

KPN delivers continued Group service revenue growth, driven by strong commercial momentum

- Sustainable Group service revenue growth (+2.8% y-on-y) in Q2 2023, supported by all segments
- Continued strong Business service revenue growth (+4.5% y-on-y), with all segments contributing
- Consumer service revenues back to growth at +1.3% y-on-y, fueled by Mobile (+5.3%) and improving Fixed trend (-0.4%)
- Strong commercial momentum driving broadband (+14k) and postpaid (+31k) base growth in Consumer
- Solid progress fiber roll-out (+125k HP), (+184k HP incl. Glaspoort)
- Adjusted EBITDA AL +0.1% y-on-y in Q2 2023, Free Cash Flow generation impacted by intra-year phasing in H1 2023
- Steadily improving ROCE at 13.7%, reflecting focus on long-term shareholder value creation
- On track to reach FY 2023 outlook for adjusted EBITDA AL and Free Cash Flow

Message from the CEO, Joost Farwerck

“We continue to make good progress with our Accelerate to Grow strategy. Group service revenues are growing sustainably, with growth across all segments. Our commitment to customers is to deliver the best connectivity. This is also reflected by continued positive and best-in-class customer satisfaction levels in both Consumer and Business. To sustain our network leadership position, we are on-track with our accelerated fiber roll out and continue to decommission our copper network in fiber areas.

During the second quarter, our Business service revenues showed continued growth, with SME making a strong contribution once again. Consumer service revenues inflected to growth, driven by ongoing mobile service revenue growth, and improving trends in fixed. We saw encouraging base developments across the board, driven by commercial improvements and strong execution. Wholesale made a solid contribution, thanks to our open wholesale policy.

In the second quarter, we announced the acquisitions of Primevest and Youfone. While Primevest strengthens our fiber footprint in larger cities, the intended acquisition of Youfone will strengthen our positioning, especially in the mobile no-frills segment.

Employee engagement remains at an elevated level, as our colleagues continue to express their pride to work at KPN. We continue to make progress on our sustainability agenda. Supporting this, we have recently launched initiatives to promote the use of bicycles for our employees. Furthermore, I am pleased to share KPN has been recognized by MCSI, for the third year in a row, with an industry leading ESG rating of AAA.

Despite increasing costs, driven by wage indexation and higher energy prices, the sustainable service revenue growth run-rate, our robust current performance and among others, the measures we have put in place to reduce costs, provide us with confidence to deliver on our full year outlook. As we reach the end of the current strategic period, we look forward to sharing a strategy update at our Capital Markets Day on the 7th of November.”

Key figures

Group financials (unaudited) (in € m, unless stated otherwise)	Q2 2022	Q2 2023	Δ y-on-y	H1 2022	H1 2023	Δ y-on-y
Adjusted revenues	1,311	1,331	+1.6%	2,618	2,664	+1.8%
Service revenues	1,211	1,245	+2.8%	2,423	2,472	+2.0%
Adjusted EBITDA AL	595	596	+0.1%	1,189	1,180	-0.8%
As % of adjusted revenues	45.4%	44.8%		45.4%	44.3%	
Operating profit (EBIT)	307	337	+9.9%	598	653	+9.3%
Net profit	186	216	+16%	365	412	+13%
Capex	295	304	+3.0%	553	602	+8.9%
As % of adjusted revenues	22.5%	22.8%		21.1%	22.6%	
Operational Free Cash Flow	300	292	-2.8%	636	578	-9.2%
As % of adjusted revenues	22.9%	21.9%		24.3%	21.7%	
Free Cash Flow	202	190	-6.2%	408	354	-13%
As % of adjusted revenues	15.4%	14.2%		15.6%	13.3%	
Net debt				5,382	5,739	
ROCE				12.0%	13.7%	

Continued strong operational momentum

- **Consumer:** mobile service revenues continued to grow (+5.3% y-on-y), driven by postpaid growth and higher ARPU
 - Fixed-Mobile households: +10k net adds (Q1 2023: -3k); Fixed-Mobile ARPA at € 83 (+2.8% y-on-y)
 - Broadband: +42k fiber net adds (Q1 2023: +35k), +14k total broadband net adds (Q1 2023: -7k)¹
 - Postpaid: +31k net adds (Q1 2023: +11k); ARPU 3.0% higher at € 17
 - NPS remains strong at +19 (Q1 2023: +17)
- **Business:** service revenue growth of +4.5% y-on-y, supported by all segments
 - Broadband lines: +2k net adds (Q1 2023: -2k)
 - Mobile SIMs: +10k net adds (Q1 2023: +20k)
 - NPS remains positive at +5 (Q1 2023: +6)
- **Wholesale:** back to service revenue (+3.8% y-on-y) and broadband base growth
 - Broadband lines: +10k net adds (Q1 2023: flat)
 - Postpaid SIMs: +17k net adds (Q1 2023: +25k)
- **Network:** steady expansion fiber footprint, covering 53% of the Netherlands (including Glaspoort)
 - Added 125k FttH households to KPN's fiber footprint (+184k including Glaspoort) in Q2 2023
 - Mobile network recognized by Ookla for sixth consecutive time as best coverage, highest speeds and fastest 5G in the Netherlands

Solid financial performance

- **Adjusted revenues** increased 1.6% y-on-y, driven by continued Group service revenue growth (+2.8% y-on-y) with all segments contributing. H1 2023 adjusted revenues increased 1.8% y-on-y
- **Adjusted EBITDA AL** was +0.1% y-on-y. Higher service revenues were mostly offset by higher indirect costs due to inflation. Adjusted EBITDA AL margin at 44.8% (Q2 2022: 45.4%). H1 2023 adjusted EBITDA AL decreased 0.8% y-on-y
- **Net profit** of € 216m increased by € 30m or 16% y-on-y, mainly due to lower depreciation and amortization. H1 2023 net profit increased 13% y-on-y
- **Capex** of € 304m was € 9m higher y-on-y in Q2 2023. H1 2023 Capex increased € 49m y-on-y, mainly driven by timing of investment projects
- **Operational Free Cash Flow** of € 292m decreased 2.8% y-on-y due to adjusted EBITDA AL and intra-year Capex phasing. H1 2023 Operational Free Cash Flow decreased 9.2% y-on-y
- **Free Cash Flow** of € 190m decreased € 13m y-on-y in Q2 2023. H1 2023 Free Cash Flow decreased € 55m compared to the same period last year driven by higher Capex
- Steadily improving **ROCE** to 13.7% in H1 2023 (+169bps y-on-y), driven by operational efficiencies and lower depreciation
- Solid **liquidity** position of € 1,367m, covering debt maturities until 2025

Outlook 2023 reiterated

KPN maintains its FY 2023 outlook for adjusted EBITDA AL of approximately € 2,410m, Capex of € 1.2bn, and Free Cash Flow of approximately € 870m. KPN intends to pay a regular dividend per share of € 15.0 cents over 2023. An interim dividend of € 5.2 cents per share will be paid on 1 August 2023. The ex-dividend date is 26 July 2023.

In Q2 2023, KPN completed a share buyback program of € 300m. In total, KPN repurchased 92,401,811 ordinary shares at an average price of € 3.25 per share.

	Achievements H1 2023	Outlook FY 2023
Adjusted EBITDA AL	€ 1,180m	~€ 2,410m
Capex	€ 602m	€ 1.2bn
Free Cash Flow	€ 354m	~€ 870m
Regular DPS	€ 5.2ct <i>interim dividend</i>	€ 15.0ct, +4.9% y-on-y
Share buyback	€ 300m	€ 300m

¹Corrected for migrations to, and new customers of, business propositions (4k in Q2 2023, 4k in Q1 2023, 5k in Q4 2022, 6k in Q3 2022 and 7k in Q2 2022)

Financial review KPN Group Q2 and H1 2023

Key financial metrics

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q2 2022	Q2 2023	Δ y-on-y	H1 2022	H1 2023	Δ y-on-y
Service revenues	1,211	1,245	+2.8%	2,423	2,472	+2.0%
Non-service revenues & other	100	86	-14%	195	192	-1.3%
Adjusted revenues	1,311	1,331	+1.6%	2,618	2,664	+1.8%
Cost of goods & services	334	324	-2.9%	656	669	+2.0%
Personnel expenses	201	206	+2.3%	410	411	+0.5%
IT/TI	74	77	+4.9%	147	147	+0.1%
Other operating expenses	73	91	+25%	150	183	+22%
Total adjusted opex	682	699	+2.4%	1,362	1,410	+3.5%
Depreciation right-of-use asset	28	31	+11%	58	64	+9.6%
Interest lease liabilities	4	5	+13%	9	10	+15%
Total adjusted indirect opex after leases	381	411	+7.9%	774	816	+5.5%
Adjusted EBITDA AL	595	596	+0.1%	1,189	1,180	-0.8%
<i>As % of adjusted revenues</i>	<i>45.4%</i>	<i>44.8%</i>		<i>45.4%</i>	<i>44.3%</i>	
Operating profit (EBIT)	307	337	+9.9%	598	653	+9.3%
Net profit	186	216	+16%	365	412	+13%
ROCE*				12.0%	13.7%	
FTE own personnel (#)				9,492	9,511	+0.2%

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

Q2 2023

Adjusted revenues increased 1.6% y-on-y, with growth across all segments. Adjusted Group service revenues increased 2.8% y-on-y, driven by Business (+4.5% y-on-y), Consumer (+1.3% y-on-y), and Wholesale (+3.8% y-on-y). This was partly offset by lower non-service revenues & other (-14% y-on-y).

Cost of goods and services decreased 2.9% y-on-y, mainly due to lower non-service revenues such as handset and hardware sales, partly offset by higher third-party access costs (mainly Glaspoort). Personnel expenses increased 2.3% y-on-y, mainly due to wage increases following the collective labor agreement. IT/TI expenses were impacted by higher indexation, increasing by 4.9% y-on-y. Adjusted other opex increased 25% y-on-y, mainly driven by higher energy costs. KPN's simplification and digitalization efforts were more than offset by the inflationary headwinds resulting in 7.9% higher total adjusted indirect opex after leases y-on-y.

Adjusted EBITDA AL was slightly higher y-on-y in Q2 2023. The continued growth in service revenues was mostly offset by higher indirect costs. Adjusted EBITDA AL margin decreased 67 bps to 44.8%.

Operating profit (EBIT) of € 337m increased € 30m y-on-y, driven by lower depreciation and amortization. Net profit of € 216m increased € 30m y-on-y.

H1 2023

Adjusted revenues increased 1.8% y-on-y driven by higher service revenues.

Cost of goods and services increased 2.0% y-on-y, mainly driven by higher third-party access costs. Personnel expenses increased 0.5% y-on-y, mainly due to wage increases following the collective labor agreement. IT/TI expenses remained practically flat y-on-y. Adjusted EBITDA AL decreased 0.8% y-on-y, as service revenue growth was more than offset by inflationary headwinds.

Operating profit (EBIT) of € 653m increased € 55m y-on-y, due to lower depreciation and amortization. Net profit of € 412m increased € 47m y-on-y.

ROCE was 13.7% in H1 2023, an increase of 169 basis points compared to H1 2022 (12.0%). This increase was driven by operational efficiencies and lower depreciation.

Financial position

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q2 2022	Q2 2023	Δ y-on-y	H1 2022	H1 2023	Δ y-on-y
Operational Free Cash Flow	300	292	-2.8%	636	578	-9.2%
As % of adjusted revenues	22.9%	21.9%		24.3%	21.7%	
Free Cash Flow	202	190	-6.2%	408	354	-13%
As % of adjusted revenues	15.4%	14.2%		15.6%	13.3%	
Net debt				5,382	5,739	
Gross debt				6,010	6,106	
Cash & short-term investments				628	367	
Leverage ratio*				2.3x	2.4x	
Interest cover ratio**				12.1x	11.2x	
Credit ratings				Rating	Outlook	
Standard & Poor's				BBB	Stable	
Fitch Ratings				BBB	Stable	
Moody's				Baa3	Stable	

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

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

H1 2023

Operational Free Cash Flow of € 578m was 9.2% lower y-on-y. Free Cash Flow of € 354m decreased € 55m, or 13% y-on-y, mainly driven by intra-year Capex phasing and higher taxes. Free Cash Flow margin declined ~230 basis points to 13.3%.

At the end of Q2 2023, net debt amounted to € 5,739m, € 464m higher compared to end Q1 2023. The increase in net debt was mainly driven by the € 382m final dividend payment over 2022 in April 2023 and the € 300m share buyback program that was completed in June 2023, partly offset by Free Cash Flow generation during the quarter. Compared to prior year, net debt increased by € 357m, mainly driven by timing of the execution of the share buyback in 2023 compared to last year and different intra-year Free Cash Flow phasing.

KPN had a strong balance sheet and liquidity position at the end of Q2 2023. Nominal debt outstanding was € 6,588m including € 355m short-term commercial paper. KPN's committed liquidity consisted of € 367m cash & short-term investments and a € 1.0bn undrawn revolving credit facility. In addition, on 3 July 2023, KPN issued a 3.875% € 600m senior bond with an eight-year maturity which further strengthens KPN's liquidity position and increases the average maturity of KPN's outstanding debt. Therefore, available liquidity covers debt maturities until 2025. At 30 June 2023, the net debt to EBITDA ratio was 2.4x (Q1 2023: 2.2x). KPN's interest cover ratio was 11.2x at the end of the second quarter (Q1 2023: 12.9x). At 30 June 2023, the weighted average cost of senior debt was 4.09%, 159 basis points higher y-on-y.

On 7 June 2023, KPN completed a € 300m share buyback program, repurchasing 92,401,811 ordinary shares at an average price of € 3.25 per share. The share buyback is part of KPN's commitment to structurally return additional capital to its shareholders. As per 30 June 2023, the total shares outstanding amounted to 4,037,319,593 of which 93,412,699 are Treasury shares. KPN intends to cancel 89,901,811 of the repurchased shares to reduce its capital, the remaining 2,500,000 repurchased shares will be retained to cover employee share plans.

At the end of Q2 2023, Group equity amounted to € 3,335m, € 458m lower compared to the end of Q1 2023. This was driven by the final dividend payment over 2022 in April and the share buyback, partially offset by net income generated during the quarter.

Capex

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q2 2022	Q2 2023	Δ y-on-y	H1 2022	H1 2023	Δ y-on-y
Fiber rollout	99	113	+14%	180	220	+22%
Customer driven	38	46	+19%	74	93	+26%
Other	157	145	-7.9%	299	289	-3.4%
Capex	295	304	+3.0%	553	602	+8.9%
<i>As % of adjusted revenues</i>	22.5%	22.8%		21.1%	22.6%	

Capex was € 304m in Q2 2023. H1 2023 Capex was € 49m higher y-on-y at 22.6% of adjusted revenues (H1 2022: 21.1%). Investments in fiber rollout increased by € 40m y-on-y due to project timing. Customer driven Capex increased by € 19m, supporting Group service revenue growth by investments in CPE and mechanics. Other Capex decreased 3.4% y-on-y.

Personnel

# FTE own personnel by segment at the end of the period <i>(unaudited)</i>	H1 2022	H1 2023	Δ y-on-y	Δ y-on-y
Consumer	2,519	2,600	+81	+3.2%
Business	2,776	2,825	+49	+1.8%
Wholesale	225	220	-5	-2.1%
Network, Operations & IT	3,011	2,906	-105	-3.5%
Other	962	960	-2	-0.2%
KPN Group	9,492	9,511	+19	+0.2%

At the end of Q2 2023, KPN employed 9,511 own personnel (in FTEs), which was slightly higher y-on-y due to increased insourced personnel (>400 FTE), offsetting natural attrition and the effects from the ongoing digital transformation of KPN.

Financial and operating review per segment Q2 and H1 2023

Consumer

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q2 2022	Q2 2023	Δ q-on-q	Δ y-on-y	H1 2022	H1 2023	Δ y-on-y
Fixed service revenue	449	447		-0.4%	906	896	-1.1%
Broadband service revenues	430	432		+0.5%	867	867	-0.1%
o/w Fiber broadband service revenues	224	249		+11%	446	493	+10%
o/w Copper broadband service revenues	206	183		-11%	421	374	-11%
Other Fixed service revenues	19	15		-18%	39	30	-23%
Mobile service revenues	190	200		+5.3%	379	395	+4.3%
Adjusted Consumer service revenues	638	646		+1.3%	1,285	1,292	+0.5%
Non-service & Other revenues	64	59		-8.2%	129	129	+0.2%
Adjusted Consumer revenues	702	705		+0.4%	1,414	1,420	+0.5%
Households (k)							
Fiber households	1,401	1,564	+42	+164			
Copper households	1,353	1,183	-31	-169			
Postpaid-only households	768	780	+2	+11			
Total Consumer households	3,522	3,528	+13	+5			
o/w Fixed-Mobile households	1,513	1,532	+10	+19			
ARPA (€)							
ARPA Fixed-Mobile households	81	83	+0.2%	+2.8%			
ARPA total Consumer households	58	59	Flat	+2.2%			
NPS Consumer	17	19	+2	+2			

KPN has delivered sustainable mobile service revenue growth in the past two years, driven by solid base developments and a slight ARPU increase. Fixed service revenues are still declining, but the trend is improving. KPN's fiber roll out, its focus on providing the best digital customer experience, increased customer loyalty and strong commercial momentum have contributed to these trends.

Q2 2023

Adjusted Consumer service revenues increased 1.3% y-on-y. Fixed service revenues declined by 0.4% y-on-y, impacted by the structural decline in legacy and lower voice traffic. However, the trend continues to improve, supported by growing broadband service revenues. Fiber broadband service revenues continued to grow strongly, offsetting the decline in copper broadband. Operational performance on fiber remains strong as KPN activated 42k fiber households in the quarter (Q1 2023: +35k). Broadband net adds showed an increase (+14k net adds Q2 2023) due to strong commercial momentum and execution. In addition, the launch of TV+ earlier this year and the increased focus on consumer loyalty supported this. Fixed ARPU grew slightly with 1.2% y-on-y and remained at € 52. In May, KPN announced a price adjustment of 6.4% on its broadband portfolio, taking effect as from 1 July 2023. KPN's Fixed-Mobile household base grew 19k to 1,532k and represents 56% of total Fixed households. Fixed-Mobile ARPA increased 2.8% y-on-y to € 83.

Consumer mobile service revenues increased 5.3% y-on-y, driven by solid operational performance. KPN's postpaid base grew by 31k net adds (Q1 2023: +11k). Postpaid ARPU was € 17 and grew by 3.0% y-on-y.

In Q2 2023, Consumer NPS remained strong, at +19 (Q2 2022: +17, Q1 2023: +17). KPN successfully invested in quality improvements in customer journeys and customer service delivery, such as the introduction of new features in the MijnKPN app. In this respect, for the third quarter in a row, KPN was recognized as best All-in 1 provider in the Netherlands by the Consumers' Association (Consumentenbond), as customers continue to appreciate KPN's products and services.

On 22 June 2023, KPN announced its intention to acquire Youfone's Dutch activities. Youfone, a fast-growing telecom operator, is already active on KPN's network with more than 540k customers. With this acquisition, KPN materially strengthens its position in the mobile and broadband markets, especially in the faster-growing no-frills segments. The transaction, which amounts to ~€ 200m in value, is subject to customary closing conditions, including competition authority approval.

Business

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q2 2022	Q2 2023	Δ q-on-q	Δ y-on-y	H1 2022	H1 2023	Δ y-on-y
SME service revenues	146	160		+9.3%	291	315	+8.4%
LCE service revenues	192	193		+0.5%	385	387	+0.5%
Tailored Solutions service revenues	70	74		+5.5%	142	147	+3.5%
Adjusted Business service revenues	409	428		+4.5%	818	849	+3.8%
Non-service & Other revenues	33	20		-40%	61	52	-15%
Adjusted Business revenues	442	448		+1.2%	879	902	+2.5%
KPIs (k)							
Broadband lines	366	375	+2	+9			
Mobile SIMs	2,072	2,135	+10	+63			
NPS Business	+1	+5	-1	+4			

Business service revenues continued the positive trend. Growth is mainly driven by the continued strong performance in SME. LCE service revenues showed growth for the third consecutive quarter. Tailored Solutions' performance was positive again but remains subject to project timing.

Q2 2023

Adjusted Business service revenues grew 4.5% y-on-y driven by strong sustained SME growth and steady positive developments in LCE and Tailored Solutions. The number of broadband lines grew 2k this quarter, while the Mobile SIMs base increased by 10k.

SME service revenues increased 9.3% y-on-y, mainly driven by mobile base momentum and take-up of unlimited bundles. With all customers migrated to new portfolio's and the introduction of relevant new services, both the customer base and the number of products per customer grew. Revenues from Access & Connectivity also benefitted from higher Mobile ARPU mainly due to the increased uptake of unlimited data bundles.

LCE service revenues continue to show a positive performance with slight growth of 0.5%, supported by growth in IoT and Cloud & Workspace.

Tailored Solutions service revenues grew 5.5% y-on-y, driven by timing in projects.

Business NPS remained positive at +5 (Q2 2022: +1; Q1 2023: +6). 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.

Wholesale

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q2 2022	Q2 2023	Δ q-on-q	Δ y-on-y	H1 2022	H1 2023	Δ y-on-y
Broadband	73	81		+11%	149	159	+7.3%
Mobile	40	43		+7.9%	82	83	+1.7%
Other	57	52		-7.8%	107	101	-5.2%
Adjusted Wholesale service revenues	170	177		+3.8%	337	344	+2.0%
Non-service & Other revenues	0	1		<i>n.m.</i>	1	1	+33%
Adjusted Wholesale revenues	171	177		+4.0%	338	345	+2.1%
# Customers (k)							
Broadband lines	1,119	1,138	+10	+19			
Postpaid SIMs	702	784	+17	+82			

In Wholesale, KPN continues its open access policy to offer access to third-party service providers. Fiber contributes to continued growth of broadband network penetration.

Q2 2023

Adjusted Wholesale revenues increased 4.0% y-on-y, driven by higher Broadband and Mobile service revenues.

Continued demand for KPN's wholesale broadband portfolio (+10k net adds Q2 2023) led to solid growth in broadband service revenues of +11%. The sum of total broadband net adds between Consumer and Wholesale was +24k in Q2 2023.

Mobile service revenues increased 7.9% 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 7.8%, mainly due to lower regulated tariffs leading to a decrease in low-margin interconnect revenues.

Network, Operations & IT

Segment KPIs (in thousands)	H1 2022	H1 2023	Δ q-on-q	Δ y-on-y
FttH households own roll out	3,533	3,920	+125	+387
FttH households 3rd party access	350	548	+63	+198
Of which Glaspoort	225	400	+59	+174
FttH households total	3,883	4,469	+188	+585
FttH households activated on own roll out	1,726	1,967	+57	+241

KPN continues to leverage and expand its superior network as it sees attractive returns from fiber investments with increased network penetration, more loyal customers with an increased willingness to pay for quality, and lower maintenance costs. In the first half of 2023, KPN's own fiber rollout reached 3,920k homes passed. Together with Glaspoort (400k homes passed), fiber coverage is now 53% of Dutch households.

During Q2 2023, Glaspoort acquired a 49.99% interest in GlasDraad. GlasDraad is not included in the homes passed footprint of Glaspoort.

On 3 July 2023, KPN closed the Primevest acquisition which will add 127k homes passed to its fiber network. The acquisition is in line with KPN's strategy to expand its fiber network and cover ~80% of the Netherlands with fiber by 2026 and will further strengthen KPN's leading position as the largest fiber provider.

Q2 2023

In Q2 2023, KPN's rollout continued at its steady pace, organically adding +125k households to its fiber footprint. KPN has 1,967k fiber household activations on its own infrastructure.

KPN has successfully started to decommission its copper network in certain areas this year. These areas together cover around 2.4 million connections. Going forward, KPN will be gradually switching off its copper network in areas where fiber is available. Over time this results in significant quality improvements and spend savings related to the closure of technical buildings, reduced service tickets and maintenance costs, and lower energy consumption.

For the sixth time in a row, KPN's mobile network has been recognized by Ookla as the best mobile network in the Netherlands in H1 2023. The network modernization program is paying off and showing KPN's superior mobile network quality.

In Q2 2023, KPN successfully tested 5G Standalone in its network in partnership with Ericsson. 5G standalone will support even higher speeds, shorter response times and new techniques such as network slicing.

KPN currently expects that the 3.5GHz spectrum auction will take place in the first half of 2024.

Analysis of adjusted results Q2 and H1 2023

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

Revenues (in € m)	Q2 2022	Q2 2023	Δ y-on-y	H1 2022	H1 2023	Δ y-on-y
Consumer	702	705	+0.4%	1,414	1,420	+0.5%
Business	442	448	+1.2%	879	902	+2.5%
Wholesale	171	177	+4.0%	338	345	+2.1%
Network, Operations & IT	21	9	-55%	36	25	-33%
Other (incl. eliminations)	-10	-5	-48%	-22	-14	-37%
Total revenues	1,326	1,334	+0.6%	2,645	2,678	+1.2%
Revenue incidentals						
Consumer	-	-		-	-	
Business	-	-		-	-	
Wholesale	-	-		-	-	
Network, Operations & IT	16	3		27	13	
Other (incl. eliminations)	-	-		-	-	
Total revenue incidentals	16	3	-79%	27	13	-50%
Consumer	702	705	+0.4%	1,414	1,420	+0.5%
Business	442	448	+1.2%	879	902	+2.5%
Wholesale	171	177	+4.0%	338	345	+2.1%
Network, Operations & IT	5	6	+18%	10	11	+16%
Other (incl. eliminations)	-10	-5	-48%	-22	-14	-37%
Total adjusted revenues	1,311	1,331	+1.6%	2,618	2,664	+1.8%

The following table specifies the revenue incidental in more detail:

Revenue incidental (in € m)	Segment	Q2 2022	Q2 2023	H1 2022	H1 2023
Book gain on sale of assets to JV (Glaspoort)	NOI	16	3	27	13
Total revenue incidental		16	3	27	13

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

(in € m)	Q2 2022	Q2 2023	Δ y-on-y	H1 2022	H1 2023	Δ y-on-y
EBITDA	640	633	-1.1%	1,273	1,260	-1.0%
Incidentals	-16	-6	-58%	-27	-17	-38%
Restructuring	4	6	+45%	10	11	+5.5%
Lease-related expenses						
Depreciation right-of-use asset	-28	-31	+11%	-58	-64	+9.6%
Interest lease liabilities	-4	-5	+13%	-9	-10	+15%
Adjusted EBITDA AL	595	596	+0.1%	1,189	1,180	-0.8%

The following table specifies the EBITDA incidentals in more detail:

EBITDA incidentals (in € m)	Category	Q2 2022	Q2 2023	H1 2022	H1 2023
Book gain on sale of assets to JV (Glaspoort)	Revenues	16	3	27	13
Release of provisions	Other opex	-	3	-	3
Total EBITDA incidentals		16	6	27	17

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

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Inside information: No
Topic: Q2 2023 Results
24/07/2023; 7:30h

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 2022. 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 2022 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, excluding M&A. 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 2022. 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 2022, unless stated otherwise.



Interim Financial Statements

For the six months ended
30 June 2023

kpn. The network of the Netherlands



Unaudited Condensed Consolidated Interim Financial Statements***for the six months ended 30 June 2023***

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All related documents can be found on KPN's website (ir.kpn.com), including the KPN Management Report Q2 2023.

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	
		2023	2022 (restated)	2023	2022 (restated)
Revenues		1,330	1,310	2,662	2,618
Other income	[10]	5	16	15	28
Total revenues and other income	[4/5/10]	1,334	1,326	2,678	2,645
Cost of goods & services		324	334	669	656
Personnel expenses		206	201	411	410
Information technology/Technical infrastructure (IT/TI)		77	74	147	147
Other operating expenses		94	77	190	160
Depreciation, amortization & impairments (DA&I)		296	333	606	675
Total operating expenses	[4/6]	997	1,019	2,024	2,047
Operating profit	[4/6]	337	307	653	598
Finance income		5	1	11	2
Finance costs		-64	-48	-126	-99
Other financial results		1	-17	-3	-27
Finance income and expenses	[7/11]	-58	-64	-118	-124
Share of the profit/loss (-) of associates	[10]	-	-	-2	2
Profit/Loss (-) before income tax from continuing operations		280	243	533	475
Income taxes	[8]	-64	-57	-121	-110
Profit/Loss (-) for the period from continuing operations		216	186	412	365
Profit/Loss (-) for the period from discontinued operations		-	-	-	-1
Profit/Loss (-) for the period		216	186	412	364
Profit/Loss (-) attributable to non-controlling interest		-	-	-	-
Profit/Loss (-) attributable to equity holders		216	185	411	364
Earnings per ordinary share after taxes attributable to equity holders for the period (in €)					
- Basic (continuing operations)		0.05	0.05	0.10	0.09
- Diluted (continuing operations)		0.05	0.05	0.10	0.09
- Basic (discontinued operations)		-	-	-	-
- Diluted (discontinued operations)		-	-	-	-
- Basic (total, including discontinued operations)		0.05	0.05	0.10	0.09
- Diluted (total, including discontinued operations)		0.05	0.05	0.10	0.09
Weighted average number of ordinary shares					
- Non-diluted				3,999,821,034	4,116,433,176
- Diluted				4,003,617,169	4,120,691,699

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

Unaudited Consolidated Statement of Other Comprehensive Income

(in € m)	For the three months ended 30 June		For the six months ended 30 June	
	2023	2022	2023	2022
Profit for the period	216	186	412	364
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	-48	42	-43	45
- Currency translation differences	-2	1	-3	2
Net other comprehensive income/loss (-) to be reclassified to profit or loss in subsequent periods	-50	43	-46	47
Items of other comprehensive income not to be reclassified subsequently to profit or loss:				
- Retirement benefit remeasurements	9	11	9	11
- Net gain/loss (-) on equity instruments designated at fair value through other comprehensive income	-	-	-4	3
Net other comprehensive income/loss (-) not to be reclassified to profit or loss in subsequent periods	9	11	5	14
Other comprehensive income/loss (-) for the period, net of tax	-41	54	-41	61
Total comprehensive income/loss (-) for the period, net of tax	174	240	370	425
Total comprehensive income for the period, net of tax, attributable to:				
- Equity holders of the company	174	240	370	425
- Non-controlling interest	-	-	-	-
Total comprehensive income/loss (-) attributable to equity holders arises from:				
- Continuing operations	174	240	370	426
- Discontinued operations	-	-	-	-1

Unaudited Consolidated Statement of Financial Position

Assets <i>(in € m)</i>	Notes	30 June 2023	31 December 2022
Non-current assets			
Land and buildings		362	377
Plant and equipment		5,006	5,018
Other tangible non-current assets		25	24
Assets under construction		275	148
Total property, plant and equipment		5,667	5,568
Goodwill and intangible assets			
Goodwill		1,440	1,439
Licenses		882	932
Software		409	380
Other intangibles		117	133
Total intangible assets		2,848	2,884
Other non-current assets			
Right-of-use assets		830	848
Equity investments accounted for using the equity method	[10]	544	496
Equity investments measured at fair value through other comprehensive income		73	76
Advance payment on acquisition of subsidiaries	[3]	40	-
Derivative financial instruments	[18]	109	125
Other financial asset at fair value through profit or loss	[10/11/18]	138	168
Deferred income tax assets	[10/8]	197	261
Trade and other receivables		92	95
Contract assets and contract costs	[10]	43	50
Total non-current assets		10,581	10,571
Current assets			
Inventories		57	49
Trade and other receivables		620	632
Contract assets and contract costs	[10]	77	84
Income tax receivables	[8]	12	76
Derivative financial instruments	[18]	1	23
Other financial asset at fair value through profit or loss	[10/11/18]	33	28
Other current financial assets	[12]	130	100
Cash and cash equivalents	[13]	237	399
Total current assets		1,168	1,392
Total assets		11,748	11,963

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

Group equity and liabilities <i>(in € m)</i>	Notes	30 June 2023	31 December 2022
Equity			
Share capital		161	161
Share premium		7,960	7,960
Other reserves		-428	-106
Retained earnings		-5,352	-5,356
Equity attributable to holders of perpetual capital securities		990	990
Equity attributable to equity holders of the company		3,333	3,650
Non-controlling interests		2	2
Total equity	[14]	3,335	3,652
Non-current liabilities			
Borrowings	[15]	5,220	5,171
Lease liabilities		745	770
Derivative financial instruments	[18]	353	366
Deferred income tax liabilities		-	2
Provisions for retirement benefit obligations	[16]	37	49
Provisions for other liabilities and charges	[17]	121	131
Contract liabilities	[10]	133	130
Other payables		6	8
Total non-current liabilities		6,614	6,629
Current liabilities			
Trade and other payables		1,119	1,140
Contract liabilities	[10]	167	169
Borrowings	[15]	355	196
Lease liabilities		139	153
Derivative financial instruments	[18]	-	1
Provision for other liabilities and charges	[17]	19	23
Total current liabilities		1,799	1,682
Total equity and liabilities		11,748	11,963

[...] 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 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
Balance at 1 January 2023		4,037,319,593	161	7,960	-106	-5,356	990	3,650	2	3,652
Profit for the period		-	-	-	-	411	-	411	-	412
Other comprehensive income		-	-	-	-46	5	-	-41	-	-41
Total comprehensive income		-	-	-	-46	416	-	370	-	370
Share based compensation		-	-	-	-	-20	-	-20	-	-20
Sold treasury shares		-	-	-	22	-	-	22	-	22
Paid coupon perpetual hybrid bond		-	-	-	-	-10	-	-10	-	-10
Dividends paid	[14]	-	-	-	-	-382	-	-382	-	-382
Share repurchase		-	-	-	-300	-	-	-300	-	-300
Other		-	-	-	2	-	-	2	-	2
Total transactions with owners, recognized directly in equity		-	-	-	-276	-412	-	-688	-	-688
Balance at 30 June 2023		4,037,319,593	161	7,960	-428	-5,352	990	3,333	2	3,335

[..] 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 2023	30 June 2022
Profit before income tax from continuing operations		533	475
Adjustments for:			
- Net financial expenses	[7]	118	124
- Share-based compensation		-2	1
- Share of the profit/loss (-) of associates		2	-2
- Depreciation, amortization and impairments	[4/6]	606	675
- Other non-cash income and expenses		-15	-27
- Changes in provisions (excl. deferred taxes)	[6/16/17]	-14	-22
Changes in working capital relating to:			
- Current assets		5	-47
- Current liabilities		-91	-42
Income taxes paid/received	[8]	-42	-29
Interest paid/received		-61	-65
Net cash flow from operating activities from continuing operations		1,040	1,042
Net cash flow from operating activities from discontinued operations		-	-
Net cash flow from operating activities		1,040	1,042
Acquisition of and investments in subsidiaries, associates and joint ventures (net of cash)	[3/10]	-34	-
Acquisition of subsidiaries that do not constitute a business	[3]	-40	-
Tax received / paid (-) on disposal of subsidiaries and associates	[8/10]	60	-
Investments in software		-135	-105
Investments in other intangibles assets		-	-
Investments in property, plant & equipment		-467	-448
Disposals of property, plant & equipment		51	-5
Changes in other financial assets	[12/13]	-33	104
Net cash flow from investing activities from continuing operations		-598	-453
Net cash flow from investing activities from discontinued operations		-1	-3
Net cash flow from investing activities		-599	-457
Dividends paid	[14]	-382	-375
Share repurchase	[14]	-300	-81
Paid coupon perpetual hybrid bonds		-10	-10
Proceeds from borrowings	[13]	295	180
Repayments of borrowings and settlement of derivatives	[15]	-123	-569
Repayment lease liabilities		-86	-82
Other		2	-3
Net cash flow from financing activities from continuing operations		-603	-940
Net cash flow from financing activities from discontinued operations		-	-
Net cash flow from financing activities		-603	-940

[...] 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 2023	30 June 2022
<i>Continued from previous page</i>			
Total net cash flow from continuing operations		-160	-351
Total net cash flow from discontinued operations		-1	-3
Total net cash flow (changes in cash and cash equivalents)		-161	-354
Net cash and cash equivalents at beginning of period		399	793
Exchange rate difference		-	-
Changes in cash and cash equivalents		-161	-354
Net cash and cash equivalents at end of period		237	438
Bank overdrafts		-	-
Cash and cash equivalents at end of period	[13]	237	438

[...] 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 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting and endorsed by the EU, and should be read in conjunction with KPN's Integrated Annual Report 2022 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 2022.

The accounting estimates, judgments and assumptions deemed significant to KPN's 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 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;
 - o the assessment whether operational contracts between Glaspoort and KPN are at arms' length;
 - o 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 periodic impairment testing); and
 - o the valuation of the contingent cash consideration (financial asset at fair value through profit or loss).

Change in accounting policies

The accounting policies in preparing these Interim Financial Statements are consistent with those disclosed in KPN's Integrated Annual Report 2022, except for the adoption of new standards and amendments effective as of 1 January 2023. 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.

The following endorsed amendments have become effective as of 1 January 2023:

- IAS 12 *Income Taxes*: Deferred tax related to assets and liabilities arising from a single transaction;
- IAS 1 *Presentation of Financial Statements*: Disclosure of accounting policies; and
- IAS 8 *Accounting policies, changes in accounting estimates and errors*: Definition of accounting estimates.

The following amendment has become effective as of 1 January 2023 but has not been endorsed yet:

- IAS 12 *Income Taxes*: Exception to the requirements regarding deferred tax assets and liabilities related to Pillar Two income taxes.

None of these amendments have had or are expected to have a significant impact.

As per 1 January 2022, KPN implemented the amendment to IAS 37 *Onerous Contracts*. This amendment resulted in an increased of the provisions for onerous contracts of EUR 14m on 1 January 2022. The equity impact (net of tax) was EUR 11m. The cumulative effect of initially applying the amendment was recognized as an adjustment to retained earnings at 1 January 2022. Refer to Note [2] of the 2022 Integrated Annual Report for more information.

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 2024 or later. KPN does not expect a material impact on its financial performance and/or the presentation thereof. This concerns the following amendments;

- IAS 1 *Presentation of Financial Statements*: Classification of liabilities as current or non-current;
- IFRS 16 *Lease*: Measurement of lease liabilities in sale and leaseback transactions; and
- IAS 7 *Statement of Cash Flows and IFRS 7 Financial Instruments*: Disclosure requirements regarding Supplier Finance Arrangements.

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

During H1 2023, there were no changes to KPN's organization structure other than some minor transfers between KPN's operating segments (refer to note [4]).

Acquisition fiber networks Primevest Capital Partners

On 19 June 2023, KPN announced the purchase of the fiber networks of Primevest Capital Partners. These networks, located in The Hague, Rotterdam and Eindhoven will add approximately 127,000 Homes Passed to KPN's fiber footprint.

The transaction was closed on 3 July 2023 and KPN will consolidate the legal entities involved as of that date. At 30 June 2023, KPN has made an advance payment on the shares to the amount of EUR 40m. The remaining consideration (EUR 57m) was paid in full at closing.

The transaction will be accounted for as an asset acquisition as the assets acquired and liabilities assumed do not constitute a business. The transaction will therefore not result in recognition of goodwill and the total purchase price

of approximately EUR 97m (which remains preliminary) will be allocated to the assets acquired and liabilities assumed on a relative fair value basis.

Acquisition Youfone's Dutch activities

On 22 June 2023, KPN announced its intention to acquire Youfone's Dutch activities. Youfone, a fast-growing telecom operator, is already active on KPN's network with more than 540,000 customers. With this acquisition, KPN materially strengthens its position in the mobile and broadband markets, especially in the faster-growing no-frills segment.

The transaction, which amounts to approximately EUR 200m in value, is subject to customary closing conditions, including competition authority approval.

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 2022. Some smaller expense allocations between various segments have been adjusted and at Wholesale, mobile service revenues and COGS have been restated due to reclassification of marketing expenses. The comparative segment information has been restated for these transfers.

For the six months period ending 30 June 2023

<i>in € m</i>	Consumer	Business	Wholesale	NOI	Other	Total
Statement of Profit or Loss						
External revenues	1,417	899	331	11	4	2,662
Other income [10]	-	1	-	14	1	15
Inter-division revenues	3	2	14	-	-19	-
Total revenues and other income [5]	1,420	902	345	25	-14	2,678
Operating expenses	-479	-466	-78	-301	-94	-1,418
EBITDA (contribution margin) [6]	941	436	267	-277	-108	1,260
DA&I	-72	-23	-5	-483	-24	-606
Operating profit [6]	869	413	262	-759	-132	653
Share of profit or loss of associates and joint ventures [10]	-	-	-	-	-2	-2
EBITDA	941	436	267	-277	-108	1,260
DA&I right-of-use asset	-7	-1	-1	-37	-19	-64
Interest lease liabilities	-1	-	-	-7	-2	-10
EBITDA after leases	934	435	266	-320	-129	1,186

For the six months period ending 30 June 2022 (restated)

<i>in € m</i>	Consumer	Business	Wholesale	NOI	Other	Total
Statement of Profit or Loss						
External revenues	1,409	876	322	9	1	2,618
Other income [10]	-	-	-	27	-	28
Inter-division revenues	4	3	16	-	-24	-
Total revenues and other income [5]	1,414	879	338	36	-22	2,645
Operating expenses	-466	-454	-80	-282	-90	-1,373
EBITDA (contribution margin) [6]	948	425	258	-246	-112	1,273
DA&I	-77	-24	-4	-543	-26	-675
Operating profit [6]	870	401	254	-789	-138	598
Share of profit or loss of associates and joint ventures [10]	-	-	-	-	2	2
EBITDA	948	425	258	-246	-112	1,273
DA&I right-of-use asset	-6	-1	-	-31	-21	-58
Interest lease liabilities	-	-	-	-6	-2	-9
EBITDA after leases	942	424	257	-283	-135	1,205

[..] 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 2023 were EUR 32m higher compared to H1 2022 with all segments contributing.

External revenues increased with EUR 44m in H1 2023 compared to H1 2022 following growth in customers base and ARPU. External revenues were not impacted by incidentals in H1 2023 nor H1 2022.

Other income of H1 2023 (EUR 15m) includes the book gain recognized following the transfer of additional scope projects sold to Glaspoort in Q4 2021 for EUR 13m (H1 2022: EUR 27m). These gains are treated as incidentals, refer to note [10]).

For further information on disaggregation of revenues, refer to the factsheet accompanying the Q2 2023 quarterly press release (available on KPN's website; ir.kpn.com).

[6] Operating expenses, DA&I

Operating expenses (excluding DA&I) increased by EUR 45m. Cost of goods and services increased by EUR 13m due to higher third-party access costs (mainly Glaspoort).

Personnel expenses increased with EUR 2m as natural attrition and efficiencies from KPN's ongoing digital transformation were fully offset by wage increases following the collective labor agreement. IT/TI expenses remained flat as the benefits from increased efficiency and network rationalization are partially being offset by price indexation. Other operating expenses increased EUR 30m, mainly due to higher energy costs (approximately EUR 19m). Restructuring expenses in H1 2023 amounted to EUR 11m compared to EUR 10m in H1 2022. Impairments from contracts with customers amounted to EUR 9m (H1 2022: EUR 5m).

DA&I expenses decreased by EUR 68m compared to H1 2022 due to lower depreciation for network equipment of which approximately EUR 11m lower accelerated depreciation for equipment related to the network modernization. During H1 2023, impairment expenses amounted to EUR 9m (H1 2022: EUR 10m).

[7] Finance income and expenses

Net finance costs amounted to EUR 118m in H1 2023, EUR 6m lower compared to H1 2022 (EUR 124m).

Finance income in H1 2023 increased by EUR 9m to EUR 11m compared to H1 2022 (EUR 2m).

Finance costs in H1 2023 increased by EUR 27m to EUR 126m compared to H1 2022 (EUR 99m), mainly due to higher interest rates. Interest expenses on lease liabilities amounted to EUR 10m in H1 2023 (H1 2022: EUR 9m).

Other financial results amounted to a loss of EUR -3m in H1 2023 (H1 2022: loss of EUR -27m). The decrease in 2023 is primarily related to lower hedge ineffectiveness losses and a lower fair value adjustment on the deferred purchase price 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 2023 is EUR 121m compared to EUR 110m in H1 2022.

The income tax charge for H1 2023 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 2023.

The non-current deferred tax asset decreased from EUR 261m at 31 December 2022 to EUR 197m at 30 June 2023 mostly due to implementation of arbitrary depreciation ('tijdelijke willekeurige afschrijvingsmogelijkheid 2023) for tax purposes up to 50% of KPN's qualified investments for the amount of EUR 54m. The current tax receivable decreased from EUR 76m at 31 December 2022 to EUR 12m at 30 June 2023 mainly due to the partial receipt of the tax carry-back of EUR 60m (refer to note [10]).

The effective tax rate for H1 2023 is 22.6% against 23.3% in H1 2022. The effective tax rate was mainly influenced by the Innovation Box facility, one-off effects and the effect of perpetual hybrid bonds. Without one-off effects, the effective tax rate would have been approximately 23% in H1 2023 (approximately 23% in H1 2022).

(in € m)	For the six months ended	
	30 June 2023	30 June 2022
Current income tax expense	44	-59
Deferred income tax expense	77	169
Income tax expense recognized in statement of profit or loss	121	110

Notes to the Condensed Statement of Financial Position

[9] Segment information Statement of Financial Position

Segment information as at 30 June 2023

<i>in € m</i>	Consumer	Business	Wholesale	NOI	Other	Total
Total assets	1,477	1,103	359	5,669	3,140	11,748
Total liabilities	569	608	97	6,473	665	8,413

Segment information as at 31 December 2022 (restated)

<i>in € m</i>	Consumer	Business	Wholesale	NOI	Other	Total
Total assets	4,451	2,810	623	9,283	-5,205	11,963
Total liabilities	4,366	2,739	624	9,264	-8,683	8,311

The total assets of the segment 'Other' includes the carrying value of KPN's interest in the joint venture Gaspoort for EUR 538m (31 December 2022: EUR 489m). Refer to note [10] for further information.

[10] Equity investments accounted for using the equity method

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

Joint Venture 'Gaspoort B.V.'

KPN holds a 50% interest in Gaspoort B.V., a network company pursuing an open-access wholesale strategy based on non-discriminatory terms, fostering competition and innovation in the Netherlands.

Gaspoort 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 Gaspoort. During H1 2023 there were no changes in the joint control status. Refer to Note 12 of the Integrated Annual Reporting 2022 for further information.

At 30 June 2023, the nominal amount of the remaining consideration to be received from KPN's joint venture partner is EUR 192m (31 December 2022: EUR 220m), of which EUR 35m is current (31 December 2022: EUR 29m). Refer to note [11] of these interim financial statements.

KPN accounts for its interest in Gaspoort using the equity method. KPN initially recognized its interest in the joint venture at its fair value based on the total consideration received. The initial fair value has been allocated to equity of Gaspoort, 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 Gaspoort which mostly relate to contractual relationships held by Gaspoort with, among others, KPN. These intangible assets are amortized over a term of 30 years. The carrying value at 30 June 2023 is EUR 863m (31 December 2022: EUR 869m).

In December 2021, KPN, Drepana and Gaspoort signed an agreement to extend the scope of the fiber roll-out of Gaspoort. KPN will receive EUR 170m (pre-tax) for the sale of the additional scope from Gaspoort. At 30 June 2023, EUR 59m has yet to be received in cash upon 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 Gaspoort

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 2023, KPN recognized EUR 13m (H1 2022: EUR 27m) in other income related to the sale of these additional scope projects and EUR 2m (gain) was recognized as part of the result from joint ventures (H1 2022: EUR 1m). As at 30 June 2023, the accumulated deferred gain to be released over time amounts is EUR 70m (31 December 2022: EUR 59m). This amount is included in the net book value of the joint venture.

During H1 2023, additional share premium contributions were made of EUR 43m per shareholder (H1 2022: EUR 14m) based on the original agreements. In addition, the shareholders contributed EUR 52m jointly to fund Glaspoort's acquisition of a 49.99% interest in GlasDraad, a fiber network entity. 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 2023	31 December 2022
Tangible fixed assets	320	217
Intangible assets	1,047	989
Other non-current assets	42	43
Current assets	13	24
Net cash and cash equivalents	25	19
Non-current liabilities	-182	-158
Current liabilities	-70	-67
Equity	1,195	1,067
KPN's share in equity	594	533
Goodwill from initial valuation at fair value	15	15
Carrying amount of the investment Equity Method	609	548
Less: Deferred gain on downstream transactions	-70	-59
Carrying amount of the investment	538	489

Summarized statement of profit or loss;

<i>(in € m)</i>	H1 2023	H1 2022
Revenue	13	5
Operating expenses	-8	-8
Depreciation, amortization & impairment expenses	-16	-6
Net finance gain *)	-4	16
Profit before tax	-13	8
Income tax expense	3	-2
Profit for the year	-10	6
Total comprehensive income for the period	-10	6
KPN's share of profit for the period	-5	2
Release deferred gain on downstream transactions	2	1
KPN's share of profit for the year included in share of profit/loss (-) of associates and joint ventures	-3	3

*) The net finance gain H1 2022 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 2023, the remaining maximum commitment of each shareholder is EUR 207m (31 December 2022: EUR 163m), 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.

During H1 2023, KPN received a tax carry-back of EUR 60m which is directly related to the sale of the Glaspoort shares during 2021. This transaction was not tax exempt due to its specific nature. As the taxes paid on the transaction during 2021 were presented as part of the cash flow from investing activities, any refunds that are separately identifiable as related to the transaction are presented in the same line item within KPN's cash flow statement.

[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 2023, the nominal amount outstanding is EUR 192m with a carrying amount of EUR 170m, of which EUR 33m current. As at 31 December 2022, the nominal amount outstanding was EUR 220m with a carrying value of EUR 197m, of which EUR 28m current.

In H1 2023, the book value increased by EUR 5m due to accrued interest (H1 2022: EUR 3m) and decreased with EUR -3m due to a fair value adjustment (H1 2022: EUR -8m). 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 6.56% (H1 2022: 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 2023, KPN has funds classified as other current financial assets of EUR 130m (31 December 2022: EUR 100m).

[13] Cash and cash equivalents

At 30 June 2023, cash and cash equivalents amounted to EUR 237m, compared to EUR 399m at 31 December 2022. The decrease in KPN's cash and cash equivalents was mainly caused by dividend payments (EUR 382m), the share repurchase program (EUR 300m), debt redemptions (EUR 113m) and movements in short-term investments (EUR 30m), partially offset by generated free cash flow (EUR 354m) and commercial paper issuance (EUR 295m).

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 2023, 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 2023 KPN increased its investments in such instruments by EUR 30m to EUR 130m.

[14] Group equity

At 30 June 2023, a total of 4,037,319,593 ordinary shares were outstanding.

On 22 April 2023, KPN paid a final dividend in respect of 2022 of EUR 9.5 cents per share, in total EUR 382m. The total regular dividend in respect of 2022 was EUR 14.3 cents per share, in total EUR 578m.

[15] Borrowings, bond issues and redemptions

On 28 March 2023, KPN redeemed the remaining outstanding principal amount (approximately EUR 113m) of the USD 600m 7.0% hybrid bond on its first call date. This bond had been refinanced and partially repurchased during 2022.

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 2023, the outstanding balance of commercial paper amounted to EUR 355m (31 December 2022: EUR 60m) issued at an average interest rate of 3.50% (31 December 2022: 2.01%).

At 30 June 2023, the average maturity of the senior bond portfolio was 5.9 years (31 December 2022: 6.4 years). The weighted average cost of senior debt was 4.09% at 30 June 2023 (31 December 2022: 3.52%). Including the outstanding hybrid bonds, the weighted average cost of debt was 4.07% at 30 June 2023 (31 December 2021: 3.64%).

On 27 June 2023, KPN priced a new EUR 600m 3.875% senior bond maturing on 3 July 2031. Settlement occurred on 3 July 2023, therefore this bond is not reflected in the H1 2023 interim financial statements.

[16] Provisions for retirement benefit obligations

The remaining pension provision at 30 June 2023 of EUR 37m (31 December 2022: EUR 49m) includes the (closed) pension plans of Getronics UK and Getronics US and an early retirement plan implemented in 2022 for a limited group of employees, which are accounted for as defined benefit plans. The pension plans incurred a net actuarial gain of EUR 9m in the first six months of 2023. This is mainly due to higher discount rates which decreased the plans' defined benefit obligations by EUR 12m and a lower than expected return on the plans' assets of EUR 3m.

[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 2022	18	1	19	98	60	177
Of which: current portion	18	-	18	2	7	27
Change in accounting policy [2]	-	-	-	-	14	14
Additions / Releases (-)	10	-	10	-11	1	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
Balance at 1 January 2023	11	2	13	75	66	154
Of which: current portion	11	-	12	3	8	23
Additions/ Releases (-)	12	-	12	-	-	12
Usage	-13	-	-13	-1	-12	-26
Balance at 30 June 2023	10	2	12	74	54	140
Of which: current portion	10	1	11	3	5	19

[18] Fair value disclosures

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2023 and 31 December 2022:

<i>(in € m)</i>	30 June 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at FVPL				
Other current financial assets	[11]	170	170	197
Derivatives		109	109	148
Other current financial asset	[12]	130	130	100
Cash and cash equivalents	[13]	237	237	399
Financial assets at amortized cost				
Trade and other receivables		461	461	455
Financial assets at FVOCI				
Financial receivables handsets		131	131	158
Equity investments		73	73	76
Total financial assets		1,311	1,311	1,534
Financial liabilities FVPL				
Derivatives		353	353	366
Financial liabilities at amortized cost				
Borrowings		5,575	5,365	5,368
Lease liability		884	884	923
Trade and other payables		941	941	955
Total financial liabilities		7,753	7,543	7,612

Assets and liabilities measured at fair value (in € m)	As at 30 June 2023				As at 31 December 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at FVPL								
Contingent cash receivable regarding sale Glaspoort	-	-	170	170	-	-	197	197
Derivatives (cross currency interest rate swap)	-	83	-	83	-	123	-	123
Derivatives (interest rate swap)	-	26	-	26	-	25	-	25
Financial assets at FVOCI								
Financial receivables handsets	-	-	131	131	-	-	158	158
Equity investments:								
- Unlisted securities	-	-	73	73	-	-	76	76
Total assets	-	109	374	483	-	148	431	579
Financial liabilities at FVPL								
Derivatives (cross currency interest rate swap)	-	113	-	113	-	100	-	100
Derivatives (interest rate swap)	-	239	-	239	-	266	-	266
Total liabilities	-	352	-	352	-	366	-	366

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 would be applied at 30 June 2023, the total derivatives asset position would be EUR 36m (31 December 2022: EUR 52m) and the total derivatives liability position would be EUR 280m (31 December 2022: EUR 270m).

[19] Commitments and contingencies

(in € m)	Amounts due by period				
	Less than 1 year	1–5 years	More than 5 years	Total 30 June 2023	Total 31 December 2022
Capital and purchase commitments	818	310	17	1,144	1,074
Guarantees and other	-	1	130	131	135
Total commitments	818	311	147	1,275	1,209

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 130m relates to parent guarantees (31 December 2022: EUR 135m). The table presented above does not include KPN's commitment on share premium contributions regarding Glaspoort of EUR 207m (31 December 2022: EUR 163m).

Contingent liabilities

No significant changes have occurred in KPN's contingent liabilities during H1 2023. Further information is available in Note 22 of the Integrated Annual Report 2022.

[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 2022.

In the first six months of 2023, there have been no changes in the type of other related party transactions as described in the Integrated Annual Report 2022, which could have a material effect on the financial position or performance of KPN.

On 9 June 2021, KPN sold 50% of the shares of its subsidiary Glaspoort and entered into a joint venture agreement with APG. 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 2023, there have been no material transactions with Glaspoort, other than in the normal course of business.

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 11 July 2023, América Móvil, S.A.B. de C.V. ('AMX') published that it held 16.1% of the shares related to KPN's ordinary share capital as at 30 June 2023.

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

- On 30 June 2023, Norges Bank notified the AFM that it held 3.01% of the shares and voting rights related to KPN's ordinary share capital.
- On 27 June 2023, The Goldman Sachs Group Inc., notified the AFM that it held 3.26% of the shares and voting rights related to KPN's ordinary share capital.
- On 5 June 2023, BlackRock, Inc. notified the AFM that it held 5.81% of the shares and 7.07% of the voting rights related to KPN's ordinary share capital.
- On 24 April 2023, Amundi Asset Management notified the AFM that it held 3.13% of the shares and voting rights related to KPN's ordinary share capital.
- On 2 August 2022, Capital Research and Management Company notified the AFM that it held 9.70% 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.

Based on publicly available information, no other shareholder owned 3% or more of KPN's issued share capital as at 30 June 2023.

[21] Risk management

KPN's risk categories and risk factors that could have material impact on its financial position and results are described in KPN's Integrated Annual Report 2022 (pages 63-70, Note 13.4 and Appendix 4). Those risk categories and factors are deemed incorporated and repeated in this report by this reference and KPN believes that these risks similarly apply for H2 2023.

KPN will publish its Integrated Annual Report 2023 in February 2024, with a detailed update of KPN's principal risks.

With respect to regulatory risk, refer to note [22], 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 Dutch Authority for Digital Infrastructure of the Ministry of Economic Affairs (RDI). 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 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 our 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 being implemented. Moreover, European security legislation, like NIS2 and CER, has come into force and has to be implemented in the Netherlands in October 2024. Other European security legislation, like the Cyber Resilience Act is not yet finalized. The Cyber Resilience Act is expected to be published in 2024 and has direct effect in all EU countries.

Spectrum licenses

The 700, 1400 (L-band) and 2100 megahertz (MHz) bands were auctioned in 2020. KPN has rolled out these frequencies in its national mobile network and complies with the coverage and minimum speed obligation. The auction of the 3.5 GHz band has been postponed several times due to disagreements with existing users. Currently ten parties have each started legal procedures against the bandplan from the Ministry of Economic Affairs, including satellite operator Inmarsat who has to move operations to another country. Other parties include existing users of local networks such as Greenet and ECT, and potential future users of private networks, such as Schiphol and Port of Rotterdam. A ruling from the administrative court is expected in October/November 2023; KPN currently expects that the 3.5GHz spectrum auction will take place in the first half of 2024.

The timing of the 26 GHz band allocation has not been finalized yet. The government intends to proceed with this allocation after the 3.5 GHz band auction, 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. KPN's voluntary commitments regarding access to its fiber networks have been declared binding by ACM at 26 August 2022. We expect that in ACM will consider the commitments sufficient to address potential market failures regarding local fixed access. Therefore no new ex ante regulation is foreseen. A draft market regulation decision by ACM is expected around this summer.

[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 events described below.

Acquisition fiber networks Primevest Capital Partners

On 3 July 2023, KPN acquired the fiber networks of Primevest Capital Partners located in The Hague, Rotterdam and Eindhoven for a total (preliminary) consideration of EUR 97m. Refer to note [3] of these Interim Financial Statements for further information.

Issuance EUR 600m Senior Bond

On 3 July 2023, KPN issued a EUR 600m senior unsecured Eurobond with a 3.875% coupon maturing on 3 July 2031. Refer to note [15] of these Interim Financial Statements for further information.

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 2023, 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 2023 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, 24 July 2023

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

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

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

Chantal Vergouw
Member of the Board of Management and
Chief Business Market

Wouter Stammeijer
Member of the Board of Management and
Chief Technology & 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 2022. 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 2022 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, excluding M&A. 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 2022. 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 2022, unless stated otherwise.