

KPN delivers B2B service revenue growth ahead of schedule; full year 2022 Free Cash Flow outlook raised

- Continued Group service revenue growth (+1.4% y-on-y) in Q2 2022
- Inflection of Business service revenues (+1.9% y-on-y), solid mass-market service revenue growth (+1.6% y-on-y)
- Ongoing growth in Consumer Mobile offset by lower revenues in Consumer Fixed
- Sustainable adjusted EBITDA AL growth (+1.1% y-on-y) driven by service revenue growth and lower indirect costs
- Solid progress fiber roll out (+102k HP); fiber retail broadband base surpassed copper in Q2 2022
- Awarded best mobile network in the Netherlands for 4th consecutive time¹
- Net profit (excl. incidentals) increased to € 174m (+18% y-on-y) in Q2 2022
- Strong Free Cash Flow generation in H1 2022, supported by higher adjusted EBITDA and intra-year Capex phasing
- Full year 2022 outlook raised to >€ 2,400m adjusted EBITDA AL and ~€ 850m FCF

Message from the CEO, Joost Farwerck

“We launched our Accelerate to grow strategy in November 2020 and are now halfway through the execution of our ambitious three year plan. This compelling strategy is centered around three clear pillars; to leverage and expand our superior networks, grow and strengthen our customer footprint and simplify and streamline our operating model. Over the last year and a half, we have delivered significant progress on all three.

During the quarter, Group service revenues continued to grow supported by solid mass-market service revenue growth and inflection of our B2B service revenues. Our mobile network has received the Ookla award for best coverage and fastest 5G speeds for the fourth time in a row, proving once again the superiority of our mobile services. We continue to expand our fiber footprint and we’re consistently delivering fiber connections to households in the Netherlands.

The mobile customer base and service revenues are showing growth across the board. In a challenging competitive environment, Consumer fiber broadband revenues showed continued growth, with copper and legacy in an anticipated decline. With the current level of fiber roll out, our commercial regional approach and attractive portfolio, we are confident that performance in Consumer Fixed will improve.

Despite rising work pressure as a result of the war on talent, employee engagement remains at an elevated level, as our colleagues continue to express their involvement and pride to work at KPN. Thanks to their strong contribution and expertise we continue to show best-in-class customer satisfaction levels across our segments.

Evidently, we are also not immune to inflationary effects in a challenging macro-economic environment. Wage indexation and rising energy costs will affect our cost savings run rate, but with mitigating measures we are confident of our ability to maintain healthy margins and a growing free cash flow. As a result of the progress made to date and the solid performance we have shown in the first half of the year, we raise our 2022 guidance for EBITDA and Free Cash Flow.”

Key figures

Group financials (unaudited) (in € m, unless stated otherwise)	Q2 2021	Q2 2022	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
Adjusted revenues	1,295	1,314	+1.4%	2,586	2,624	+1.5%
Adjusted EBITDA AL	589	595	+1.1%	1,156	1,189	+2.8%
As % of adjusted revenues	45.5%	45.3%		44.7%	45.3%	
Operating profit (EBIT)	1,093	307	-72%	1,329	598	-55%
Net profit	800	186	-77%	941	365	-61%
Capex	304	295	-3.0%	625	553	-12%
As % of adjusted revenues	23.5%	22.5%		24.2%	21.1%	
Operational Free Cash Flow	284	300	+5.6%	531	636	+20%
As % of adjusted revenues	22.0%	22.9%		20.5%	24.2%	
Free Cash Flow	179	202	+13%	301	408	+35%
As % of adjusted revenues	13.8%	15.4%		11.7%	15.6%	
Net debt				5,201	5,382	
ROCE				10.3%	12.0%	

¹ KPN has been awarded the Ookla ‘best mobile network’ Q1-Q2 2022

Continued strong operational momentum

- **Consumer:** mobile service revenues continue to grow (+1.4% y-on-y), driven by base growth and broadly stable ARPU
 - Fixed-Mobile households: +8k net adds (Q1 2022: +8k); Fixed-Mobile ARPA at € 81 (-1.1% y-on-y)
 - Broadband: +34k fiber net adds (Q1 2022: +42k), -3k total broadband net adds, (Q1 2022: +7k)²
 - Postpaid: +33k net adds (Q1 2022: +21k); ARPU broadly stable at € 17
 - NPS remains strong at +17 (Q1 2022: +19)
- **Business:** service revenue growth of 1.9% y-on-y, supported by strong growth in SME and project timing in Tailored Solutions
 - Broadband lines: +6k net adds (Q1 2022: +7k)
 - Mobile SIMs: +24k net adds (Q1 2022: +27k); SME +17k (Q1 2022: +26k)
 - NPS still positive but lower at +1 (Q1 2022: +4); mainly driven by difficult economic environment and smaller events
- **Wholesale:** success of open wholesale policy illustrated by continued revenue and base growth
 - Broadband lines: +4k net adds (Q1 2022: +14k)
 - Postpaid SIMs: +17k net adds (Q1 2022: +26k)
 - Consultation period concluded on voluntary wholesale offer; final decision ACM expected in Q3 2022
- **Network:** fiber roll out at steady pace, total own footprint 3.4m homes passed
 - Added 102k FttH households to KPN's fiber footprint (+150k including Glaspoort) in Q2
 - Mobile network once again recognized by Ookla as best in the Netherlands with fastest 5G
- **Cost savings:** Net indirect opex savings of € 13m in the quarter

Solid financial performance

- **Adjusted revenues** increased 1.4% y-on-y, supported by growing mass-market service revenues (+1.6% y-on-y) and Tailored Solutions (+5.2% y-on-y). Adjusted Group service revenues increased 1.4% y-on-y, driven by growth in Wholesale, Business and Consumer Fixed-Mobile. H1 2022 adjusted revenues increased 1.5% y-on-y
- **Adjusted EBITDA AL** increased 1.1% y-on-y, driven by higher service revenues and continued indirect cost control, partly offset by higher direct costs. Adjusted EBITDA AL margin remained stable at 45.3% (Q2 2021: 45.5%). H1 2022 adjusted EBITDA AL increased 2.8% y-on-y
- **Net profit** of € 186m decreased € 614m y-on-y, mainly impacted by net effects of € 649m related to the 'Glaspoort' transaction and a € 3m release of provision in Q2 2021, and € 12m related to the periodic sale of assets to Glaspoort in Q2 2022. Excluding these incidentals, net profit would have increased to € 174m (+18% y-on-y) in Q2 2022. H1 2022 net profit excluding incidentals would have increased 19% y-on-y
- **Capex** of € 295m was € 9m lower y-on-y in Q2 2022. H1 2022 Capex decreased € 73m y-on-y, mainly driven by timing of investment projects
- **Operational Free Cash Flow** of € 300m increased 5.6% y-on-y due to higher adjusted EBITDA AL and intra-year Capex phasing. H1 2022 Operational Free Cash Flow increased 20% y-on-y
- **Free Cash Flow** of € 202m increased € 23m y-on-y in Q2 2022. H1 2022 Free Cash Flow increased € 107m compared to the same period last year driven by higher adjusted EBITDA AL and lower Capex
- Steadily improving **ROCE** to 12.0% in H1 2022 (~170bps y-on-y), driven by higher NOPLAT
- Strong **liquidity** of € 1,628m, covering debt maturities until 2024

Outlook 2022 raised, ambitions 2023 reiterated

KPN upgrades its FY 2022 outlook to an adjusted EBITDA AL of more than € 2,400m and Free Cash Flow of approximately € 850m, with Capex remaining stable at € 1.2bn. KPN intends to pay a regular dividend per share of € 14.3 cents over 2022. An interim dividend of € 4.8 cents per share will be paid on 4 August 2022. The ex-dividend date is 29 July 2022. KPN reiterates its 2023 ambitions as provided at the Strategy Update on 24 November 2020. KPN's successful execution of its strategy and multi-year cash generation perspective enables the company to structurally return additional capital to its shareholders. KPN is currently running a share buyback program of € 300m, with 41% bought back per 22 July 2022, which will be ultimately completed by 17 August 2022.

	Achievements H1 2022	Outlook FY 2022	Ambitions 2023
Adjusted EBITDA AL	€ 1,189m	>€ 2,400m	>€ 2,450m
Capex	€ 553m	€ 1.2bn	€ 1.2bn
Free Cash Flow	€ 408m	~€ 850m	>€ 870m
Regular DPS	€ 4.8ct interim dividend	€ 14.3ct, +5.1% y-on-y	Progressive dividend, +3-5% annual growth
Share buyback	€ 81m	€ 300m	

² Corrected for migrations to, and new customers of, business propositions (7k in Q2 2022, 9k in Q1 2022, 10k in Q4 2021, 7k in Q3 2021, 8k in Q2 2021)

Financial review KPN Group Q2 and H1 2022

Key financial metrics

Group financials (unaudited) (in € m, unless stated otherwise)	Q2 2021	Q2 2022	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
Service revenues	1,196	1,214	+1.4%	2,391	2,429	+1.5%
Non-service revenues & other	99	100	+1.1%	194	195	+0.4%
Adjusted revenues	1,295	1,314	+1.4%	2,586	2,624	+1.5%
Cost of goods & services	312	337	+7.9%	634	662	+4.5%
Personnel expenses	213	201	-5.4%	429	410	-4.5%
IT/TI	78	74	-5.3%	155	147	-5.3%
Other operating expenses	68	73	+7.1%	139	150	+8.1%
Total adjusted opex	671	685	+2.1%	1,356	1,368	+0.9%
Depreciation right-of-use asset	30	28	-5.0%	62	58	-6.6%
Interest lease liabilities	5	4	-17%	11	9	-16%
Total adjusted indirect opex after leases	394	381	-3.4%	796	774	-2.8%
Adjusted EBITDA AL	589	595	+1.1%	1,156	1,189	+2.8%
As % of adjusted revenues	45.5%	45.3%		44.7%	45.3%	
Operating profit (EBIT)	1,093	307	-72%	1,329	598	-55%
Net profit	800	186	-77%	941	365	-61%
ROCE*				10.3%	12.0%	
FTE own personnel (#)				9,805	9,492	-3.2%

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

Q2 2022

Adjusted revenues increased 1.4% y-on-y, driven by Wholesale (+6.8% y-on-y), Business (+3.0% y-on-y) and Consumer Mobile (+1.4% y-on-y). Adjusted Group service revenues increased 1.4% y-on-y, with growth in Wholesale and Business service revenues being partly offset by lower service revenues from Consumer Fixed. Mass-market³ service revenues increased 1.6% y-on-y driven by strong growth in SME and ongoing momentum in Wholesale and Consumer Mobile.

Cost of goods and services increased 7.9% y-on-y due to higher non-service revenues such as handset and hardware sales, higher third-party access costs (mainly Glaspoort) and a change in service revenue mix in Business. Personnel expenses declined 5.4% y-on-y, driven by natural attrition and fewer personnel due to the ongoing digital transformation of KPN. IT/TI expenses declined 5.3% y-on-y, while adjusted other opex increased 7.1% y-on-y, mainly driven by higher energy costs. Further simplification and digitalization of the company resulted in a decline of 3.4% of total adjusted indirect opex after leases. Net indirect opex savings totaled € 13m. The run rate of indirect opex savings was impacted by the effects of higher energy prices and wage indexation.

Adjusted EBITDA AL increased 1.1% y-on-y. The positive effects of higher revenues and continued cost control were partially offset by higher direct costs, inflationary effects and an IPR benefit in Q2 2021. Adjusted EBITDA AL margin remained stable at 45.3% (Q2 2021: 45.5%).

Operating profit (EBIT) of € 307m decreased € 786m y-on-y, impacted by a one-off € 840m book gain related to the 'Glaspoort' transaction in Q2 2021, a € 4m release of provision in Q2 2021 and a € 16m book gain related to the periodic sale of assets to Glaspoort in Q2 2022. Excluding these incidentals, operating profit would have increased by € 42m driven by lower depreciation and amortization.

Net profit of € 186m decreased € 614m y-on-y, impacted by net effects of € 649m related to the 'Glaspoort' transaction in Q2 2021, a € 3m release of provision in Q2 2021 and a € 12m book gain related to the periodic sale of assets to Glaspoort in Q2 2022. Excluding these incidentals, net profit would have increased by € 26m (net of tax) mainly due to a higher operating profit.

³ Mass market consists of Consumer, SME and Wholesale segments

H1 2022

Adjusted revenues increased 1.5% y-on-y, partly 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 1.2%, mainly driven by higher mass-market service revenues.

Cost of goods and services increased 4.5% y-on-y mainly due to higher non-service revenues and higher third-party access costs. Personnel expenses declined 4.5% y-on-y due to the ongoing digital transformation of KPN and natural attrition. IT/TI expenses declined 5.3% y-on-y. Total net indirect opex savings for H1 2022 were € 21m. Adjusted EBITDA AL increased 2.8% y-on-y, driven by revenue growth and continued cost control.

Operating profit (EBIT) of € 598m decreased € 731m y-on-y, impacted by a one-off € 840m book gain related to the 'Glaspoort' transaction in Q2 2021, a € 4m release of provision in Q2 2021 and a € 27m book gain related to the periodic sale of assets to Glaspoort in H1 2022. Excluding these incidentals, operating profit would have increased by € 87m driven by lower depreciation and amortization.

Net profit of € 365m decreased € 576m y-on-y, impacted by net effects of € 649m related to the 'Glaspoort' transaction in Q2 2021, a € 3m release of provision in Q2 2021 and a € 21m book gain related to the periodic sale of assets to Glaspoort in H1 2022. Excluding these incidentals, net profit would have increased by € 56m (net of tax) mainly driven by higher operating profit and partially offset by higher income tax.

ROCE was 12.0% in H1 2022, an increase of ~170 basis points compared to H1 2021 (10.3%). This increase was mainly driven by higher NOPLAT as operational efficiency increased, driven by cost control and lower depreciation and amortization.

Financial position

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q2 2021	Q2 2022	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
Operational Free Cash Flow	284	300	+5.6%	531	636	+20%
<i>As % of adjusted revenues</i>	22.0%	22.9%		20.5%	24.2%	
Free Cash Flow	179	202	+13%	301	408	+35%
<i>As % of adjusted revenues</i>	13.8%	15.4%		11.7%	15.6%	
Net debt				5,201	5,382	
Gross debt				5,996	6,010	
Cash & short-term investments				795	628	
Leverage ratio*				2.2x	2.3x	
Interest cover ratio**				11.0x	12.1x	
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)

H1 2022

Operational Free Cash Flow of € 636m was 20% higher y-on-y. Free Cash Flow of € 408m increased € 107m, or 35% y-on-y due to higher adjusted EBITDA AL and intra-year phasing of Capex. Free Cash Flow margin improved ~390 basis points to 15.6%.

At the end of Q2 2022, net debt amounted to € 5,382m, € 238m higher compared to end Q1 2022. The seasonal increase in net debt was mainly driven by the € 375m final dividend payment over 2021 in April 2022 and the share buyback program, partly offset by Free Cash Flow generation during the quarter.

KPN had a strong balance sheet and liquidity position at the end of Q2 2022. Nominal debt outstanding was € 6,432m including € 240m short-term commercial paper. KPN's committed liquidity consisted of € 628m cash & short-term investments and a € 1.0bn undrawn revolving credit facility which covers debt maturities through 2024. At 30 June 2022, the net debt to EBITDA ratio was 2.3x (Q1 2022: 2.2x). KPN's interest cover ratio was 12.1x at the end of the second quarter (Q1 2022: 12.0x). At 30 June 2022, the weighted average cost of senior debt was 2.50%, 26 basis points lower y-on-y.

At the end of Q2 2022, Group equity amounted to € 3,180m, € 198m lower compared to the end of Q1 2022. This was driven by the final dividend payment over 2021, partially offset by net income generated during the quarter.

Capex

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q2 2021	Q2 2022	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
Fiber rollout	106	99	-6.0%	218	180	-18%
Customer driven	35	38	+9.1%	77	74	-4.5%
Other	164	157	-3.9%	330	299	-9.3%
Capex	304	295	-3.0%	625	553	-12%
<i>As % of adjusted revenues</i>	<i>23.5%</i>	<i>22.5%</i>		<i>24.2%</i>	<i>21.1%</i>	

Capex was € 295m in Q2 2022. H1 2022 Capex decreased € 73m y-on-y to 21.1% of adjusted revenues (H1 2021: 24.2%) as timing in projects impacted fiber roll out (-€ 39m y-on-y). Other Capex declined by € 30m (-9.3%), mainly driven by optimization of investments in copper infrastructure, IT, and mobile access. The percentage of Other Capex over adjusted revenues declined by ~140bps y-on-y to 11.4% (H1 2021: 12.8%).

Personnel

# FTE own personnel by segment at the end of the period <i>(unaudited)</i>	H1 2021	H1 2022	Δ y-on-y	Δ y-on-y
Consumer	2,455	2,519	+64	+2.6%
Business	2,828	2,632	-196	-6.9%
Wholesale	207	212	+5	+2.4%
Network, Operations & IT	3,321	3,155	-166	-5.0%
Other	994	975	-20	-2.0%
KPN Group	9,805	9,492	-313	-3.2%

At the end of Q2 2022, KPN employed 9,492 own personnel (in FTEs). This is 313 FTE lower compared to the end of Q2 2021 while also having insourced 155 FTE external personnel. The decline in personnel is mainly related to KPN's simplification and digitalization program, and natural attrition.

Financial and operating review per segment Q2 and H1 2022

Consumer

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q2 2021	Q2 2022	Δ q-on-q	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y	Δ y-on-y excl. one-off ⁴
Fixed-Mobile service revenues	363	366		+0.9%	718	735	+2.4%	
Fixed-only service revenues	195	189		-3.3%	388	381	-1.9%	
Postpaid-only service revenues	60	60		+0.3%	120	122	+1.6%	
Legacy/other service revenues	28	24		-15%	57	48	-16%	
Adjusted Consumer service revenues	646	638		-1.1%	1,283	1,285	+0.2%	-0.4%
Non-service & Other revenues	60	64		+5.9%	125	129	+2.7%	
Adjusted Consumer revenues	706	702		-0.5%	1,408	1,414	+0.4%	-0.1%
Households (k)								
Fixed-Mobile households	1,478	1,513	+8	+35				
Fixed-only households	1,299	1,241	-16	-58				
Postpaid-only households	774	768	+4	-6				
Total Consumer households	3,551	3,522	-4	-29				
ARPA (€)								
ARPA Fixed-Mobile households	82	81		-1.1%				
ARPA total Consumer households	58	58		Flat				
NPS Consumer	14	17	-3	+3				

KPN has achieved sustainable mobile service revenue growth for the fifth consecutive quarter, driven by solid base developments and stable ARPU. Fixed service revenues showed a decline in Q2 in a competitive market, but the trend is expected to gradually improve fueled by the current level of fiber roll out and focus on best digital customer experience. 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.

Q2 2022

In Q2 2022, KPN has expanded its content offering by announcing its partnership with Disney+ and ESPN, giving access to a unique combination of sports and entertainment. The fixed market saw increased competition at the end of Q1 and early in Q2, leading to a short dip in commercial performance.

Adjusted Consumer service revenues decreased 1.1% y-on-y. Service revenue growth in KPN's Fixed-Mobile (+0.9% y-on-y) and Postpaid-only portfolio (+0.3% y-on-y) was offset by declining service revenues from Fixed-only service revenues (-3.3% y-on-y) mainly driven by a shift in accounting for content packages and a decline in voice traffic. Service revenues from KPN's Legacy portfolio declined -15%. Consumer non-service revenues increased 5.9% y-on-y, mainly driven by higher handset sales.

KPN's Fixed-Mobile household base grew 8k to 1,513k and represents 55% of total Fixed households. Fixed-Mobile ARPA decreased slightly with 1.1% y-on-y to € 81.

Fixed service revenues decreased 2.2% y-on-y, impacted by a structural decline in legacy, a shift in accounting for content packages and lower voice traffic. Net of the accounting shift, underlying broadband service revenues are growing, as fiber broadband service revenues continue to grow strongly, offsetting the decline in copper. Operational performance on fiber remains strong, as KPN activated 36k fiber households in the quarter (Q1 2022: +45k). The retail fiber base has now exceeded the copper base, which should fuel further stabilization of the broadband base. Broadband net adds showed a decline (-3k net adds Q2 2022), influenced by short-term competitive pressures and the fading effect of the successful commercial launch of Viaplay F1 in Q1. Fixed ARPU remained stable at € 52. In May, KPN announced price adjustments of 3.5% on its broadband portfolio, taking effect 1 July 2022.

Consumer mobile service revenues increased 1.4% y-on-y, driven by solid operational performance. KPN's postpaid base improved markedly with 33k net adds (Q1 2022: +21k). Postpaid ARPU was stable at € 17. Postpaid-only ARPA increased 1.2% to € 26.

⁴ Corrected for € 8m one-off in Consumer Fixed service revenues related to timing of revenue recognition in Q1 2021

In Q2 2022, Consumer NPS remained strong, at +17 (Q2 2021: +14, Q1 2022: +19). KPN successfully invested in quality improvements in customer journeys and customer service delivery, such as the introduction of new features in the MijnKPN app.

H1 2022

Adjusted Consumer revenues increased 0.4% y-on-y, impacted 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 declined by -0.1% y-on-y. Declining service revenues from KPN's Legacy and Fixed-only portfolio were partially offset by higher service revenues from KPN's Fixed-Mobile and Postpaid-only portfolio.

Business

Segment financials (unaudited) (in € m, unless stated otherwise)	Q2 2021	Q2 2022	Δ q-on-q	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
SME service revenues	136	146		+7.7%	268	291	+8.5%
LCE service revenues	199	193		-3.1%	404	385	-4.5%
Tailored Solutions service revenues	67	70		+5.2%	141	142	+1.1%
Adjusted Business service revenues	402	409		+1.9%	812	818	+0.7%
Non-service & Other revenues	27	33		+20%	56	61	+8.4%
Adjusted Business revenues	429	442		+3.0%	869	879	+1.2%
KPIs (k)							
Broadband lines	340	366	+6	+26			
Mobile SIMs	1,960	2,072	+24	+112			
NPS Business	+4	+1	-3	-3			

Adjusted Business service revenues inflected ahead of schedule. B2B service revenue growth is driven by strong and sustainable performance in SME, and project timing in Tailored Solutions. Significant progress has been made in transforming the portfolio to future-proof solutions, by completing the phasing out of 3G, ISDN, SDH Access and legacy Conferencing Services in Q2. The LCE service revenue trend is on the right track, with revenue decline showing a sequential improvement. The migration of LCE customers with traditional voice and legacy broadband services to the Smart Combinations portfolio is close to completion, leading to enhanced cross- and upsell possibilities.

Q2 2022

Adjusted Business service revenues grew 1.9% y-on-y, as the decline in LCE service revenues was more than offset by solid, continued growth in SME and positive developments in Tailored Solutions. Operational performance was strong, with +24k net adds in Mobile and +6k broadband net adds.

SME service revenues increased 7.7% y-on-y. Growth in Mobile, Broadband & Network Services and IT Services were partly offset by lower revenues from Legacy products such as Fixed Voice. Mobile service revenues increased 9.5% y-on-y, driven by a growing base (+17k net adds) and higher ARPU (+1.0% y-on-y) due to the uptake of unlimited data bundles and increased roaming levels. Broadband & Network saw continued growth at 15% y-on-y driven by a growing customer base of +5k net adds (Q1 2022: +9k). IT Services increased 16% y-on-y, mainly driven by Cloud & Workspace services. Fixed Voice revenues declined 12% y-on-y due to ongoing customer migrations and line rationalization, as ISDN services have been terminated.

LCE service revenues declined 3.1% y-on-y. Access & Connectivity revenues declined 3.3% y-on-y, mainly due to ongoing competition in the mobile market pressurizing mobile ARPU and rationalization towards a future-proof portfolio. Revenues from IT Services declined 2.7% y-on-y due to portfolio optimization.

Tailored Solutions service revenues increased 5.2% y-on-y, driven by timing in projects and related hardware sales.

Business NPS remained positive at +1 (Q2 2021: +4; Q1 2022: +4), impacted by the general difficult economic environment and several smaller events. Customers continue to value KPN for the stability, reliability and quality of our network and services. KPN's customer satisfaction remains leading in the Dutch market.

H1 2022

Adjusted Business revenues grew 1.2% y-on-y, as service revenue declines in LCE (-4.5% y-on-y) was offset by strong performance in the SME segment (+8.5% y-on-y) and Tailored Solutions (+1.1%).

Wholesale

Segment financials (unaudited) (in € m, unless stated otherwise)	Q2 2021	Q2 2022	Δ q-on-q	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
Mobile	37	43		+16%	73	88	+20%
Broadband	66	73		+11%	132	149	+12%
Other	58	57		-3.2%	117	107	-8.7%
Adjusted Wholesale service revenues	162	173		+7.0%	322	343	+6.5%
Non-service & Other revenues	1	0		-29%	1	1	-30%
Adjusted Wholesale revenues	163	174		+6.8%	323	344	+6.4%
# Customers (k)							
Postpaid SIMs	596	702	+17	+105			
Broadband lines	1,061	1,119	+4	+57			

On 1 April 2022, KPN introduced to ACM a voluntary offer to amend its fiber wholesale access tariffs. ACM published a draft decision on 15 April 2022 to declare this offer binding and started a consultation period. This consultation period has been closed and a final decision is expected to be announced in Q3 2022.

Q2 2022

Adjusted Wholesale revenues increased 6.8% y-on-y, driven by higher Broadband and Mobile service revenues.

Continued demand for KPN's broadband wholesale portfolio (+4k net adds Q2 2022) led to solid growth in broadband service revenues of 11%. The sum of total broadband net adds between Consumer and Wholesale was +1k⁵ in Q2 2022.

Mobile service revenues increased 16% y-on-y, driven by a growing mobile base and increased data volumes. Wholesale added +17k postpaid SIMs during the quarter.

Other service revenues declined by 3.2%, mainly due to lower regulated tariffs leading to a decrease in low-margin interconnect revenues and less COVID-19 related traffic, partly offset by higher visitor roaming.

H1 2022

Adjusted Wholesale revenues increased 6.4% y-on-y, largely driven by growing Broadband and Mobile service revenues.

Network, Operations & IT

Segment KPIs (in thousands)	H1 2021	H1 2022	Δ q-on-q	Δ y-on-y
FttH households own roll out	3,003	3,394	+102	+391
FttH households 3rd party access	103	284	+54	+181
Of which Glaspoort	12	159	+48	+147
FttH households total	3,106	3,677	+156	+571
FttH households activated on own roll out	1,540	1,726	+41	+186

Since 2020, KPN has accelerated its fiber roll out and targets fiber coverage of approximately 80% of Dutch households by the end of 2026, together with Glaspoort. In the first half year of 2022, KPN, together with Glaspoort, added 261k households to its fiber footprint.

KPN's 5G strategy is focused on differentiated services for B2B customers in specific industries. KPN's fieldlabs are surveying the added value of 5G together with private and public sector parties. The benefits of higher speeds, lower latency and network slicing are explored through multiple use-cases, such as in the field of autonomous driving together with the automotive sector.

Q2 2022

In Q2 2022, KPN's rollout continued at its steady pace, organically adding 102k households to its fiber footprint. More than 44% of households are now connected to KPN's fiber network. During the quarter, KPN activated 41k households on its own infrastructure.

For the fourth time in a row, KPN's mobile network has been recognized by Ookla as the best mobile network in the Netherlands. The network modernization program is paying off and showing KPN's superior network quality, as evidenced by both user tests such as Ookla as well as drive and walk tests done by Umlaut.

Supply chain scarcities and labor shortages are impacting the timing of investments throughout our network. KPN has mitigated the financial impact through the use of substitutionary products, increased inventory levels and budget prioritization.

⁵ Corrected for migrations to, and new customers of, business propositions (7k in Q2 2022)

Analysis of adjusted results Q2 and H1 2022

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

Revenues (in € m)	Q2 2021	Q2 2022	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
Consumer	706	702	-0.5%	1,408	1,414	+0.4%
Business	429	442	+3.0%	869	879	+1.2%
Wholesale	163	174	+6.8%	323	344	+6.4%
Network, Operations & IT	4	21	>100%	6	36	>100%
Other (incl. eliminations)	833	-10	n.m.	820	-22	n.m.
Total revenues	2,136	1,329	-38%	3,426	2,651	-23%
Revenue incidentals						
Consumer	-	-		-	-	
Business	-	-		-	-	
Wholesale	-	-		-	-	
Network, Operations & IT	-	16		-	27	
Other (incl. eliminations)	840	-		840	-	
Total revenue incidentals	840	16	-98%	840	27	-97%
Consumer	706	702	-0.5%	1,408	1,414	+0.4%
Business	429	442	+3.0%	869	879	+1.2%
Wholesale	163	174	+6.8%	323	344	+6.4%
Network, Operations & IT	4	5	+17%	6	10	+69%
Other (incl. eliminations)	-7	-10	+41%	-20	-22	+8.4%
Total adjusted revenues	1,295	1,314	+1.4%	2,586	2,624	+1.5%

The following table specifies the revenue incidentals in more detail:

Revenue incidentals (in € m)	Segment	Q2 2021	Q2 2022	H1 2021	H1 2022
Book gain on Glaspoort	Other	840	-	840	-
Book gain on sales of assets to JV (Glaspoort)	NOI	-	16	-	27
Total revenue incidentals		840	16	840	27

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

(in € m)	Q2 2021	Q2 2022	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
EBITDA	1,459	640	-56%	2,058	1,273	-38%
Incidentals	-844	-16	-98%	-844	-27	-97%
Restructuring	10	4	-59%	16	10	-35%
Lease-related expenses						
Depreciation right-of-use asset	-30	-28	-5.0%	-62	-58	-6.6%
Interest lease liabilities	-5	-4	-17%	-11	-9	-16%
Adjusted EBITDA AL	589	595	+1.1%	1,156	1,189	+2.8%

The following table specifies the EBITDA incidentals in more detail:

EBITDA incidentals (in € m)	Category	Q2 2021	Q2 2022	H1 2021	H1 2022
Book gain on Glaspoort	Revenues	840	-	840	-
Book gain on sale of assets to JV (Glaspoort)	Revenues	-	16	-	27
Release of provisions	Other opex	4	-	4	-
Total EBITDA incidentals		844	16	844	27

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

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ir.kpn.com**Formal disclosures:****Royal KPN N.V.**

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Inside information: No

Topic: Q2 2022 Results

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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 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 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.



Interim Financial Statements

For the six months ended
30 June 2022

kpn. The network of the Netherlands



Unaudited Condensed Consolidated Interim Financial Statements*for the six months ended 30 June 2022*

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All related documents can be found on KPN's website (ir.kpn.com), including the KPN Management Report Q2 2022.

Unaudited Consolidated Statement of Profit or Loss

<i>(in € m, unless indicated otherwise)</i>	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2022	2021 (restated)	2022	2021 (restated)
Revenues		1,313	1,294	2,624	2,584
Other income	[10]	16	842	28	842
Total revenues and other income	[4/5/10]	1,329	2,136	2,651	3,426
Cost of goods & services		337	312	662	634
Personnel expenses		201	213	410	429
Information technology/Technical infrastructure (IT/TI)		74	78	147	155
Other operating expenses		77	74	160	151
Depreciation, amortization & impairments (DA&I)		333	365	675	729
Total operating expenses	[4/6]	1,022	1,043	2,053	2,097
Operating profit	[4/6]	307	1,093	598	1,329
Finance income		1	-1	2	-1
Finance costs		-48	-54	-99	-109
Other financial results		-17	-5	-27	-2
Finance income and expenses	[7/11/18]	-64	-59	-124	-113
Share of the profit/loss (-) of associates and joint ventures	[10]	-	-	2	-
Profit/Loss (-) before income tax from continuing operations		243	1,035	475	1,216
Income taxes	[8]	-57	-235	-110	-275
Profit/Loss (-) for the period from continuing operations		186	800	365	941
Profit/Loss (-) for the period from discontinued operations		-	-	-1	-
Profit/Loss (-) for the period		186	800	364	941
Profit/Loss (-) attributable to non-controlling interest		-	-	-	-
Profit/Loss (-) attributable to equity holders		185	800	364	940
Earnings per ordinary share after taxes attributable to equity holders for the period (in €)					
- Basic (continuing operations)		0.05	0.19	0.09	0.22
- Diluted (continuing operations)		0.05	0.19	0.09	0.22
- Basic (discontinued operations)		-	-	-	-
- Diluted (discontinued operations)		-	-	-	-
- Basic (total, including discontinued operations)		0.05	0.19	0.09	0.22
- Diluted (total, including discontinued operations)		0.05	0.19	0.09	0.22
Weighted average number of ordinary shares					
- Non-diluted				4,116,433,176	4,197,903,063
- Diluted				4,120,691,699	4,203,129,306

[..] Bracketed numbers refer to the related notes to these Condensed Consolidated Interim Financial Statements. Regarding restatements, refer to note [4].

Unaudited Consolidated Statement of Other Comprehensive Income

<i>(in € m)</i>	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
Profit for the period	186	800	364	941
Other comprehensive income, net of tax				
Other comprehensive income to be reclassified subsequently to profit or loss when specific conditions are met:				
- Net gain/loss (-) on cashflow hedges [18]	42	31	45	16
- Currency translation differences	1	2	2	-5
Net other comprehensive income/loss (-) to be reclassified to profit or loss in subsequent periods	43	33	47	11
Items of other comprehensive income not to be reclassified subsequently to profit or loss:				
- Retirement benefit remeasurements [16]	11	27	11	27
- Net gain/loss (-) on equity instruments designated at fair value through other comprehensive income	-	-	3	-
Net other comprehensive income/loss (-) not to be reclassified to profit or loss in subsequent periods	11	27	14	27
Other comprehensive income/loss (-) for the period, net of tax	54	60	61	38
Total comprehensive income/loss (-) for the period, net of tax	240	860	425	979
Total comprehensive income for the period, net of tax, attributable to:				
- Equity holders of the company	240	860	425	979
- Non-controlling interest	-	-	-	-
Total comprehensive income/loss (-) attributable to equity holders arises from:				
- Continuing operations	240	860	426	979
- Discontinued operations	-	-	-1	-

[..] Bracketed numbers refer to the related notes to these Condensed Consolidated Interim Financial Statements.

Unaudited Consolidated Statement of Financial Position

Assets <i>(in € m)</i>	Notes	30 June 2022	31 December 2021
Non-current assets			
Land and buildings		389	401
Plant and equipment		4,921	4,912
Other tangible non-current assets		24	34
Assets under construction		143	118
Total property, plant and equipment		5,477	5,463
Goodwill and intangible assets			
Goodwill		1,432	1,432
Licenses		982	1,032
Software		359	387
Other intangibles		141	155
Total intangible assets		2,915	3,006
Other non-current assets			
Right-of-use assets		786	804
Equity investments accounted for using the equity method	[10]	500	511
Equity investments measured at fair value through other comprehensive income	[18]	61	49
Derivative financial instruments	[18]	143	212
Other financial asset at fair value through profit or loss	[10/11/18]	158	204
Deferred income tax assets	[8/10]	327	506
Trade and other receivables		69	77
Contract assets and contract costs	[10]	76	36
Total non-current assets		10,512	10,869
Current assets			
Inventories		53	37
Trade and other receivables		682	677
Contract assets and contract costs	[10]	40	45
Income tax receivables	[8]	72	2
Derivative financial instruments	[18]	108	-
Other financial asset at fair value through profit or loss	[10/11/18]	42	14
Other current financial assets	[12]	189	300
Cash and cash equivalents	[13]	438	793
Total current assets		1,624	1,868
Total assets		12,136	12,737

[..] Bracketed numbers refer to the related notes to these Condensed Consolidated Interim Financial Statements.

Group equity and liabilities
(in € m)

	Notes	30 June 2022	31 December 2021
Equity			
Share capital		165	168
Share premium		8,248	8,445
Other reserves		-206	-358
Retained earnings		-5,526	-5,523
Equity attributable to holders of perpetual capital securities		496	496
Equity attributable to equity holders of the company		3,178	3,228
Non-controlling interests		2	2
Total equity	[14]	3,180	3,230
Non-current liabilities			
Borrowings	[15]	5,376	6,067
Lease liabilities		714	736
Derivative financial instruments	[18]	218	64
Provisions for retirement benefit obligations	[16]	76	92
Provisions for other liabilities and charges	[17]	145	150
Contract liabilities	[10]	146	169
Other payables		6	8
Total non-current liabilities		6,681	7,286
Current liabilities			
Trade and other payables		1,145	1,176
Contract liabilities	[10]	175	186
Borrowings	[15]	817	677
Lease liabilities		118	137
Derivative financial instruments	[18]	-	-
Income tax payable	[8/10]	-	17
Provision for other liabilities and charges	[17]	21	27
Total current liabilities		2,275	2,221
Total equity and liabilities		12,136	12,737

[..] Bracketed numbers refer to the related notes to these Condensed Consolidated Interim Financial Statements.

Unaudited Consolidated Statement of Changes in Group Equity

	Notes	Subscribed ordinary shares	Share capital	Share premium	Other reserves	Retained earnings	Equity attributable to holders of perpetual capital securities	Equity attributable to equity holders of the company	Non-controlling interests	Total equity
<i>(in € m, except number of shares)</i>										
Balance at 1 January 2021		4,202,844,404	168	8,445	-199	-6,289	496	2,621	1	2,622
Profit for the period		-	-	-	-	941	-	941	-	941
Other comprehensive income		-	-	-	11	27	-	38	-	38
Total comprehensive income		-	-	-	11	968	-	979	-	979
Share based compensation		-	-	-	-	-15	-	-15	-	-15
Sold treasury shares		-	-	-	17	-	-	17	-	17
Paid coupon perpetual hybrid bond		-	-	-	-	-10	-	-10	-	-10
Dividends paid	[14]	-	-	-	-	-365	-	-365	-	-365
Total transactions with owners, recognized directly in equity		-	-	-	17	-390	-	-373	-	-373
Balance at 30 June 2021		4,202,844,404	168	8,445	-171	-5,711	496	3,227	1	3,228
Balance at 1 January 2022		4,202,844,404	168	8,445	-358	-5,523	496	3,228	2	3,230
Change in accounting policies	[2]	-	-	-	-	-11	-	-11	-	-11
Balance at 1 January 2022		4,202,844,404	168	8,445	-358	-5,534	496	3,217	2	3,219
Profit for the period		-	-	-	-	364	-	364	-	364
Other comprehensive income		-	-	-	47	14	-	61	-	61
Total comprehensive income		-	-	-	47	378	-	425	-	425
Share based compensation		-	-	-	-	-13	-	-13	-	-13
Sold treasury shares		-	-	-	14	-	-	14	-	14
Treasury shares withdrawn	[14]	-73,684,157	-3	-197	200	-	-	-	-	-
Paid coupon perpetual hybrid bond		-	-	-	-	-10	-	-10	-	-10
Dividends paid	[14]	-	-	-	-	-375	-	-375	-	-375
Share repurchase		-	-	-	-81	-	-	-81	-	-81
Total transactions with owners, recognized directly in equity		-73,684,157	-3	-197	133	-398	-	-465	-	-465
Balance at 30 June 2022		4,129,160,247	165	8,248	-178	-5,554	496	3,178	2	3,180

[..] Bracketed numbers refer to the related notes to these Condensed Consolidated Interim Financial Statements.

Unaudited Consolidated Statement of Cash Flows

<i>(in € m)</i>	Notes	30 June 2022	30 June 2021
Profit before income tax from continuing operations		475	1,216
Adjustments for:			
- Net financial expenses	[7]	124	113
- Share-based compensation		1	2
- Share of the profit/loss (-) of associates		-2	-
- Depreciation, amortization and impairments	[4/6]	675	729
- Other non-cash income and expenses		-27	-842
- Changes in provisions (excl. deferred taxes)	[6/16/17]	-22	-22
Changes in working capital relating to:			
- Current assets		-47	-48
- Current liabilities		-42	-33
Income taxes paid/received	[8]	-29	-24
Interest paid/received		-65	-78
Net cash flow from operating activities from continuing operations		1,042	1,012
Net cash flow from operating activities from discontinued operations		-	-
Net cash flow from operating activities		1,042	1,012
Disposal of subsidiaries and associates (net of cash)	[3/10]	-	222
Tax paid on disposal of subsidiaries and associates	[3/10]	-	-6
Investments in software		-105	-109
Investments in other intangibles assets		-	-4
Investments in property, plant & equipment		-448	-517
Disposals of property, plant & equipment		-5	1
Changes in other financial assets	[12/13]	104	11
Net cash flow from investing activities from continuing operations		-453	-400
Net cash flow from investing activities from discontinued operations		-3	-3
Net cash flow from investing activities		-457	-403
Dividends paid	[14]	-375	-365
Share repurchase	[14]	-81	-
Paid coupon perpetual hybrid bonds		-10	-10
Proceeds from borrowings	[13]	180	150
Repayments of borrowings and settlement of derivatives	[15]	-569	-351
Repayment lease liabilities		-82	-86
Other		-3	-2
Net cash flow from financing activities from continuing operations		-940	-663
Net cash flow from financing activities from discontinued operations		-	-
Net cash flow from financing activities		-940	-663

[..] Bracketed numbers refer to the related notes to these Condensed Consolidated Interim Financial Statements.

<i>(in € m)</i>	Notes	For the six months ended	
		30 June 2022	30 June 2021
<i>Continued from previous page</i>			
Total net cash flow from continuing operations		-351	-51
Total net cash flow from discontinued operations		-3	-3
Total net cash flow (changes in cash and cash equivalents)		-354	-54
Net cash and cash equivalents at beginning of period		793	594
Exchange rate difference		-	-
Changes in cash and cash equivalents		-354	-54
Net cash and cash equivalents at end of period		438	540
Bank overdrafts		-	6
Cash and cash equivalents at end of period	[13]	438	546

[..] Bracketed numbers refer to the related notes to these Condensed Consolidated Interim Financial Statements.

General notes to the Condensed Consolidated Interim Financial Statements

[1] Company profile

KPN is a leading telecommunications and IT provider in the Netherlands, offering fixed and mobile telephony, fixed and mobile broadband internet and TV to retail and business customers. KPN is market leader in the Netherlands in infrastructure and network-related IT solutions to business customers. KPN also provides wholesale network services to third parties.

[2] Accounting policies

Basis of preparation

These Condensed Consolidated Interim Financial Statements ('Interim Financial Statements') for the six months ending 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with KPN's Integrated Annual Report 2021 as this document does not include all the information and disclosures required in the annual financial statements. These Interim Financial Statements have not been audited by KPN's external auditor.

All amounts are presented in millions unless stated otherwise. Certain figures may not tally exactly due to rounding. In addition, certain percentages may have been calculated using rounded figures.

In preparing the Interim Financial Statements, KPN has applied the concept of materiality to the presentation and level of disclosures. Only essential and mandatory information is disclosed which is relevant to a reader's understanding of these Interim Financial Statements.

Significant accounting estimates, judgments and assumptions

These are evaluated continuously and are based on historic experience and other factors, including expectations of future events thought to be reasonable under the circumstances. Actual results may deviate from the estimates applied. Estimates are revised when material changes to the underlying assumptions occur. For more information on KPN's significant accounting estimates, judgments and assumptions, refer to the Notes to the Consolidated Financial Statements of the Integrated Annual Report 2021.

The accounting estimates, judgments and assumptions deemed significant to KPN's Interim Financial Statements relate to:

- determination of deferred tax assets for losses carry forward and provisions for tax contingencies;
- determination of value in use of cash-generating units for goodwill impairment testing;
- assessment of exposure to credit risk and financial market risks;
- the 'more likely than not' assessment required to determine whether or not to recognize a provision for idle cables, which are part of a public electronic communications network;
- the assessment of the lease terms deemed reasonably certain of KPN's lease contracts and the incremental borrowing rate used to measure the lease liabilities;
- the assessment whether revenue for variable considerations is probable or highly probable. This concerns among others revenue related to disputes and revenue related to VAT regarding unused multipurpose bundles; and
- several assessments related to KPN's 50% interest in Glaspoort B.V. (classified as a joint venture);
 - o the assessment whether KPN has joint control over Glaspoort;

- the assessment whether operational contracts between Gaspoort and KPN are at arms' length;
- the valuation of KPN's interest in the joint venture (initially set at fair value, subsequently accounted for using the equity method and subject to impairment testing); and
- the valuation of the contingent cash consideration (financial asset at fair value through profit or loss).

Change in accounting policies

The accounting policies applied in preparing these Interim Financial Statements are consistent with those disclosed in KPN's Integrated Annual Report 2021, except for the adoption of new standards and amendments effective as of 1 January 2022. KPN applies new standards and amendments issued by the International Accounting Standards Board (IASB), when effective and endorsed by the European Union. KPN has not early adopted any new standard, interpretation or amendment. Only changes with a significant impact are discussed.

Amendments to IAS 37: Onerous contracts

The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs must be included when assessing whether a contract is onerous or loss-making using a 'directly related cost approach'.

Costs that relate directly to a contract to provide goods or services include both incremental costs (such as costs of direct labor and materials) and an allocation of costs directly related to contract activities (such as depreciation of equipment used to fulfill the contract as well as costs of contract management). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. Previously, KPN did not consider costs of own personnel as incremental costs, whereas costs of externally hired personnel were included in the incremental costs.

The amendments have been endorsed by the EU and are effective as of 1 January 2022 with mandatory prospective application. The amendments apply to contracts for which KPN had not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (2022).

The amendments resulted in an increase of the provisions for onerous contracts of EUR 14m on 1 January 2022. The impact on equity (net of tax) is EUR 11m. The cumulative effect of initially applying the amendments was recognized as an adjustment of retained earnings at 1 January 2022.

Other amendments

KPN has concluded that the following, endorsed amendments effective 1 January 2022 did not have a material impact:

- IFRS 3 regarding the added exception to avoid potential 'day 2' gains or losses from contingent assets and liabilities or levies; and
- IAS 16 regarding recognition of proceeds generated by items of property, plant & equipment during its construction phase.

Future implications of new and amended standards and interpretations

The IASB has issued several new standards and amendments to existing standards with an effective date 1 January 2023 or later. KPN does not expect a material impact on its financial performance and/or the presentation thereof. This concerns the following amendments;

Endorsed amendments;

- IAS 1 on the presentation of financial statements and disclosure of accounting policies; and
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.

Amendments pending endorsement;

- IAS 12 on deferred tax related to assets and liabilities arising from a single transaction; and
- IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture.

[3] Changes to organizational structure / Disposal group held for sale

During H1 2022, there were no changes to KPN's organization structure other than some minor transfers between KPN's operating segments (refer to note [4]).

On 9 June 2021, KPN sold 50% of the shares of its subsidiary Gaspoort B.V. to Drepana Investments Holding B.V., an investment entity managed by APG. At the same time, KPN entered into a joint venture agreement with Drepana Investments Holding B.V. regarding Gaspoort. Gaspoort is a network company, pursuing an open-access wholesale strategy based on non-discriminatory terms, fostering competition and innovation in the Netherlands. Refer to note [10] for more information.

Notes to the Condensed Consolidated Statement of Profit or Loss

[4] Segment information Profit or Loss

KPN's segment information has slightly changed compared to 31 December 2021. Some smaller units were transferred from the segments Consumer and Business to the segments Network, Operations & IT and Other. In addition, some limited expenses were reclassified between existing operating expense categories based on further review of their nature. The impact on the segment information was not material. Nonetheless, the comparative segment information has been restated for these transfers.

For the six months period ending 30 June 2022

<i>in € m</i>	Consumer	Business	Wholesale	NOI	Other	Total
Statement of Profit or Loss						
External revenues	1,409	876	328	9	1	2,624
Other income [10]	-	-	-	27	-	28
Inter-division revenues	4	3	16	-	-24	-
Total [5]	1,414	879	344	36	-22	2,651
Operating expenses [6]	-483	-458	-58	-290	-90	-1,379
EBITDA (contribution margin)	931	421	286	-254	-112	1,273
DA&I [6]	-77	-24	-4	-544	-25	-675
Operating profit	854	397	282	-798	-137	598
Share of profit or loss of associates and joint ventures [10]	-	-	-	-	2	2
EBITDA	931	421	286	-254	-112	1,273
DA&I right-of-use asset	-6	-1	-	-31	-20	-58
Interest lease liabilities	-	-	-	-6	-2	-9
EBITDA after leases	925	420	286	-291	-135	1,205

For the six months period ending 30 June 2021 (restated)

<i>in € m</i>	Consumer	Business	Wholesale	NOI	Other	Total
Statement of Profit or Loss						
External revenues	1,401	865	303	5	9	2,584
Other income [10]	1	1	-	-	840	842
Inter-division revenues	6	3	20	-	-30	-
Total [5]	1,408	869	323	6	820	3,426
Operating expenses [6]	-475	-458	-67	-293	-76	-1,368
EBITDA (contribution margin)	933	411	257	-287	744	2,058
DA&I [6]	-91	-24	-4	-580	-30	-729
Operating profit	842	387	253	-867	714	1,329
Share of profit or loss of associates and joint ventures [10]	-	-	-	-	-	-
EBITDA	933	411	257	-287	744	2,058
DA&I right-of-use asset	-6	-1	-	-32	-23	-62
Interest lease liabilities	-1	-	-	-7	-2	-11
EBITDA after leases	927	410	256	-326	718	1,985

[..] Bracketed numbers refer to the related notes to these Condensed Consolidated Interim Financial Statements.

[5] Revenues and other income

Total revenues and other income in H1 2022 were EUR 775m lower compared to H1 2021 due to the book gain on the sale of 50% of the shares in Glaspoort B.V. (EUR 840m) recognized in H1 2021 (refer to note [10]).

External revenues increased with EUR 40m in H1 2022 compared to H1 2021 as growth in Wholesale, Business and Consumer mobile was partly offset by lower service revenues from Consumer Legacy.

External revenues in H1 2021 included the negative impact of a EUR 8m one-off correction to Consumer Fixed service revenues related to the timing of revenue recognition in 2020, which was partly offset by non-recurring royalty revenues (EUR 7m).

External revenues were not impacted by incidentals in H1 2022 nor H1 2021.

Other income of H1 2022 (EUR 28m) includes the book gain recognized following the transfer of additional scope projects sold to Glaspoort in Q4 2021 for EUR 27m. Other income of H1 2021 (EUR 842m) included the book gain on the sale of the 50% interest in Glaspoort. These gains are treated as incidentals, refer to note [10]).

For further information on disaggregation of revenues, refer to the factsheet accompanying the Q2 2022 press release (available on KPN's website; ir.kpn.com).

[6] Operating expenses, DA&I

Operating expenses (excluding DA&I) increased by EUR 10m.

Cost of goods and services increased by EUR 28m due to higher non-service revenues and higher third-party access costs. Personnel expenses decreased with EUR 19m due to efficiencies from KPN's ongoing digital transformation and natural attrition, partly offset by wage increases following the collective labor agreement. IT/TI expenses decreased with EUR 8m, partly driven by efficiency and network rationalization. Other operating expenses increased EUR 9m due higher energy costs and the release of a provision during H1 2021 (EUR 4m gain), offset by lower restructuring expenses (H1 2022: EUR 10m, H1 2021: EUR 16m). Impairments from contracts with customers amounted to EUR 5m (H1 2021: EUR 2m).

DA&I expenses decreased by EUR 54m compared to H1 2021 due to lower depreciation for network equipment of which ~EUR 12m lower accelerated depreciation for equipment related to the network modernization. During H1 2022, impairment expenses amounted to EUR 10m (H1 2021: EUR 8m).

[7] Finance income and expenses

Net finance costs amounted to EUR 124m in H1 2022, EUR 12m higher net costs compared to H1 2021 (EUR 113m).

Finance income in H1 2022 increased by EUR 3m to EUR 2m compared to H1 2021 (EUR -1m).

Finance costs in H1 2022 decreased by EUR 10m to EUR 99m compared to H1 2021 (EUR 109m), mainly due to bond redemptions in 2021 and 2022 and refinancing at lower rates. Interest expenses on lease liabilities amounted to EUR 9m in H1 2022 (H1 2021: EUR 11m).

Other financial results amounted to EUR -27m in H1 2022 (H1 2021: EUR -2m). The higher net costs are primarily related to hedge ineffectiveness and fair value movements on the contingent cash consideration for Glaspoot.

[8] Income taxes

KPN calculates the income tax expense for the period using the tax rate applicable to the expected total annual earnings. The income tax charge for H1 2022 is EUR 110m compared to EUR 275m in H1 2021.

The income tax charge for H1 2022 is in line with the normal business operations of KPN. KPN benefits from innovation box tax facilities which are facilities under Dutch corporate income tax law, whereby profits attributable to innovation are taxed at an effective tax rate of 9%. KPN expects that the effective tax rate (excluding one-off effects) will be approximately 23% in 2022.

The income tax charge for H1 2021 includes the tax effect of the sale of 50% of the shares in Glaspoot B.V. for the amount of EUR 191m, refer to note [10].

The effective tax rate for H1 2022 is 23.3% against 22.6% in H1 2021. The effective tax rate was mainly influenced by one-off effects. Without one-off effects, the effective tax rate would have been approximately 23% in H1 2022 (approximately 22% in H1 2021), mainly due to the increase of the Dutch statutory tax rate.

<i>(in € m)</i>	For the six months ended	
	30 June 2022	30 June 2021
Current income tax expense	-59	71
Deferred income tax expense	169	204
Income tax expense recognized in statement of profit or loss	110	275

Notes to the Condensed Statement of Financial Position

[9] Segment information Statement of Financial Position

Segment information as at 30 June 2022

<i>in € m</i>	Consumer	Business	Wholesale	NOI	Other	Total
Total assets	2,770	1,931	372	7,315	-252	12,136
Total liabilities	1,927	1,437	92	8,175	-2,675	8,956

The total assets of the segment 'Other' includes the carrying value of KPN's interest in the joint venture Glaspoort for EUR 493m (31 December 2021: EUR 503m). Refer to note [10] for further information.

Segment information as at 31 December 2021 (restated)

<i>in € m</i>	Consumer	Business	Wholesale	NOI	Other	Total
Total assets	4,398	2,846	629	9,343	-4,480	12,737
Total liabilities	4,401	2,727	630	9,354	-7,605	9,507

[10] Equity investments accounted for using the equity method

KPN holds several equity investments accounted for using the equity method of which Glaspoort is the most significant. Other equity investments are not material, individually nor in aggregate.

Joint Venture 'Glaspoort B.V.'

The total consideration upon sale of the 50% interest in Glaspoort consisted of a cash consideration received upon deal close of EUR 238m (during H2 2021 adjusted to EUR 233m) and a contingent cash receivable of EUR 234m, to be received in annual installments based on the roll-out progress of Glaspoort. The contingent cash receivable classifies as a financial asset initially recognized at fair value (EUR 218m) and is subsequently measured at fair value through profit or loss. Refer to note [11].

Glaspoort is classified as a joint venture, based on the assessment of ownership and voting power (50/50 with the joint venture partner) and the joint control established through the joint venture agreement between the shareholders of Glaspoort. During H1 2022 there were no changes in the joint control status. Refer to Note [12] of the Integrated Annual Report 2021 for further information.

Due to the relative size of Glaspoort to the KPN Group, Glaspoort did not qualify as a discontinued operation. Therefore, the results and cash flows of Glaspoort remained included in KPN's consolidated income and cash flow statements until the date of completion of the transaction whereas its assets and liabilities were classified on KPN's consolidated balance sheet as part of the 'assets held for sale'.

The transaction resulted in a preliminary net book gain recognized in H1 2021 of EUR 649m, consisting of a book gain on the transaction of EUR 840m included in other income (see note [5]) and a tax expense of EUR 191m.

The transaction resulted in a net cash flow of EUR 217m in H1 2021, classified as cash flow from investing activities in the Consolidated Statement of Cash Flows. This amount consists of the cash consideration

received for the shares (EUR 238m) and transferred assets (EUR 24m), less the share premium contribution (EUR 39m), income tax paid in H1 2021 (EUR 6m) and transaction costs paid (EUR 1m).

Due to the specific nature of this transaction it was not tax exempt. Of the total tax expense arising from the transaction, EUR 191m was paid in 2021. Of this amount, EUR 6m has been paid during H1 2021. As these tax payments are directly related to the transaction, KPN presents these taxes paid as part of the cash flows from investing activities.

<i>(in € m)</i>	9 June 2021
Amount of assets and liabilities in the subsidiaries over which control is lost:	
Property, plant and equipment	7
Trade and other receivables, prepayments and accrued income	17
Current liabilities	-24
Total net assets	-
Transaction costs	-8
Allocation of goodwill upon loss of control over a business	-64
Total transaction costs	-72
Cash consideration	238
Contingent cash consideration (financial asset at FVPL)	218
Interest in joint venture (50%) *)	456
Total consideration *)	912
Book gain *)	840
Tax expense *)	-191
Book gain, net of tax *)	649

*) The table represents the book gain recognized in H1 2021 and does not include the effect of the adjustment of the initial cash consideration of December 2021 which reduced the net book gain from EUR 649m to EUR 639m. See Note [21] of the Integrated Annual Report 2021.

KPN initially recognized its interest in the joint venture at its fair value (EUR 456m), based on the total consideration, consisting of the initial cash consideration (EUR 238m) and the fair value of the deferred consideration (EUR 218m), and corroborated by internal valuation models. In December 2021, the initial cash consideration was adjusted by EUR 5m to EUR 233m and the fair value of KPN's interest in the joint venture was adjusted for the same amount to EUR 451m. After initial recognition, KPN accounts for its interest in Glaspoort using the equity method.

The initial fair value has been allocated to equity of Glaspoort, determined under application of KPN's accounting policies, and goodwill. In determining equity, intangible assets of EUR 878m have been recognized in the initial balance sheet of Glaspoort which mostly relate to contractual relationships held by Glaspoort with, among others, KPN. The sale of the additional scope projects to Glaspoort in December 2021 (refer below), which is treated as a sale of assets, has been used as an input to determine the fair value of the intangible assets. The intangible assets are expected to be amortized over a period ranging from 15-30 years.

In December 2021, KPN, Drepana and Glaspoort signed an agreement to extend the scope of the fiber roll-out of Glaspoort. KPN will receive EUR 170m (pre-tax) for the sale of the additional scope from Glaspoort. Of this amount, EUR 60m has been received in cash upon closing of the transaction and the remaining amount will be received in annual installments based on the roll-out progress. KPN recognizes 50% of the agreed consideration as other income when the roll-out activities of the additional scope projects have started by Glaspoort at which point KPN's obligations regarding realization of the additional scope projects are deemed fulfilled. The remaining 50% is recognized over time as part of the result from joint ventures following the requirements of IAS 28 on downstream transactions. During H1 2022, KPN recognized EUR 27m in other income related to the sale of these

additional scope projects and EUR 1m (gain) was recognized as part of the result from joint ventures. As at 30 June 2022, the accumulated deferred gain to be released over time amounts is EUR 41m (31 December 2021: EUR 15m). This amount is included in the net book value of the joint venture.

During H1 2022, additional share premium contributions were made of EUR 14m per shareholder. KPN added the share premium payments to the carrying value of KPN's interest in the joint venture.

Summarized unaudited financial information of the joint venture, based on IFRS as applied by KPN, and reconciliation with the carrying amount of the investment in the consolidated financial statements, is set out below.

Summarized statement of financial position;

<i>(in € m)</i>	30 June 2022	31 December 2021
Tangible fixed assets	125	77
Intangible assets	957	908
Other non-current assets	30	11
Current assets	37	90
Net cash and cash equivalents	27	28
Non-current liabilities	-121	-99
Current liabilities	-16	-11
Equity	1,039	1,004
KPN's share in equity	519	502
Goodwill from initial valuation at fair value	15	15
Carrying amount of the investment Equity Method	534	517
Less: Deferred gain on downstream transactions	-41	-15
Carrying amount of the investment	493	503

Summarized statement of profit or loss;

<i>(in € m)</i>	H1 2022	H1 2021
Revenue	5	-
Operating expenses	-8	-
Depreciation, amortization & impairment expenses	-6	-
Net finance gain *)	16	-
Profit before tax	8	-
Income tax expense	-2	-
Profit for the year	6	-
Total comprehensive income for the period	6	-
KPN's share of profit for the period	2	-
Release deferred gain on downstream transactions	1	-
KPN's share of profit for the year included in share of profit/loss (-) of associates and joint ventures	3	-

*) The net finance gain is mostly due to the change in fair value of derivatives (EUR 20m).

Both shareholders have committed to additional share premium contributions. On 30 June 2022, the remaining maximum commitment of each shareholder is EUR 173m (31 December 2021: EUR 187m), payable to Glaspoort based on funding requirements following its annual budget. Neither shareholder has additional funding obligations regarding Glaspoort. Glaspoort has entered into funding agreements with financial institutions to cover its financial commitments, which include its fiber roll-out activities. These funding agreements have been entered into on a non-recourse basis without any guarantees from the shareholders.

For information on transactions between Glaspoort and KPN and unsettled positions between Glaspoort and KPN, see note [20]. Glaspoort cannot distribute its profits without the consent from the

two joint venture partners and not before 2026. After 2026, Glaspoort can distribute dividends only when specific criteria are met.

[11] Other financial asset at fair value through profit or loss

Part of the consideration received for the sale of the 50% interest in Glaspoort B.V. to Drepana Investments Holding B.V. in June 2021 (see note [10]) is a contingent cash receivable of EUR 234m. The contingent cash receivable, to be received in annual installments based on the roll-out progress of Glaspoort, is classified as a financial asset measured at fair value through profit or loss.

At 30 June 2022, the nominal amount outstanding was EUR 220m with a carrying amount of EUR 200m, of which EUR 42m was current. As at 31 December 2021, the nominal amount outstanding was EUR 234m with a carrying value of EUR 218m, of which EUR 14m current.

In H1 2022, the book value increased with interest income of EUR 3m and decreased with EUR -8m due to a fair value adjustment. The latter was recognized as a loss in other financial results.

Based on Glaspoort's current roll-out plan, KPN expects the final payment in 2027. The fair value of this contingent receivable is deemed equal to the net present value of the full amount of the installments to be received using the expected roll-out schedule as included in Glaspoort's initial business plan. A weighted average discount rate of 4.10% has been used based on the following elements:

- A base-rate using mid-swap rates to account for the time value of money, plus
- A credit spread mark-up to account for the risk of non-payment based on AA rated credit curves resulting in a spread of ~0.2% over a 5 year tenor, plus
- A mark-up to reflect the roll-out risk (mostly the risk of delay)

[12] Other current financial assets

To manage group liquidity, KPN invests in short-duration fixed income funds and unrated money market funds from time to time, which are measured at fair value through profit or loss. These funds have low volatility with an investment objective of preservation of principal and are classified as short-term investments in KPN's Net Debt definition. At 30 June 2022, KPN has funds classified as other current financial assets of EUR 189m (31 December 2021: EUR 300m).

[13] Cash and cash equivalents

At 30 June 2022, cash and cash equivalents amounted to EUR 438m, compared to EUR 793m at 31 December 2021. The decrease in KPN's cash and cash equivalents was mainly caused by debt redemptions (EUR 616m), dividend payments (EUR 375m) and the share repurchase program (EUR 81m), partially offset by generated free cash flow (EUR 408m) and movements in short-term investments (EUR 110m) and commercial paper issuance (EUR 180m).

Cash and cash equivalents consist of highly liquid instruments, including deposits, interest-bearing bank accounts and money market funds. KPN's cash balances are outstanding at a range of strong counterparties.

At 30 June 2022, part of KPN's cash balances were invested in instruments that cannot be classified as cash and cash equivalents. These are classified as other current financial assets, refer to note [12] for further information. During H1 2022 EUR 110m of short-term investments were redeemed and converted to cash and cash equivalents.

[14] Group equity

At 30 June 2022, a total of 4,129,160,247 ordinary shares were outstanding following the cancellation of 73,684,157 repurchased shares in February 2022.

On 22 April 2022, KPN paid a final dividend in respect of 2021 of EUR 9.1 cents per share, in total EUR 375m. The total regular dividend in respect of 2021 was EUR 13.6 cents per share, in total EUR 564m.

[15] Borrowings, bond issues and redemptions

On 1 March 2022, KPN redeemed the 4.25% EUR 616m senior bond in line with its scheduled maturity.

KPN has a Euro Commercial Paper Program under which KPN can issue short-term debt instruments for up to EUR 1 billion. At 30 June 2022, the outstanding balance of commercial paper amounted to EUR 240m (31 December 2021: EUR 60m) issued at an average interest rate of -0.34% (31 December 2021: -0.45%).

At 30 June 2022, the average maturity of the senior bond portfolio was 6.9 years (31 December 2021: 6.6 years). The weighted average cost of senior debt was 2.50% at 30 June 2022 (31 December 2021: 2.69%). Including the outstanding hybrid bonds, the weighted average cost of debt was 2.74% at 30 June 2022 (31 December 2021: 2.89%).

[16] Provisions for retirement benefit obligations

The remaining pension provision at 30 June 2022 of EUR 76m (31 December 2021 EUR 92m) includes the (closed) pension plans of Getronics UK and Getronics US, which are accounted for as defined benefit plans. The pension plans incurred a net actuarial gain of EUR 11m in the first six months of 2022. This is mainly due to higher discount rates which decreased the plans' defined benefit obligations by EUR 101m and a lower than expected return on the plans' assets of EUR 89m.

[17] Provisions for other liabilities and charges

The following table presents the movements in the provisions for other liabilities and charges:

<i>(in € m)</i>	Personnel	Contractual	Total restructuring	Asset retirement obligation	Other provisions	Total provisions
Balance at 1 January 2021	18	2	19	94	76	189
Of which: current portion	18	-	18	4	17	38
Additions / Releases (-)	16	-	16	1	-1	15
Usage	-18	-	-18	-1	-11	-30
Balance at 30 June 2021	16	2	17	93	64	174
Of which: current portion	15	-	15	2	5	23
Balance at 1 January 2022	18	1	19	98	60	177
Of which: current portion	18	-	18	2	7	27
Change in accounting policy	-	-	-	-	14	14
Additions/ Releases (-)	10	-	10	-11	2	1
Usage	-18	-	-18	-1	-7	-27
Balance at 30 June 2022	10	1	11	86	69	166
Of which: current portion	10	-	10	3	8	21

[18] Fair value disclosures

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2022 and 31 December 2021:

<i>(in € m)</i>	30 June 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at FVPL				
Other current financial assets	[11] 200	200	218	218
Derivatives	251	251	212	212
Other current financial asset	[12] 189	189	300	300
Cash and cash equivalents	[13] 438	438	793	793
Financial assets at amortized cost				
Trade and other receivables	681	681	641	641
Financial assets at FVOCI				
Equity investments	61	61	49	49
Total financial assets	1,820	1,820	2,213	2,213
Financial liabilities FVPL				
Derivatives	219	219	64	64
Financial liabilities at amortized cost				
Borrowings	6,193	6,117	6,744	7,223
Lease liability	831	831	873	873
Trade and other payables	979	979	973	973
Total financial liabilities	8,222	8,146	8,654	9,132

Assets and liabilities measured at fair value (in € m)	As at 30 June 2022				As at 31 December 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at FVPL								
Other financial asset at FVPL	-	-	200	200	-	-	218	218
Derivatives (cross currency interest rate swap)	-	229	-	229	-	117	-	117
Derivatives (interest rate swap) and other	-	22	-	22	-	95	-	95
Financial assets at FVOCI								
Equity investments	-	-	-	-	-	-	-	-
- Unlisted securities	-	-	61	61	-	-	49	49
Total assets	-	251	261	512	-	212	267	479
Financial liabilities at FVPL								
Derivatives (cross currency interest rate swap)	-	41	-	41	-	47	-	47
Derivatives (interest rate swap)	-	177	-	177	-	17	-	17
Total liabilities	-	219	-	219	-	64	-	64

Fair value estimation

- Level 1 Fair value of instruments traded in active markets and based on quoted market prices.
- Level 2 Instrument is not traded in an active market and fair value is determined by using valuation techniques based on maximum use of observable market data for all significant inputs.
- Level 3 One or more of the significant inputs is not based on observable market data, the fair value is estimated using models and other valuation methods. The valuation of available-for-sale unlisted securities is based on a discounted cash flow model.

KPN reports its derivative positions on the balance sheet on a gross basis. Part of the derivatives portfolio is subject to master netting agreements that allow netting under certain circumstances. If netting per counterparty would be applied at 30 June 2022, the total derivatives asset position would be EUR 154m (31 December 2021: EUR 155m) and the total derivatives liability position would be EUR 122m (31 December 2021: EUR 6m).

During H1 2022, the fair value of derivatives decreased by EUR 116m to EUR 32m (net asset). This was caused by: (i) a movement of Interest Rate Swaps of EUR -234m due to a higher Euro interest rate curve, which due to fair value hedge accounting offsets movements on borrowings of EUR -213m and the remaining is reflected in the P&L as a net loss; and (ii) an increase of EUR 118m in cross currency swaps, which due to cash flow hedge accounting resulted in a P&L gain of EUR 64m due to currency movements on the notional amounts hedged (offsetting equal P&L losses on the hedged bonds). The remaining movement of EUR 53m (pre-tax) is reflected in the hedge reserve and reflects the currency effect on future coupon payments and movements in the EUR/GBP/ interest rate curves.

[19] Commitments and contingencies

(in € m)	Amounts due by period				
	Less than 1 year	1-5 years	More than 5 years	Total 30 June 2022	Total 31 December 2021
Capital and purchase commitments	927	324	9	1,260	1,291
Guarantees and other	-	3	134	137	131
Total commitments	927	327	143	1,397	1,422

The capital and purchase commitments mainly relate to minimum contractual obligations with regard to network operations, mobile handsets and telco services, and lease contracts that have not yet commenced.

Guarantees consist of financial obligations of group companies under certain contracts guaranteed by KPN. A total amount of EUR 137m relates to parent guarantees (31 December 2021: EUR 131m). The table presented above does not include KPN's commitment on share premium contributions regarding Glaspoort of EUR 173m (31 December 2021: EUR 187m). Refer to note [10].

Contingent liabilities

No significant changes have occurred in KPN's contingent liabilities during H1 2022. Further information is available in Note 22 of the Integrated Annual Report 2021.

German tax audit

Upon completion of all prior years, the German Tax authorities started a tax audit of E-Plus over fiscal year 2014. In 2014, KPN completed the sale of E-Plus. Over the years, E-Plus had incurred substantial debts to KPN, amongst other in relation to the acquisition of the UMTS licenses and the roll-out of its network. The sale of E-Plus excluded these debts, which were subsequently restructured. In 2021, the German Tax authorities requested KPN's German subsidiary to further substantiate its tax filing with regard to these debt restructurings. The subsidiary has addressed the questions on the basis of supporting third party expert opinions regarding this matter, and continues its dialogue with the German Tax authorities, mainly around the tax neutral treatment of the debt assumptions undertaken as part of the debt restructuring. Completion of this process may take time given the materiality and complexity of the 2014 tax filings. As this matter could have a material impact for KPN, it is treated as a contingent liability as referred to in Note [8] and Note [22] of the Integrated Annual Report 2021.

Glaspoort

In May 2021, ACM approved the establishment of Glaspoort, the joint venture with APG, under the Dutch merger control regulation. T-Mobile has appealed this decision, which appeal was denied by the district court on 31 March 2022. Subsequently, T-Mobile has lodged an appeal with the CBB to this denial. Should the appeal with the CBB be finally successful then the result could be that the CBB will annul the decision of the district court and decide on the question whether a license will be required. The CBB could also decide that the ACM needs to carry out a new assessment on the application of the merger control regulations. Depending on the outcome of the decision of the CBB a different legal treatment of the joint venture cannot be ruled out. See note [10] for more information on Glaspoort.

[20] Related-party transactions

For a description of the related parties of KPN and transactions with related parties, including major shareholders, refer to Note [23] of the Integrated Annual Report 2021.

On 9 June 2021, KPN sold 50% of the shares of its subsidiary Glaspoort and entered into a joint venture agreement with APG (refer to note [10]). As of 9 June 2021, KPN's remaining 50% interest in Glaspoort is classified as a joint venture and accounted for as using the equity method. KPN is the anchor tenant on the network of Glaspoort and also supplies services to Glaspoort. In the first six months of 2022, there have been no material transactions with Glaspoort, other than in the normal course of business.

In the first six months of 2022, there have been no changes in the type of other related party transactions as described in the Integrated Annual Report 2021, which could have a material effect on the financial position or performance of KPN.

Pursuant to the Dutch Financial Supervision Act ('Wet op het financieel toezicht' or 'Wft'), legal entities as well as natural persons must immediately notify the Dutch Authority of Financial Markets (AFM) when a shareholding equals or exceeds 3% of the issued capital.

On 12 July 2022, América Móvil, S.A.B. de C.V. ('AMX') published that it held 19.4% of the shares related to KPN's ordinary share capital as at 30 June 2022.

Other shareholdings equaling or exceeding 3% of the issued capital:

- On 7 June 2022, BlackRock, Inc. notified the AFM that it held 4.44% of the shares and 5.58% of the voting rights related to KPN's ordinary share capital.
- On 2 June 2022, The Income Fund of America notified the AFM that it held 4.97% of the shares and voting rights to KPN's ordinary share capital.
- On 25 April 2022, Amundi Asset Management notified the AFM that it held 3.66% of the shares and voting rights related to KPN's ordinary share capital.
- On 14 April 2022, Capital Research and Management Company notified the AFM that it held 10.90% of the voting rights related to KPN's ordinary share capital.

Based on publicly available information, no other shareholder owned 3% or more of KPN's issued share capital as at 30 June 2022.

[21] Risk management

The main risks that could have a material impact on KPN's financial position and results are described in the Integrated Annual Report 2021 (pages 63-70, Note 13.4 and Appendix 4). These risks are deemed incorporated and repeated in this report by this reference and KPN believes that these risks similarly apply to these Interim Financial Statements.

KPN will publish its Integrated Annual Report 2022 in February 2023, with a detailed update of KPN's main risks.

With respect to regulatory risk, refer to note [22] and with respect to related parties, refer to note [20].

[22] Regulatory developments

KPN is subject to sector-specific regulation and enforcement thereof by regulatory authorities, such as the Netherlands Authority for Consumers and Markets (ACM) and the Telecom Agency of the Ministry of Economic Affairs (Agentschap Telecom). KPN's internal risk management and control systems are designed to minimize the risk of non-compliance with regulation.

European developments

Regulation of the electronic communications markets is largely based on European legislation. The EU's roaming and open internet access regulations are directly applicable in all member states. The current roaming regulation has been replaced by a new Roaming Regulation by 1 July 2022.

The regulation of operators with significant market power is enforced nationally, but coordinated by the European Commission. Licensing regimes for frequencies are based on national law. The national implementation of the 2018 European Electronic Communications Code came into effect in 2022. The scope of this part of the amended regulation has been extended to all interpersonal communications services (including over-the-top), resulting in a more level playing field for comparable services. EU institutions are still discussing the various legislative instruments that may have some impact on KPN, e.g. a draft e-Evidence Regulation and a draft new e-Privacy Regulation (in addition to the General Data Protection Regulation), will replace the existing e-Privacy Directive. Regulations in relation to broader digital markets, i.e. the Digital Markets Act and the Digital Services Act have taken force in 2022 as well. In addition to this sector specific regulation, the importance of general regulation, such as privacy law, content related law and consumer protection law are increasing for KPN's business.

Security concerns based on geopolitical developments

Stakeholders at both a European and a national level are paying greater attention to security concerns in relation to control over telecom operators via investment and to potential security risks in networks. At a national level, the government has adopted a sector-specific act that creates new powers for the government to prevent undesirable control (in relation to security risks to public order or national security) of telecom operators that play a significant role in the market. Legislation may mandate operators not to use equipment from certain vendors in specifically designated critical parts of their networks. Additionally, specific security requirements for mobile networks have been published and are begin implemented.

Spectrum licenses

The 700, 1,400 (L-band) and 2,100 megahertz (MHz) bands were auctioned in 2020. The auction of the 3.5 GHz band has been postponed following a court case won by Inmarsat. The government asked an advisory commission to come up with a solution that protects Inmarsat's emergency communications and allows the 3.5 GHz to be deployed in an effective and efficient manner. This commission advised in May and the government followed up with a new frequency plan. The auction of these frequencies is now foreseen in 2023.

The timing of the 26 GHz band allocation has not been finalized yet. The government intends to proceed with this later allocation in the next few years, while also taking into consideration advice from the Dutch Health Council (Gezondheidsraad) for further research to be done.

Market analysis decisions in the Netherlands

Ex-ante regulations have been lifted on almost all telecom markets. This includes the market for so-called 'High Quality Wholesale Broadband Access', following a decision to de-regulate by ACM, and the broadband access market analysis following an annulment in court in March 2020. On 1 April 2022, KPN introduced to ACM a voluntary offer to amend its fiber wholesale access tariffs. ACM published a draft decision on 15 April 2022 to declare this offer binding and started a consultation period. This consultation period has been closed and a final decision is expected to be announced in Q3 2022.

[23] Subsequent events

KPN has evaluated events up to publication date of these Interim Financial Statements and determined that no subsequent event activity required disclosure other than the event described below.

Receivables Transfer Agreement

On 24 June 2022, KPN entered into a Receivables Transfer Agreement under which KPN can sell, from time to time, the receivables arising from financing provided to customers in connection with sold mobile devices ('handset receivables') to a financial institution. As a result, the business model of the

handset receivables changed from 'held to collect' to 'held to collect and sell'. In accordance with IFRS 9, as of 1 July 2022, the measurement of the handset receivables changed from amortized cost to fair value with changes in fair value recognized in other comprehensive income. The outstanding amount of handset receivables at 30 June 2022 is EUR 182m. The impact of the change in measurement is not material.

Responsibility statement

The Board of Management of the company hereby declares that, to the best of its knowledge, the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2022, give a true and fair view of the assets, liabilities, financial position and income of KPN and the undertakings included in the consolidation taken as a whole, and the interim Management Report (Q2 2022 press release) gives a fair review of the information required pursuant to section 5:25d, subsection 8 and, as far as applicable, subsection 9 of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Rotterdam, 27 July 2022

Joost Farwerck
Chairman of the Board of Management and
Chief Executive Officer

Chris Figeo
Member of the Board of Management and
Chief Financial Officer

Jean-Pascal Van Overbeke
Member of the Board of Management and
Chief Consumer Market

Marieke Snoep
Member of the Board of Management and
Chief Business Market

Babak Fouladi
Member of the Board of Management and
Chief Technology and Digital Officer

Hilde Garssen
Member of the Board of Management and
Chief People Officer

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 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 excluding restructuring costs). KPN defines capital employed as the carrying amount of operating assets and liabilities, which excludes goodwill and 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.