

KPN makes solid progress across the board; on track to deliver on ambitions

- Continued mass-market service revenue growth, supported by all segments
- Improving service revenue developments within Business segment, driven by SME
- Fiber roll out on track, +75k HP (+111k including Glaspoort) in Q1 2022
- Recognized as the best mobile network in the Netherlands and the world by Umlaut
- Adjusted EBITDA after leases of € 593m (+4.5% y-on-y), 3.1% growth corrected for one-off in Q1 2021
- Strong Free Cash Flow generation (€ 206m), supported by higher EBITDA and intra-year Capex phasing
- Well on track to reach full year 2022 outlook; inflationary effects absorbed
- ACM started consultation on KPN's proposed 8-year amended fiber wholesale tariffs

Message from the CEO, Joost Farwerck

"We had a strong start to the year and we are on track to deliver on our strategic and financial ambitions. Our mass-market service revenues are delivering growth every quarter, supporting Group service revenues.

SME continued to do well, providing momentum and confidence that we can stabilize the total Business segment service revenues by the end of this year. In Consumer, fiber and our converged portfolio are delivering revenue growth every quarter. Mobile service revenues are growing and fixed service revenues are stabilizing year-on-year. Wholesale continued to make a strong contribution, thanks to our successful open wholesale access policy. We recently proposed to amend the wholesale offering for our open fiber network to ensure access to superfast internet at accessible pricing for Dutch households now and in the future. This offer creates long-term certainty for KPN and all market parties.

The investments we do in our networks and services are paying off. We are now recognized as the best mobile network in the world for the first time ever. Alongside our best-in-class mobile network we are on track with the fiber roll out.

I appreciate the dedication and resilience of our people and their commitment to deliver the best experience for our customers, as evidenced by continuing NPS growth. I am pleased that our sustainability achievements and ambitions are recognized and appreciated by Dutch consumers and that KPN has again been chosen by the Sustainable Brand Index as the most sustainable Dutch telecom brand."

Key figures

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q1 2021	Q1 2022	Δ y-on-y
Adjusted revenues	1,290	1,311	+1.6%
Adjusted EBITDA AL	568	593	+4.5%
As % of adjusted revenues	44.0%	45.3%	
Operating profit (EBIT)	235	291	+24%
Net profit	141	179	+27%
Capex	321	257	-20%
As % of adjusted revenues	24.9%	19.6%	
Operational Free Cash Flow	247	336	+36%
As % of adjusted revenues	19.1%	25.6%	
Free Cash Flow	122	206	+68%
As % of adjusted revenues	9.5%	15.7%	
Net debt	5,221	5,144	

Improving operational performance

- **Consumer:** household trend stable, encouraging ARPA trend +2.9% y-on-y to € 59
 - Fixed-Mobile households: +8k net adds (Q4 2021: +11k); Fixed-Mobile ARPA at € 82 (+2.2% y-on-y)
 - Broadband: +42k fiber net adds (Q4 2021: +42k), +7k total broadband net adds (Q4 2021: +3k)¹
 - Postpaid: +21k net adds (Q4 2021: +18k); mobile service revenue trend improving to +2.0% y-on-y (Q4 2021: +1.9%)
 - NPS: +19 increased both y-on-y (Q1 2021: +11) and q-on-q (Q4 2021: +16); upward trend customer satisfaction continuing
- **Business:** seeing solid base developments
 - Broadband lines: +7k net adds (Q4 2021: +8k)
 - Mobile SIMs: +27k net adds (Q4 2021: +21k)
 - NPS: +4, increased y-on-y (Q1 2021: +2), stable q-on-q (Q4 2021: +4); driven by customer migrations to target portfolios and reliability of products and services
- **Wholesale:** continuation solid trends, benefitting from open wholesale policy
 - Broadband lines: +14k net adds (Q4 2021: +21k)
 - Postpaid SIMs: +26k net adds (Q4 2021: +29k)
- **Network:** fiber roll out on track, delivered 402k homes passed (513k including Glaspoort) in the last 12 months
 - Added 75k FttH households to fiber footprint (111k including Glaspoort) in Q1 2022
 - Recognized as best mobile network of the Netherlands and the world according to Umlaut benchmark 2021-2022
- **Cost savings:** Net indirect opex savings of € 8m in Q1 2022

Financial performance supported by service revenue growth in all mass-market segments

- **Adjusted revenues** increased 1.6% y-on-y driven by growth in Consumer, SME and Wholesale, partly offset by lower service revenues from LCE and Tailored Solutions. Revenue growth was supported 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 increased 1.0% y-on-y
- **Mass-market service revenues** grew 3.4% y-on-y, or 2.5% corrected for the one-off effect in Q1 2021, mainly driven by SME (+9.3% y-on-y) and Wholesale (+6.0% y-on-y). Group service revenues increased 1.8% y-on-y, corrected for the one-off effect +1.1% y-on-y
- **Adjusted EBITDA AL** grew 4.5% y-on-y, or 3.1% corrected for the one-off revenue correction. Higher revenues and a lower cost base contributed to solid, sustainable growth. Adjusted EBITDA AL margin increased to 45.3% (Q1 2021: 44.0%)
- **Net profit** of € 179m increased € 38m y-on-y, due to higher EBITDA AL, lower depreciation and amortization, partly offset by higher income tax expenses and higher net finance costs
- **Capex** of € 257m decreased € 63m y-on-y driven by timing of investment projects
- **Operational Free Cash Flow** of € 336m increased 36% y-on-y due to higher adjusted EBITDA AL and intra-year Capex phasing
- **Free Cash Flow** of € 206m increased € 84m y-on-y, mainly due to higher adjusted EBITDA AL and lower Capex amid phasing, partly offset by phasing in working capital
- **Strong liquidity** of € 1,674m; € 674m cash & short-term investments and € 1.0bn undrawn revolving credit facility

Outlook 2022 and ambitions 2023 reiterated

KPN maintains its FY 2022 outlook for adjusted EBITDA AL of approximately € 2,400m, Capex of € 1.2bn, and Free Cash Flow of more than € 825m; inflationary effects on opex and Capex have been absorbed. KPN intends to pay a regular dividend per share of € 14.3 cents over 2022. KPN reiterates its 2023 ambitions as provided at the Strategy Update on 24 November 2020.

	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 (9k in Q1 2022, 10k in Q4 2021, 7k in Q3 2021, 8k in Q2 2021, 8k in Q1 2021)

Financial review KPN Group Q1

Key financial metrics

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q1 2021	Q1 2022	Δ y-on-y
Service revenues	1,195	1,216	+1.8%
Non-service revenues & other	95	95	-0.4%
Adjusted revenues	1,290	1,311	+1.6%
Cost of goods & services	321	325	+1.1%
Personnel expenses	216	208	-3.5%
IT/TI	78	73	-5.3%
Other operating expenses	70	77	+9.0%
Total adjusted opex	685	683	-0.3%
Depreciation right-of-use asset	33	30	-8.0%
Interest lease liabilities	5	4	-15%
Total adjusted indirect opex after leases	402	393	-2.2%
Adjusted EBITDA AL	568	593	+4.5%
<i>As % of adjusted revenues</i>	<i>44.0%</i>	<i>45.3%</i>	
Operating profit (EBIT)	235	291	+24%
Net profit	141	179	+27%

Q1 2022

Adjusted revenues increased 1.6% 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 increased 1.0% y-on-y. Service revenue growth in Wholesale, SME and Consumer was partly offset by lower service revenues from LCE and Tailored Solutions. Mass-market² service revenues increased 3.4% y-on-y (or 2.5% corrected for the aforementioned one-off). KPN witnessed encouraging base developments in all its mass-market segments, with growth in Fixed-Mobile households fueled by fiber, and growth in the mobile and fixed customer base in SME and Wholesale.

Cost of goods and services were 1.1% higher y-on-y. Personnel expenses declined 3.5% y-on-y, driven by lower FTEs due to the ongoing digital transformation of KPN and natural attrition. IT/TI expenses decreased 5.3% y-on-y and adjusted other opex increased 9.0% y-on-y, mainly due to higher energy prices. In the first quarter, cost savings from further simplification and digitalization of the company were partly offset by inflationary effects, translating into € 8m net indirect opex savings. KPN is on track to realize ~€ 50m net indirect cost savings in 2022.

Adjusted EBITDA AL increased 4.5% y-on-y (or 3.1% corrected for the € 8m one-off revenue effect), due to higher revenues and a lower cost base. Adjusted EBITDA AL margin increased to 45.3% from 44.0% in Q1 2021.

Operating profit (EBIT) of € 291m increased € 56m y-on-y, due to higher EBITDA AL and lower depreciation and amortization charges.

Net profit of € 179m increased € 38m y-on-y, mainly due to higher operating profit, partly offset by higher income taxes and net finance costs. The effective tax rate was 23.1% compared to 22.3% in the first quarter last year.

Restatements

Several minor revenue restatements have taken place for reasons of transparency and clarity. Within B2B, Tailored Solutions service revenues have been restated; LCE service revenues now also include revenues from core telco products of Tailored Solutions clients. The remaining revenues that are reported under Tailored Solutions are of lower margin and project driven. Other non-material restatements have taken place within the Consumer and SME service revenues.

In Opex, reclassifications have taken place within the Opex categories. For accounting reasons, part of the IT/TI costs (FY 2021: € 24m) and Other operating expenses (€ 4m) have been restated to COGS. To improve insights, costs from external personnel (FY 2021: € 19m) have been reallocated to their appropriate categories (IT/TI and Other Opex), depending on the work performed. One minor, non-material, restatement has taken place from COGS to service revenues.

² Mass market consists of Consumer, SME and Wholesale segments

Financial position

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q1 2021	Q1 2022	Δ y-on-y
Operational Free Cash Flow	247	336	+36%
<i>As % of adjusted revenues</i>	19.1%	25.6%	
Free Cash Flow	122	206	+68%
<i>As % of adjusted revenues</i>	9.5%	15.7%	
Net debt	5,221	5,144	
Gross debt	5,835	5,818	
Cash & short-term investments	614	674	
Leverage ratio*	2.3x	2.2x	
Interest cover ratio**	11.0x	12.0x	
Credit ratings	Rating	Outlook	
Standard & Poor's	BBB	Stable	
Fitch Ratings	BBB	Stable	
Moody's	Baa3	Stable	

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

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

Q1 2022

Operational Free Cash Flow of € 336m was 36% higher y-on-y due to higher adjusted EBITDA AL and intra-year Capex phasing.

Free Cash Flow of € 206m increased € 84m, or 68% y-on-y. This strong increase was mainly the result of higher EBITDA, lower intra-year Capex amid phasing and less cash interest paid, partly offset by phasing of working capital. FCF margin improved 6.2%-points to 15.7%.

At the end of Q1 2022, net debt amounted to € 5,144m, € 163m lower compared to end Q4 2021. The decrease in net debt was mainly driven by Free Cash Flow generation during the quarter.

KPN had a strong balance sheet and liquidity position at the end of Q1 2022. Nominal debt outstanding was € 6,252m including € 60m short-term commercial paper. KPN's committed liquidity consisted of € 674m cash & short-term investments and a € 1.0bn undrawn revolving credit facility which covers debt maturities through 2024. In March 2022, KPN redeemed a € 616m 4.25% bond. At 31 March 2022, the net debt to EBITDA ratio was 2.2x (Q4 2021: 2.3x). KPN's interest cover ratio was 12.0x at the end of the first quarter (Q4 2021: 11.2x). At 31 March 2022, the weighted average cost of senior debt was 2.44%, 41 basis points lower y-on-y.

At the end of Q1 2022, Group equity amounted to € 3,378m, € 147m higher compared to the end of Q4 2021. This was mainly driven by net profit generated during the quarter.

Financial and operating review per segment Q1

Consumer

Segment financials (unaudited) (in € m, unless stated otherwise)	Q1 2021	Q1 2022	Δ q-on-q	Δ y-on-y	Δ y-on-y excl. one-off
Fixed-Mobile service revenues	355	369		+3.9%	
Fixed-only service revenues	193	192		-0.5%	
Postpaid-only service revenues	60	61		+3.0%	
Legacy/other service revenues	29	24		-16%	
Adjusted Consumer service revenues	637	647		+1.5%	+0.3%
Non-service & Other revenues	65	65		-0.2%	
Adjusted Consumer revenues	702	711		+1.4%	+0.3%
Households (k)					
Fixed-Mobile households	1,478	1,505	+8	+27	
Fixed-only households	1,286	1,256	-13	-30	
Postpaid-only households	775	765	-2	-10	
Total Consumer households	3,539	3,526	-7	-13	
ARPA (€)					
ARPA Fixed-Mobile households	80	82		+2.2%	
ARPA total Consumer households	57	59		+2.9%	
NPS Consumer	+11	+19	+3	+8	

Q1 2022

Adjusted Consumer service revenues increased 1.5% y-on-y, supported by an € 8m one-off correction in Q1 2021 on Consumer Fixed service revenues related to timing of revenue recognition in 2020. Corrected for this one-off, adjusted Consumer revenues increased 0.3% y-on-y. Service revenue growth in KPN's Fixed-Mobile portfolio (+3.9% y-on-y) and postpaid-only portfolio (+3.0% y-on-y) was partly offset by declining service revenues from KPN's Legacy portfolio (-16% y-on-y). Fixed-only service revenues declined 0.5%.

KPN's Fixed-Mobile household base increased 8k to 1,505k in Q1 2022, and represents 55% of total Fixed households. Fixed-Mobile ARPA increased 2.2% y-on-y to € 82.

KPN added 42k fiber customers in the quarter (Q4 2021: +42k), supported by a further improved commercial strategy accompanying the fiber roll out and copper to fiber upgrades. The successful campaign around the launch of Viaplay also contributed to growth in its broadband base, with total net adds of +7k³ in Q1 2022 (Q4 2021: +3k). Broadband ARPU increased 2.6% y-on-y to € 52 and Fixed-only ARPA increased 1.7% y-on-y to € 51 in Q1 2022, supported by inflow of higher speeds.

KPN's postpaid base increased by 21k customers in Q1 2022 (Q4 2021: +18). Postpaid ARPU was stable at € 17 (+0.3% y-on-y), mainly due to commercial success of Unlimited bundles. The Consumer mobile service revenue saw continued growth at 2.0% y-on-y (Q4 2021: +1.9%).

In Q1 2022, Consumer NPS was +19 (Q1 2021: +11, Q4 2021: +16). KPN expanded its content offering, with a Viaplay promotion for new and fixed-mobile converged customers and invested in further improvements in the MijnKPN app.

³ Corrected for migrations to, and new customers of, business propositions (9k in Q1 2022, 10k in Q4 2021, 7k in Q3 2021, 8k in Q2 2021, 8k in Q1 2021)

Business

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q1 2021	Q1 2022	Δ q-on-q	Δ y-on-y
SME service revenues	132	144		+9.3%
LCE service revenues	205	193		-6.0%
Tailored Solutions service revenues	74	72		-2.5%
Adjusted Business service revenues	411	409		-0.4%
Non-service & Other revenues	29	28		-2.7%
Adjusted Business revenues	440	437		-0.6%
KPIs (k)				
Broadband lines	343	361	+7	+18
Mobile SIMs	1,929	2,048	+27	+119
NPS Business	+2	+4	-	+3

Q1 2022

Adjusted Business revenues decreased 0.6% y-on-y. Strong growth in SME was partly offset by LCE and Tailored Solutions.

SME service revenues increased 9.3% y-on-y. Growth in Mobile, Broadband & Network Services and IT services was partly offset by lower revenues from Fixed Voice. Mobile service revenues increased 8.5% y-on-y, mainly due to continuing base growth and increased international travel after easing of COVID-19 restrictions. Access & Connectivity increased 7.4% y-on-y driven by favorable base developments. IT Services increased 48% y-on-y, mainly driven by increased Cloud and Workplace services. Fixed Voice revenues declined 4.9% y-on-y due to customer migrations and line rationalization. The migration of SME customers towards a future proof integrated portfolio has been completed, offering increased opportunities of cross- and upsell.

LCE service revenues decreased 6.0% y-on-y. Access & Connectivity revenues declined 4.9% y-on-y, driven by continuing competition in the mobile market putting pressure on mobile ARPU and rationalization towards a future-proof portfolio. Revenues from IT Services declined 7.1% y-on-y, mainly due to portfolio optimization.

Tailored Solutions service revenues showed an improving trend, but remains subject to seasonality of projects (-2.5% y-on-y).

Business NPS improved to +4 (Q1 2021: +2, Q4 2021: +4) driven by customer migrations to target portfolios which have higher customer satisfaction levels. The stability, reliability and quality of KPN's products and services remain appreciated.

Wholesale

Segment financials (unaudited) (in € m, unless stated otherwise)	Q1 2021	Q1 2022	Δ q-on-q	Δ y-on-y
Mobile	36	45		+24%
Broadband	66	75		+14%
Other	58	50		-14%
Adjusted Wholesale service revenues	160	170		+6.0%
Non-service & Other revenues	0	0		-
Adjusted Wholesale revenues	161	170		+5.9%
# Customers (k)				
Postpaid SIMs	573	685	+26	+112
Broadband lines	1,067	1,115	+14	+48

Q1 2022

Adjusted Wholesale revenues increased 5.9% y-on-y, mainly driven by growing mobile and broadband service revenues.

Mobile service revenues increased 24% y-on-y, driven by a growing mobile base and several smaller incidentals. Wholesale added +26k postpaid SIMs during the quarter.

Broadband service revenues increased 14% y-on-y driven by continued growth of KPN's ODF and WBA installed base, with sustained demand for KPN's fiber wholesale portfolio. Wholesale added +14k broadband lines in Q1 2022. The sum of total broadband net adds between Consumer and Wholesale was +21k⁴ in Q1 2022.

Other service revenues declined 14% y-on-y; portfolio rationalization and lower regulated tariffs led to a decrease in low-margin interconnect traffic revenues.

On 1 April 2022, KPN informed ACM about its intentions to amend its fiber wholesale access tariffs. This initiative makes KPN's open fiber network more accessible for wholesale customers and gives consumers in the Netherlands a wide choice of service providers. This offer is in line with KPN's open wholesale access policy and secures competitive conditions and tariffs for a period of 8 years. This creates long-term certainty for KPN and all market participants, which is important to continue the fiber roll out at the current pace.

The offer is conditional on a commitment decision of the ACM declaring KPN's commitments binding. The ACM has published a draft decision on 15 April 2022, which has been shared with the rest of the market for consultation.

Network, Operations & IT

Segment KPIs (in thousands)	Q1 2021	Q1 2022	Δ q-on-q	Δ y-on-y
FttH households own roll out	2,890	3,292	+75	+402
FttH households 3rd party access	82	230	+40	+148
Of which Glaspoort	-	111	+36	+111
FttH households total	2,971	3,521		
FttH households activated on own roll out	1,484	1,685	+41	+201

Q1 2022

In Q1 2022, KPN added 75k households to its fiber footprint. KPN's fiber production is on track. Lower production this quarter is explained by timing in project deliveries. In Q1 2022, KPN activated 41k households on its own infrastructure.

The superiority of KPN's mobile network was once again center of attention, with the Umlaut benchmark showing KPN's mobile network as the best in the Netherlands and the world. The Umlaut benchmark is extensive, with drive and walk tests covering 21 cities and 13 towns, showing the extensive coverage of KPN's 5G network. With both the Umlaut and Ookla benchmarks recognizing KPN as best mobile network, KPN is clearly positioned as the market leader in the Dutch market.

⁴ Corrected for Consumer migrations to, and new customers of, small business proposition (9k in Q1 2022)

Analysis of adjusted results Q1 2022

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

Revenues (in € m)	Q1 2021	Q1 2022	Δ y-on-y
Consumer	702	711	+1.4%
Business	440	437	-0.6%
Wholesale	161	170	+5.9%
Network, Operations & IT	1	16	>100%
Other (incl. eliminations)	-13	-12	-8.4%
Total revenues	1,290	1,322	+2.5%
Revenue incidentals			
Consumer	-	-	
Business	-	-	
Wholesale	-	-	
Network, Operations & IT	-	11	
Other (incl. eliminations)	-	-	
Total revenue incidentals	-	11	
Consumer	702	711	+1.4%
Business	440	437	-0.6%
Wholesale	161	170	+5.9%
Network, Operations & IT	1	4	>100%
Other (incl. eliminations)	-13	-12	-8.4%
Total adjusted revenues	1,290	1,311	+1.6%

The following table specifies the revenue incidental in more detail:

Revenue incidentals (in € m)	Segment	Q1 2021	Q1 2022
Book gain on sale of assets to JV (Glaspoort)	NOI	-	11
Total revenue incidentals		-	11

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

(in € m)	Q1 2021	Q1 2022	Δ y-on-y
EBITDA	599	633	+5.6%
Incidentals	-	-11	n.m.
Restructuring	7	7	+0.3%
Lease-related expenses			
Depreciation right-of-use asset	-33	-30	-8.0%
Interest lease liabilities	-5	-4	-15%
Adjusted EBITDA AL	568	593	+4.5%

The following table specifies the EBITDA incidental in more detail:

EBITDA incidentals (in € m)	Category	Q1 2021	Q1 2022
Book gain on sale of assets to JV (Glaspoort)	Revenues	-	11
Total EBITDA incidentals		-	11

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 2021. 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 2021 and does 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 divided by capital employed, on a 4-quarter rolling basis. Net operating profit is the adjusted EBITA (derived from EBITDA, but after depreciation and amortization (including impairments), 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 2021. 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, unless stated otherwise.