaden this trend to fixed service revenues. The underlying trend is already improving, as fiber broadband service revenue growth is offsetting the copper decline. KPN's strategy for the consumer market is focused on being the preferred digital partner for households through (i) the best digital access with fiber, 5G, and in-home WiFi; (ii) the best digital omni-channel experience with a mobile-first and app-centric customer approach; and (iii) the best digital third-party services through entertainment partnerships.

Q4 2021

In Q4 2021, KPN announced a new long-term distribution partnership with Viaplay, which means that KPN will continue to offer its customers access to all Formula 1 races. KPN's retail stores have seen a slowdown in traffic, both due to the introduction of new COVID-19 measures and KPN's decision, together with its main competitors, to remove (valuable) phones from its stores after a streak of robberies.

Adjusted Consumer service revenues remained stable y-on-y. Service revenue growth in KPN's Fixed-Mobile portfolio of +3.2% y-on-y was offset by declining service revenues from KPN's Legacy portfolio (-17% y-on-y), such as traditional fixed voice. Fixed-only service revenues and Postpaid-only service revenues declined -2.9% and -0.3% y-on-y respectively. Consumer non-service revenues declined -2.8%.

KPN's Fixed-Mobile household base grew with 11k to 1,496k and represents 54% of total Fixed households. Fixed-Mobile ARPA increased 1.9% y-on-y to € 83.

KPN activated 43k fiber households in the quarter (Q3 2021: +36k). The continued growth in KPN's fiber base and successful Black Friday marketing campaign led to a small growth in the total broadband base of +3k³ net adds (Q3 2021: flat). Fixed ARPU increased 0.9% y-on-y to € 50, supported by price adjustments introduced in July 2021 and inflow of higher speeds.

Consumer mobile service revenues showed continued momentum despite the closing of retail stores and increased 1.9% y-on-y (Q3 2021: +2.4%). KPN's postpaid base improved markedly with 17k net adds (Q3 2021: +27k). Postpaid ARPU was € 17 and increased 0.8% y-on-y, driven by the commercial success of Unlimited bundles. Postpaid-only ARPA increased 1.7% to € 26.

In Q4 2021, Consumer NPS increased to +16 (Q4 2020: +11, Q3 2021: +15). KPN successfully invested in quality improvements in customer journeys and customer service delivery, such as further improvements in the MijnKPN app and a new online shop.

³ Corrected for migrations to, and new customers of, business propositions (Q4 2021: 10k, Q3 2021: 7k, Q2 2021: 8k, Q1 2021: 8k)

FY 2021

Adjusted Consumer revenues declined -0.2% y-on-y, impacted by an € 8m one-off correction on Consumer Fixed service revenues in Q1 2021 related to timing of revenue recognition in 2020. Corrected for this one-off, adjusted Consumer revenues were broadly stable (+0.1% y-on-y). Declining service revenues from KPN's Legacy, Fixed-only and Postpaid-only portfolio were partially offset by higher service revenues from KPN's Fixed-Mobile converged portfolio.

Business

Segment financials (unaudited) (in € m, unless stated otherwise)	Q4 2020	Q4 2021	Δ q-on-q	Δ y-on-y	FY 2020	FY 2021	Δ y-on-y
SME service revenues	135	142		+4.8%	552	549	-0.5%
LCE service revenues	176	164		-6.8%	713	657	-7.9%
Tailored Solutions service revenues	116	111		-4.5%	442	426	-3.5%
Adjusted Business service revenues	428	417		-2.5%	1,706	1,633	-4.3%
Non-service & Other revenues	46	48		+4.5%	135	130	-3.5%
Adjusted Business revenues	473	465		-1.9%	1,841	1,762	-4.3%
KPIs (k)							
Broadband lines	342	353	+8	+11			
Mobile SIMs	1,906	2,021	+21	+115			
NPS Business	-2	+4	+1	+6			

In Business, KPN has a clear segmented customer focus for SME, LCE and Tailored Solutions. In SME, KPN reached the inflection point ahead of schedule, with increasing service revenues from Q3 2021 onwards through finalizing migrations and cross-sell opportunities from the KPN EEN platform. The LCE strategy is fully aligned with KPN's focus on the Smart Combinations portfolio, but transformation is lagging SME. Tailored Solutions offers the full range of B2B services for its largest customers and focuses on sustainable customer relationships and value. KPN expects to deliver stabilizing service revenues in the Business segment by the end of 2022.

Q4 2021

The transformation of the B2B segment is taking shape, with an increasing customer base for both mobile (+21k) and broadband (+8k incl. migrations from Consumer). In Q4 2021 SME services revenue showed sequential growth at 4.8% y-on-y (Q3 2021: +2.9%). The underlying base developments were favorable in core products with 20k net adds in mobile and 7k net adds in SME broadband. KPN's target portfolios with standardized products are contributing to stable NPS and increased up and cross-sell opportunities, especially with its mobile unlimited proposition.

Adjusted Business revenues declined -1.9% y-on-y, with revenue decline in Tailored Solutions and LCE partly offset by SME service revenue growth. Non-service revenues increased with +4.5% y-on-y.

SME service revenues increased +4.8% y-on-y, and has now shown two quarters of solid growth (Q3 2021: +2.9%). Continued growth in Mobile, Broadband & Network Services and IT Services was partly offset by lower revenues from Fixed Voice. Mobile service revenues showed growth (+2.8% y-on-y) following a period of declines as the impact from the competitive mobile market was offset by an uptake of unlimited bundles and an increasing mobile base. KPN's mobile base grew further with an additional 20k (Q3 2021: +20k). Broadband & Network Services also showed continued double-digit growth, revenues increased 15% y-on-y driven by a growing customer base of +7k net adds (Q3 2021: +7k). IT Services increased 40% y-on-y, mainly driven by Cloud & Workspace services. Fixed Voice revenues declined 10% y-on-y due to ongoing customer migrations and line rationalization.

LCE service revenues declined -6.8% y-on-y, mainly due to market competition and price pressure. Access & Connectivity revenues decreased with 5.4% y-on-y, mainly due to rationalization of LCE access and VPN portfolio. IT Services revenues decreased with 11% y-on-y mainly due to portfolio rationalization and optimization. KPN continues to see good base developments and migrations to target portfolio. At the end of Q4 2021, 83% of LCE customers (Q4 2020: 76%)⁴ had migrated to a future-proof integrated portfolio.

Tailored Solutions service revenues declined 4.5% y-on-y, mainly driven by less low-margin revenues from subcontractors compared to Q4 2020.

⁴ Eligible customers migrated from traditional fixed voice or legacy broadband services

Business NPS improved y-on-y to +4 (Q4 2020: -2, Q3 2021: +3) driven by customer migrations to target portfolios which have higher customer satisfaction levels. Customers appreciate the stability, reliability and quality of KPN's products and services.

FY 2021

Adjusted Business revenues declined -4.3% y-on-y. Corrected for the divestment of KPN Consulting (€ 17m revenues in Q1 2020), the adjusted revenue trend was -3.4% y-on-y.

Wholesale

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q4 2020	Q4 2021	Δ q-on-q	Δ y-on-y	FY 2020	FY 2021	Δ y-on-y
Mobile	33	41		+24%	138	156	+13%
Broadband	65	70		+8.6%	232	272	+17%
Other	61	55		-10%	245	233	-5.2%
Adjusted Wholesale service revenues	159	166		+4.7%	615	660	+7.3%
Non-service & Other revenues	2	1		-57%	8	2	-70%
Adjusted Wholesale revenues	161	167		+4.0%	624	663	+6.3%
# Customers (k)							
Postpaid SIMs	543	659	+29	+115			
Broadband lines	1,046	1,101	+21	+55			

In Wholesale, KPN continues its open access policy to offer access to third-party operators. Fiber contributes to continued growth of broadband network penetration. In Q4 2021, the interlocutory proceedings on the timelines of the copper decommissioning program ended favorably, which means that KPN will continue its copper shutdown as planned. The ACM Fixed Access Market review consultation process is expected to start before the end of Q1 2022.

Q4 2021

KPN renewed multi-year agreements with Budget Thuis and Youfone this quarter, providing evidence of KPN's attractive open wholesale policy on reasonable and non-discriminatory terms.

Adjusted Wholesale service revenues increased 4.7% y-on-y, driven by higher Broadband and Mobile service revenues.

Fiber continues to contribute to broadband network penetration growth. Broadband service revenues increased 8.6% y-on-y. Wholesale added +21k broadband lines in Q4 2021. The sum of total broadband net adds between Consumer and Wholesale was +24k⁵ in Q4 2021.

Mobile service revenues increased 24% y-on-y, driven by a growing postpaid mobile base and increase in large account SMS. Wholesale added +29k postpaid SIMs during the quarter.

Other service revenues decreased -10% y-on-y, mainly due to lower interconnect traffic and regulated tariffs, partly offset by higher traffic towards COVID service-numbers.

FY 2021

Adjusted Wholesale revenues increased 6.3% y-on-y, largely driven by growing Broadband and Mobile service revenues.

⁵ Corrected for Consumer migrations to, and new customers of, small business proposition (10k in Q4 2021)

Network, Operations & IT

Segment KPIs (in thousands)	Q4 2020	Q4 2021	Δ y-on-y	FY 2020	FY 2021	Δ y-on-y
FttH households own rollout	112	120	+9	2,784	3,217	+433
FttH households 3rd party access	13	52	+39	77	190	+112
Of which Glaspoort	-	41	+41	-	74	+74
FttH households total				2,861	3,406	+545
FttH households activated on own rollout	46	58	+12	1,407	1,644	+238

KPN continues to leverage and expand its superior network as it sees attractive returns from fiber investments with increased network penetration, more loyal customers with an increased willingness to pay for quality, and lower maintenance costs. KPN has accelerated its fiber rollout and now targets fiber coverage of approximately 80% of Dutch households by the end of 2026, together with Glaspoort. In 2021, KPN's own fiber rollout reached new record levels with 433k homes passed. Jointly with Glaspoort (+74k) 507k households were connected with fiber in 2021. KPN's 5G strategy is focused on differentiated services for B2B customers in specific industries. KPN's fieldlabs are continuously exploring the added value of 5G benefits such as higher speeds, lower latency and network slicing together with its business customers.

Q4 2021

In Q4 2021, KPN reached its highest pace for fiber rollout, organically adding 120k households to its fiber footprint. 41% of Dutch households are now being reached by the KPN or Glaspoort fiber network. In this quarter, KPN activated 58k households on own infrastructure.

In December 2021, KPN, APG (investing on behalf of its pension fund client ABP) and Glaspoort signed an agreement to extend the scope of the fiber rollout of the joint venture Glaspoort. All parties reassessed the scope of the JV and agreed to a limited extension of the original scope by ~170k households. KPN will receive ~€ 170m (pre-tax) for the sale of the additional scope. This is split in an initial payment of ~€ 60m and another ~€ 110m to be paid in annual installments based on the rollout progress. As KPN will recognize 50% of the total consideration in its result as other income upon delivery of the scope to Glaspoort. The remaining 50% will be recognized over time as part of the result from joint ventures (below EBITDA AL) following the requirements of IFRS (IAS 28).

To facilitate higher TV resolutions, KPN has introduced a new more energy efficient version of its 4K settopbox. KPN's TV services have been stable, even with the introduction of several new entertainment packages. Also its mobile, fixed, voice and data services have seen excellent stability, with availability at 99.99%.

KPN's mobile network has again been recognized by Ookla as the best mobile network in the Netherlands, for the second time in 2021. In addition, KPN realized the fastest average up and download speeds for 5G in the Netherlands. As a result of the mobile network modernization, KPN is enabling 5G services throughout the country. Whilst the upgrade to 5G is already offering customers faster speeds, in order for customers to enjoy the full 5G experience, the 3.5GHz band needs to be in use. The auction of this spectrum has been delayed, and is now likely to take place after October 2022.

Analysis of adjusted results Q4 and FY 2021

The following table shows the reconciliation between reported revenues and adjusted revenues:

Revenues (in € m)	Q4 2020	Q4 2021	Δ y-on-y	FY 2020	FY 2021	Δ y-on-y
Consumer	732	731	-0.3%	2,863	2,857	-0.2%
Business	473	465	-1.9%	1,852	1,762	-4.8%
Wholesale	177	175	-1.3%	641	684	+6.8%
Network, Operations & IT	5	24	>100%	9	34	>100%
Other (incl. eliminations)	-17	-23	+36%	-62	785	n.m.
Total revenues	1,371	1,372	0.0%	5,303	6,122	+15%
Revenue incidentals						
Consumer	-	-		-	-	
Business	-	-		11	-	
Wholesale	17	8		17	21	
Network, Operations & IT	-	15		-	15	
Other (incl. eliminations)	-	-10		-	830	
Total revenue incidentals	17	13		28	866	
Consumer	732	731	-0.3%	2,863	2,857	-0.2%
Business	473	465	-1.9%	1,841	1,762	-4.3%
Wholesale	161	167	+4.0%	624	663	+6.3%
Network, Operations & IT	5	9	+95%	9	19	>100%
Other (incl. eliminations)	-17	-13	-23%	-62	-45	-27%
Total adjusted revenues	1,354	1,359	+0.3%	5,275	5,256	-0.3%

The following table specifies the revenue incidentals in more detail:

Revenue incidentals (in € m)	Segment	Q4 2020	Q4 2021	FY 2020	FY 2021
Book gain on sale of KPN Consulting	Business	-	-	11	-
Release of revenue related provisions	Wholesale	17	8	17	21
Book gain on sale of JV (Glaspoort)	Other	-	-10	-	830
Book gain on sale of assets to JV (Glaspoort)	NOI	-	15	-	15
Total revenue incidentals		17	13	28	866

The following table shows the reconciliation between reported EBITDA and adjusted EBITDA AL:

<i>(in € m)</i>	Q4 2020	Q4 2021	Δ y-on-y	FY 2020	FY 2021	Δ y-on-y
EBITDA	606	625	+3.0%	2,464	3,322	+35%
Incidentals	-17	-13	-21%	-28	-870	>100%
Restructuring	8	7	-16%	36	38	+6.4%
Lease-related expenses						
Depreciation right-of-use asset	-31	-30	-4.5%	-130	-123	-5.7%
Interest lease liabilities	-5	-4	-16%	-22	-20	-10%
Adjusted EBITDA AL	561	584	+4.1%	2,320	2,347	+1.2%

The following table specifies the EBITDA incidentals in more detail:

EBITDA incidentals <i>(in € m)</i>	Category	Q4 2020	Q4 2021	FY 2020	FY 2021
Book gain on sale of KPN Consulting	Revenues	-	-	11	-
Release of revenue related provisions	Revenues	17	8	17	21
Book gain on sale of JV (Glaspoort)	Revenues	-	-10	-	830
Book gain on sale of asset to JV	Revenues	-	15	-	15
Release of provisions	Other opex	-	-	-	4
Total EBITDA incidentals		17	13	28	870

All related documents can be found on KPN's website: ir.kpn.com

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Safe harbor

Alternative performance measures and management estimates

This financial report contains a number of alternative performance measures (non-GAAP figures) to provide readers with additional financial information that is regularly reviewed by management, such as EBITDA and Free Cash Flow ('FCF'). These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures and are not uniformly defined by all companies including KPN's peers. Numerical reconciliations are included in KPN's quarterly factsheets and in the Integrated Annual Report 2020. KPN's management considers these non-GAAP figures, combined with GAAP performance measures and in conjunction with each other, most appropriate to measure the performance of the Group and its segments. The non-GAAP figures are used by management for planning, reporting (internal and external) and incentive purposes. KPN's main alternative performance measures are listed below. The figures shown in this financial report are based on continuing operations and were rounded in accordance with standard business principles. As a result, totals indicated may not be equal to the precise sum of the individual figures.

Financial information is based on KPN's interpretation of IFRS as adopted by the European Union as disclosed in the Integrated Annual Report 2020 and do not take into account the impact of future IFRS standards or interpretations. Note that certain definitions used by KPN in this report deviate from the literal definition thereof and should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS as adopted by the European Union. KPN defines revenues as the total of revenues and other income. Adjusted revenues are derived from revenues (including other income) and are adjusted for the impact of incidentals. KPN defines EBITDA as operating result before depreciation (including impairments) of PP&E and amortization (including impairments) of intangible assets. Adjusted EBITDA after leases ('adjusted EBITDA AL') are derived from EBITDA and are adjusted for the impact of restructuring costs and incidentals ('adjusted') and for lease costs, including depreciation of right-of-use assets and interest on lease liabilities ('after leases' or 'AL'). KPN defines Gross Debt as the nominal value of interest-bearing financial liabilities representing the net repayment obligations in Euro, excluding derivatives, related collateral, and leases, taking into account 50% of the nominal value of the hybrid capital instruments. In its Leverage Ratio, KPN defines Net Debt as Gross Debt less net cash and short-term investments, divided by 12 month rolling adjusted EBITDA AL excluding major changes in the composition of the Group (acquisitions and disposals). The Lease adjusted leverage ratio is calculated as Net Debt including lease liabilities divided by 12 month rolling adjusted EBITDA AL excluding major changes in the composition of the Group (acquisitions and disposals). Operational Free Cash Flow is defined as adjusted EBITDA AL minus capital expenditures ('Capex') being expenditures on PP&E and software. Free Cash Flow ('FCF') is defined as cash flow from continuing operating activities plus proceeds from real estate, minus Capex. Return on capital employed ('ROCE') is calculated by the net operating profit less adjustments for taxes ('NOPLAT') divided by capital employed, on a 4-quarter rolling basis. Net operating profit is the adjusted EBITA (excluding incidentals and amortization of other intangibles and including restructuring costs). KPN defines capital employed as the carrying amount of operating assets and liabilities, which excludes goodwill and the other intangibles.

All market share information in this financial report is based on management estimates based on externally available information, unless indicated otherwise. For a full overview on KPN's non-financial information, reference is made to KPN's quarterly factsheets available on ir.kpn.com.

Forward-looking statements

Certain statements contained in this financial report constitute forward-looking statements. These statements may include, without limitation, statements concerning future results of operations, the impact of regulatory initiatives on KPN's operations, KPN's and its joint ventures' share of new and existing markets, general industry and macro-economic trends and KPN's performance relative thereto and statements preceded by, followed by or including the words "believes", "expects", "anticipates", "will", "may", "could", "should", "intends", "estimate", "plan", "goal", "target", "aim" or similar expressions. These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside KPN's control that could cause actual results to differ materially from such statements. A number of these factors are described (not exhaustively) in the Integrated Annual Report 2020. All forward-looking statements and ambitions stated in this financial report that refer to a growth or decline, refer to such growth or decline relative to the situation per 31 December 2021, as included in this report, unless stated otherwise.