Interim Financial Statements

For the six months ended
30 June 2021

kpn. The network of the Netherlands

Unaudited Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2021

All related documents can be found on KPN's website (ir.kpn.com), including the KPN Management Report Q2 2021.

Unaudited Consolidated Statement of Profit or Loss

(in € m, unless indicated otherwise)	Notes	For the three months ended 30 June 2021	2020	For the six months ended 30 June 2021	2020
Revenues		1,294	1,293	2,584	2,620
Other income	[3]	842	11	842	13
Total revenues and other income	[3/4/5]	**2,136**	**1,304**	**3,426**	**2,633**
Cost of goods & services		306	297	620	612
Personnel expenses		217	220	439	466
Information technology/Technical infrastructure (IT/TI)		80	83	159	164
Other operating expenses		74	76	150	159
Depreciation, amortization & impairments (DA&I)		365	394	729	782
Total operating expenses	[4/6]	**1,043**	**1,071**	**2,097**	**2,184**
Operating profit	[4/6]	**1,093**	**233**	**1,329**	**449**
Finance income		-1	-1	-1	-1
Finance costs		-54	-57	-109	-122
Other financial results		-5	-4	-2	-11
Finance income and expenses	[7]	**-59**	**-63**	**-113**	**-135**
Share of the profit/loss (-) of associates		-	-	-	7
Profit/Loss (-) before income tax from continuing operations		**1,035**	**171**	**1,216**	**321**
Income taxes	[8]	-235	-36	-275	-66
Profit/Loss (-) for the period from continuing operations		**800**	**135**	**941**	**255**
Profit/Loss (-) for the period from discontinued operations		-	1	-	1
Profit/Loss (-) for the period		**800**	**136**	**941**	**256**
Profit/Loss (-) attributable to non-controlling interest		-	-	-	-
Profit/Loss (-) attributable to equity holders		800	136	940	256
Earnings per ordinary share after taxes attributable to equity holders for the period (in €)					
- Basic (continuing operations)		0.19	0.03	0.22	0.06
- Diluted (continuing operations)		0.19	0.03	0.22	0.06
- Basic (discontinued operations)		-	-	-	-
- Diluted (discontinued operations)		-	-	-	-
- Basic (total, including discontinued operations)		0.19	0.03	0.22	0.06
- Diluted (total, including discontinued operations)		0.19	0.03	0.22	0.06
Weighted average number of ordinary shares					
- Non-diluted				4,197,903,063	4,196,462,415
- Diluted				4,203,129,306	4,200,927,032

[..] 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 2021	2020	For the six months ended 30 June 2021	2020
Profit for the period	**800**	**136**	**941**	**256**
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	31	-7	16	89
- Currency translation differences	2	6	-5	3
Net other comprehensive income/loss (-) to be reclassified to profit or loss in subsequent periods	**33**	**-1**	**11**	**92**
Items of other comprehensive income not to be reclassified subsequently to profit or loss:				
- Retirement benefit remeasurements	27	-27	27	-27
- Net gain/loss (-) on equity instruments designated at fair value through other comprehensive income	-	-	-	-
Net other comprehensive income/loss (-) not to be reclassified to profit or loss in subsequent periods	**27**	**-27**	**27**	**-27**
Other comprehensive income/loss (-) for the period, net of tax	**60**	**-28**	**38**	**65**
Total comprehensive income/loss (-) for the period, net of tax	**860**	**108**	**979**	**321**
Total comprehensive income for the period, net of tax, attributable to:				
- Equity holders of the company	860	108	979	321
- Non-controlling interest	-	-	-	-
Total comprehensive income/loss (-) attributable to equity holders arises from:				
- Continuing operations	860	107	979	320
- Discontinued operations	-	1	-	1

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

Unaudited Consolidated Statement of Financial Position

Assets *(in € m)*	Notes	30 June 2021	31 December 2020
Non-current assets			
Land and buildings		392	405
Plant and equipment		4,894	4,863
Other tangible non-current assets		34	38
Assets under construction		141	116
Total property, plant and equipment		**5,461**	**5,422**
Goodwill		1,432	1,496
Licenses		1,083	1,132
Software		403	432
Other intangibles		168	178
Total intangible assets		**3,086**	**3,238**
Right-of-use assets		801	857
Equity investments accounted for using the equity method	[3]	502	8
Equity investments measured at fair value through other comprehensive income	[16]	42	37
Derivative financial instruments	[16]	178	191
Deferred income tax assets	[3/8]	357	567
Other financial asset at fair value through profit or loss	[3]	202	-
Trade and other receivables		122	132
Contract assets and contract costs		15	18
Total non-current assets		**10,767**	**10,469**
Current assets			
Inventories		41	47
Other financial asset at fair value through profit or loss	[3]	16	-
Trade and other receivables		689	636
Contract assets and contract costs		52	49
Income tax receivables		2	1
Derivative financial instruments	[16]	4	11
Other current financial assets	[10]	255	270
Cash and cash equivalents	[11]	546	597
Total current assets		**1,605**	**1,611**
Total assets		**12,371**	**12,080**

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

Group equity and liabilities
(in € m)

	Notes	30 June 2021	31 December 2020
Equity			
Share capital		168	168
Share premium		8,445	8,445
Other reserves		-171	-199
Retained earnings		-5,711	-6,289
Equity attributable to holders of perpetual capital securities		496	496
Equity attributable to equity holders of the company		**3,227**	**2,621**
Non-controlling interests		1	1
Total equity	[12]	**3,228**	**2,622**
Non-current liabilities			
Borrowings	[13]	5,272	5,821
Lease liabilities		735	787
Derivative financial instruments	[16]	95	192
Provisions for retirement benefit obligations	[14]	119	152
Provisions for other liabilities and charges	[15]	151	151
Contract liabilities		139	136
Other payables		7	12
Total non-current liabilities		**6,517**	**7,250**
Current liabilities			
Trade and other payables		1,158	1,128
Contract liabilities		193	209
Borrowings	[13]	1,086	679
Lease liabilities		124	150
Derivative financial instruments	[16]	1	4
Income tax payable	[3/8]	41	-
Provision for other liabilities and charges	[15]	23	38
Total current liabilities		**2,627**	**2,209**
Total equity and liabilities		**12,371**	**12,080**

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

Unaudited Consolidated Statement of Changes in Group Equity

(in € m, except number of shares)	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
Balance at 1 January 2020		**4,202,844,404**	**168**	**8,445**	**-300**	**-6,302**	**496**	**2,507**	**1**	**2,507**
Profit for the period		-	-	-	-	256	-	256	-	256
Other comprehensive income		-	-	-	92	-27	-	65	-	65
Total comprehensive income		**-**	**-**	**-**	**92**	**229**	**-**	**321**	**-**	**321**
Share based compensation		-	-	-	-	-12	-	-12	-	-12
Sold treasury shares		-	-	-	14	-	-	14	-	14
Paid coupon perpetual hybrid bond		-	-	-	-	-3	-	-3	-	-3
Dividends paid	[12]	-	-	-	-	-348	-	-348	-	-348
Total transactions with owners, recognized directly in equity		**-**	**-**	**-**	**14**	**-363**	**-**	**-349**	**-**	**-349**
Balance at 30 June 20		**4,202,844,404**	**168**	**8,445**	**-194**	**-6,436**	**496**	**2,479**	**1**	**2,480**
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	[12]	-	-	-	-	-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**

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

Unaudited Consolidated Statement of Cash Flows

(in € m)	Notes	30 June 2021	30 June 2020
Profit before income tax from continuing operations		1,216	321
Adjustments for:			
- Net financial expenses	[7]	113	135
- Share-based compensation		2	2
- Share of the profit/loss (-) of associates		-	-7
- Depreciation, amortization and impairments	[2/4/6]	729	782
- Other non-cash income and expenses		-842	-13
- Changes in provisions (excl. deferred taxes)	[6/14/15]	-22	-42
Changes in working capital relating to:			
- Current assets		-48	57
- Current liabilities		-33	-209
Income taxes paid/received		-24	-
Interest paid/received		-78	-112
Net cash flow from operating activities from continuing operations		**1,012**	**915**
Net cash flow from operating activities from discontinued operations		-	2
Net cash flow from operating activities		**1,012**	**916**
Disposal of subsidiaries and associates (net of cash)	[3]	222	29
Tax paid on disposal of subsidiaries and associates	[3]	-6	-
Investments in software		-109	-116
Investments in other intangibles assets		-4	-35
Investments in property, plant & equipment		-517	-456
Disposals of property, plant & equipment		1	-
Changes in other financial assets	[10/11]	11	273
Net cash flow from investing activities from continuing operations		**-400**	**-306**
Net cash flow from investing activities from discontinued operations		-3	-
Net cash flow from investing activities		**-403**	**-305**
Dividends paid	[12]	-365	-349
Paid coupon perpetual hybrid bonds		-10	-3
Proceeds from borrowings	[11]	150	405
Repayments of borrowings and settlement of derivatives	[13]	-351	-438
Repayment lease liabilities		-86	-86
Other		-2	-1
Net cash flow from financing activities from continuing operations		**-663**	**-471**
Net cash flow from financing activities from discontinued operations		-	-
Net cash flow from financing activities		**-663**	**-471**

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

(in € m)	Notes	For the six months ended 30 June 2021	30 June 2020
Continued from previous page			
Total net cash flow from continuing operations		-51	138
Total net cash flow from discontinued operations		-3	2
Total net cash flow (changes in cash and cash equivalents)		**-54**	**140**
Net cash and cash equivalents at beginning of period		594	767
Exchange rate difference		-	-
Changes in cash and cash equivalents		-54	140
Net cash and cash equivalents at end of period		**540**	**907**
Bank overdrafts		6	-
Cash classified as held for sale		-	-
Cash and cash equivalents at end of period	[11]	**546**	**907**

[..] 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 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with KPN's Integrated Annual Report 2020 as this document does not include all the information and disclosures required in the annual financial statements.

The applied accounting policies are in line with those as described in KPN's Integrated Annual Report 2020 except for the impact of new accounting standards as described below. 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 2020.

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);
    - the assessment whether KPN has joint control over Glaspoort B.V.;
    - the assessment whether Glaspoort B.V., as divested subsidiary, classifies as a 'business' in terms of IFRS 3;
    - the assessment whether operational contracts between Glaspoort B.V. 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 periodic impairment testing); and
    - the valuation of the contingent cash consideration (financial asset at fair value through profit or loss).

In preparing these Interim Financial Statements, the impact of the COVID-19 pandemic on KPN was specifically addressed, including the effect on the abovementioned significant estimates, judgments and assumptions.

Impact of COVID-19

During the first half of 2021, KPN continued to closely monitor the developments of the COVID-19 pandemic and the impact on its customers, suppliers and KPN's own performance. KPN continued to closely monitor a number of business drivers including payment behavior, net working capital and credit quality. The impact on KPN's business trends continued in Q1 2021 but stabilized in Q2 2021. The total estimated net effect on KPN's financial results was limited.

The financial results of KPN do not indicate that any impairment may be necessary. KPN's balance sheet and liquidity position remain strong.

Change in accounting policies

The accounting policies in preparing these Interim Financial Statements are consistent with those disclosed in KPN's Integrated Annual Report 2020, except for the adoption of new standards and amendments effective as of 1 January 2021. 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.

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments are mandatory with retrospective application although restatement of prior periods is not required. The amendments have been endorsed and are effective as of 1 January 2021. The implementation did not have a material impact.

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 2022 or later. KPN does not expect a material impact on its financial performance and/or the presentation thereof.

Amendments to IAS 37: Onerous contracts
The proposed 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. Currently, KPN does not consider costs of own personnel as incremental costs, whereas costs of externally hired personnel are included in the incremental costs.

The amendments are effective as of 1 January 2022 and must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments. The cumulative effect of initially applying the amendments will be recognized as an adjustment to the opening balance of retained earnings. The amendments have been endorsed. KPN currently does not expect a material impact.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
The amendments clarify

- what the Standard means by a right to defer settlement of a liability, that a right to defer must exist at the end of the reporting period;
- that classification of the liability is unaffected by the likelihood of the entity exercising its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

The amendments are effective as of 1 January 2023 and have not been endorsed yet. KPN does not expect a material impact from these amendments.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
The amendments are intended to reduce diversity in accounting for deferred tax on transactions and events that lead to recognition of both an asset and a liability, such as leases and decommissioning obligations.

The initial recognition exception of IAS 12 will no longer apply to transactions that give rise to equal taxable and deductible temporary differences. Also, the amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax laws) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgment will be relevant when determining if any temporary differences exist on initial recognition of the asset and liability.

The amendments are effective as of 1 January 2023 and have not been endorsed yet. Prospective application is required to transactions that occur on or after the beginning of the earliest comparative financial period presented. KPN is currently reviewing the potential impact from these amendments.

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

Joint Venture 'Glaspoort B.V.'
On 9 June 2021, KPN sold 50% of the shares of its subsidiary Glaspoort 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 Glaspoort. Glaspoort is a network

company, pursuing an open-access wholesale strategy based on non-discriminatory terms, fostering competition and innovation in the Netherlands.

The total consideration upon sale of the 50% interest in Glaspoort consists of a cash consideration received upon deal close of € 238m and a contingent cash receivable of € 234m, to be received in annual installments based on the rollout progress of Glaspoort. The contingent cash receivable classifies as a financial asset initially recognized at fair value (€ 218m) and is subsequently measured at fair value through profit or loss.

On the closing date (9 June 2021) KPN lost control over Glaspoort as a subsidiary (containing a business). The remaining 50% interest 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. In analyzing whether KPN lost control, KPN evaluated among others the following:

- KPN holds the option to purchase one share. This option is exercisable between the 5th and 8th anniversary of the transaction provided certain criteria are met, and in any case after the 8th anniversary.
- KPN will be an anchor tenant on Glaspoort's network and also be one of its suppliers, through a number of operational contracts between KPN and Glaspoort.

Following the requirements of IFRS, KPN initially recognized its interest in the joint venture at its fair value (€ 456m), based on the total consideration received (see above) and corroborated by the internal valuation models.

As per 23 March 2021 (the date on which the transaction was announced), Glaspoort classified as held for sale. 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 was subject to closing conditions and regulatory approvals were obtained on 12 May 2021. The transaction resulted in a preliminary net book gain of € 649m, consisting of a book gain on the transaction of € 840m included in other income (see note [5]) and a tax expense of € 191m.

(in € m)	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 and migration 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**

Due to the specific nature of this transaction it is not tax exempt. Of the total tax expense arising from the transaction, € 149m is settled against KPN's deferred tax positions and € 42m is due for payment within 2021. Of this amount, € 6m has been paid during H1 2021, the remaining amount (€ 36m) will be paid in H2 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 (in accordance with IAS 7.35/36).

On the closing date, both joint venture partners paid a share premium contribution of € 39m to Glaspoort's equity, resulting in a carrying amount of KPN's interest in the joint venture on 30 June 2021 of € 495m. KPN's 50% share in the result of Glaspoort in the period between the transaction and 30 June 2021 has been estimated to be immaterial.

The transaction resulted in a net cash flow of € 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 (€ 238m) and transferred assets (€ 24m), less the share premium contribution (€ 39m), income tax paid in H1 2021 (€ 6m) and transaction costs paid (€ 1m).

Sale of KPN Consulting

On 1 April 2020, KPN completed the sale of KPN Consulting B.V. to Cegeka N.V. KPN Consulting was classified as held for sale as of 31 December 2019. The transaction resulted in a book gain of € 11m, recognized as Other income. The book gain is income tax exempt.

(in € m)	Total
Amount of assets and liabilities in the subsidiaries or businesses over which control is lost:	
- Intangible fixed assets	14
- Other non-current assets	4
- Current assets	12
- Cash and cash equivalents	2
- Non-current liabilities	-8
- Current liabilities	-14
Total net assets	**11**
Transaction and migration costs	-1
Cash consideration received	24
Total consideration	**23**
Book gain	**11**

Cash received from disposal of subsidiaries (net of cash) amounted to € 24m and is classified as cash flow from investing activities in the Consolidated Statement of Cash flows.

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 2020. Some smaller units were transferred from the segments Consumer and Business to the segments Network, Operations & IT and Other. 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 2021

in € m	Consumer	Business	Wholesale	NOI	Other	Total
Statement of Profit or Loss						
External revenues	1,401	865	303	5	9	2,584
Other income	1	1	-	-	840	842
Inter-division revenues	6	3	20	-	-30	-
Total [5]	**1,408**	**869**	**323**	**6**	**820**	**3,426**
Operating expenses	-475	-451	-67	-300	-76	-1,369
EBITDA *(contribution margin)* **[6]**	**933**	**419**	**257**	**-295**	**744**	**2,058**
DA&I	-91	-24	-4	-580	-30	-729
Operating profit [6]	**842**	**395**	**253**	**-875**	**714**	**1,329**
Share of profit or loss of associates and joint ventures [3]	-	-	-	-	-	-
EBITDA	933	419	257	-295	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**	**417**	**256**	**-334**	**718**	**1,985**

For the six months period ending 30 June 2020 *(restated)*

in € m	Consumer	Business	Wholesale	NOI	Other	Total
Statement of Profit or Loss						
External revenues	1,413	924	279	2	3	2,620
Other income	-	12	1	-	-	13
Inter-division revenues	5	4	22	-	-32	-
Total [5]	**1,418**	**940**	**302**	**3**	**-30**	**2,633**
Operating expenses	-468	-490	-56	-316	-72	-1,402
EBITDA *(contribution margin)* **[6]**	**950**	**450**	**245**	**-313**	**-101**	**1,231**
DA&I	-96	-29	-4	-622	-31	-782
Operating profit [6]	**854**	**421**	**241**	**-934**	**-133**	**449**
Share of profit or loss of associates and joint ventures [3]	**-**	**-**	**-**	**-**	**7**	**7**
EBITDA	950	450	245	-313	-101	1,231
DA&I right-of-use asset	-6	-2	-	-33	-25	-66
Interest lease liabilities	-1	-	-	-7	-3	-11
EBITDA after leases	**943**	**448**	**245**	**-353**	**-129**	**1,154**

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

[5] Revenues and other income

Total revenues and other income from continuing operations in H1 2021 were € 793m higher compared to H1 2020 due to the book gain on the sale of 50% of the shares in Glaspoort B.V. (€ 840m) recognized in other income (refer to note [3]).

External revenues decreased with € 36m in H1 2021 compared to H1 2020 as growth in Wholesale and Consumer Fixed-Mobile service revenues was offset by lower service revenues from Business and Consumer Legacy. Also, the sale of KPN Consulting in 2020 negatively affected revenues for H1 2021 (€ -15m).

External revenues in H1 2021 included the negative impact of a € 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 (€ 7m).

External revenues were not impacted by incidentals in H1 2021 nor H1 2020.

Other income of H1 2021 (€ 842m) included the book gain on the sale of the 50% interest in Glaspoort (refer to note [3]), which is treated as an incidental. Other income in H1 2020 (€ 13m) consisted of the result from the sale of KPN Consulting (€ 11m, treated as incidental) and adjustments to the results from the divestments of 2019 (NLDC, Argeweb and International Network Services).

For further information on disaggregation of revenues, refer to the factsheet accompanying the Q2 2021 quarterly press release (available on KPN's website; ir.kpn.com).

[6] Operating expenses, DA&I

Operating expenses (excluding DA&I) decreased by € 33m. Cost of goods and services increased by € 8m due to higher traffic and higher acquisition and retention costs.

Personnel expenses decreased with € 27m due to fewer employees (including the divestment of KPN Consulting as of 1 April 2020) and lower expenses related to travelling and education, partly offset by wage increases following the collective labor agreement. IT/TI expenses decreased with € 5m, partly driven by contract renegotiations. Other operating expenses decreased € 9m due lower marketing and housing expenses, lower restructuring expenses (H1 2021: € 16m, H1 2020: € 18m) and less impairments from contracts with customers (H1 2021: € 2m, H1 2020: € 6m).

DA&I expenses decreased by € 53m compared to H1 2020 due to lower depreciation for network equipment and lower impairment charges. H1 2020 included the effects of accelerated depreciation for equipment related to the network modernization. During H1 2021, impairment expenses amounts to € 8m. H1 2020 included impairment expenses of € 20m, related to decommissioned software platforms.

[7] Finance income and expenses

Net finance costs amounted to € 113m in H1 2021, € 22m lower net costs compared to H1 2020 (€ 135m).

Finance income in H1 2021 remained stable at € -1m compared to H1 2020 (€ -1m).

Finance costs in H1 2021 decreased by € 13m to € 109m compared to H1 2020 (€ 122m), mainly due to bond redemptions and refinancing transactions executed in 2020 and 2021. Interest expenses on lease liabilities amounted to € 11m in H1 2021 (H1 2020: € 11m).

Other financial results amounted to € -2m in H1 2021 (H1 2020: € -11m). Other financial results mainly include fair value movements and amortization of discontinued hedge relationships and exchange rate difference.

[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 2021 is € 275m compared to € 66m in H1 2020. The income tax charge for H1 2021 includes the tax effect of the sale of 50% of the shares in Glaspoort B.V. for the amount of € 191m, refer to note [3].

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 22% in 2021.

The effective tax rate for H1 2021 is 22.6% against 21.1% in H1 2020. The effective tax rate was mainly influenced by one-off effects. Without one-off effects, the effective tax rate would have been approximately 22% in H1 2021 (approximately 22% in H1 2020).

	For the six months ended	
(in € m)	30 June 2021	30 June 2020
Current income tax expense	71	-
Deferred income tax expense	204	66
Income tax expense recognized in statement of profit or loss	**275**	**66**

Notes to the Condensed Statement of Financial Position

[9] Segment information Statement of Financial Position

Segment information as at 30 June 2021

in € m	Consumer	Business	Wholesale	NOI	Other	Total
Total assets	2,777	1,980	405	7,248	-39	12,371
Total liabilities	1,924	1,450	153	8,199	-2,582	9,144

The total assets of the segment 'Other' includes the carrying value of KPN's interest in the joint venture Glaspoort for € 495m. Refer to note [3] for further information.

Segment information as at 31 December 2020 *(restated)*

in € m	Consumer	Business	Wholesale	NOI	Other	Total
Total assets	2,786	1,949	397	6,997	-86	12,043
Total liabilities	2,009	1,553	156	7,957	-2,111	9,563

[10] Other current financial assets

To manage group liquidity, from time to time KPN invests in short-duration fixed income funds and unrated money market funds, 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 2021, KPN has funds classified as other current financial assets of € 255m (31 December 2020: € 270m).

[11] Cash and cash equivalents

At 30 June 2021, cash and cash equivalents amounted to € 546m, compared to € 597m at 31 December 2020. The decrease in KPN's cash and cash equivalents was mainly caused by dividend payments (€ 365m) and debt redemptions (€ 361m), offset by free cash flow generated in H1 2021 (€ 301m), net proceeds related to the Glaspoort joint venture (€ 217m) and net issuance of commercial paper (€ 150m).

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 2021, 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 [10] for further information. During H1 2021 € 15m of short-term investments were redeemed and converted to cash and cash equivalents.

[12] Group equity

In the first six months of 2021, the number of ordinary shares outstanding remained unchanged at 4,202,844,404.
On 21 April 2021, KPN paid a final dividend in respect of 2020 of € 8.7 cents per share, in total € 365m. The total regular dividend in respect of 2020 was € 13.0 cents per share, in total € 546m.

[13] Borrowings, bond issues and redemptions

On 1 February 2021, KPN redeemed the 3.25% € 361m senior bond due 2021.

In H1 2020, KPN set up a Euro Commercial Paper Program under which KPN can issue short-term debt instruments for up to € 1 billion. At 30 June 2021, the outstanding balance of commercial paper amounted to € 210m (31 December 2020: € 60m) issued at an average interest rate of -0.44% (31 December 2020 -0.37%).

At 30 June 2021, the average maturity of the senior bond portfolio was 6.0 years (31 December 2020: 6.1 years). The weighted average cost of senior debt was 2.76% at 30 June 2021 (31 December 2020: 2.88%). Including the outstanding hybrid bonds, the weighted average cost of debt was 2.95% at 30 June 2021 (31 December 2020: 3.05%).

[14] Provisions for retirement benefit obligations

The remaining pension provision at 30 June 2021 of € 119m (31 December 2020 € 152m) 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 € 27m in the first six months of 2021. This is mainly due to higher discount rates which decreased the plans' defined benefit obligations by € 22m and a higher than expected return of € 3m on the plans' assets.

[15] Provisions for other liabilities and charges

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

(in € m)	Personnel	Contractual	Total restructuring	Asset retirement obligation	Other provisions	Total provisions
Balance at 1 January 2020	**40**	**2**	**42**	**44**	**82**	**168**
Of which: current portion	**40**	**1**	**40**	**3**	**20**	**63**
Additions / Releases (-)	18	-	18	-1	1	18
Usage	-39	-	-39	-	-6	-45
Balance at 30 June 2020	**19**	**2**	**21**	**43**	**77**	**141**
Of which: current portion	**18**	**-**	**19**	**3**	**17**	**38**
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**

[16] Fair value disclosures

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2021 and 31 December 2020:

(in € m)		30 June 2021 Carrying amount	30 June 2021 Fair value	31 December 2020 Carrying amount	31 December 2020 Fair value
Financial assets at FVPL					
Other current financial assets	[10]	255	255	270	270
Derivatives		182	182	202	202
Other financial asset at FVPL	[3]	218	218	-	-
Cash and cash equivalents	[11]	546	546	597	597
Financial assets at amortized cost					
Trade and other receivables		626	626	641	641
Financial assets at FVOCI					
Equity investments		42	42	37	37
Total financial assets		**1,869**	**1,869**	**1,746**	**1,746**
Financial liabilities FVPL					
Derivatives		96	96	196	196
Financial liabilities at amortized cost					
Borrowings		6,358	6,900	6,500	6,997
Lease liability		859	859	937	937
Trade and other payables		1,004	1,004	953	953
Total financial liabilities		**8,317**	**8,859**	**8,587**	**9,083**

Assets and liabilities measured at fair value *(in € m)*	As at 30 June 2021 Level 1	Level 2	Level 3	Total	As at 31 December 2020 Level 1	Level 2	Level 3	Total
Financial assets at FVPL								
Derivatives (cross currency interest rate swap)	-	49	-	49	-	26	-	26
Derivatives (interest rate swap) and other	-	133	-	133	-	176	-	176
Financial assets at FVOCI								
Equity investments								
- Unlisted securities	-	-	42	42	-	-	37	37
Total assets	**-**	**182**	**42**	**224**	**-**	**202**	**37**	**239**
Financial liabilities at FVPL								
Derivatives (cross currency interest rate swap)	-	71	-	71	-	161	-	161
Derivatives (interest rate swap)	-	25	-	25	-	34	-	34
Total liabilities	**-**	**96**	**-**	**96**	**-**	**196**	**-**	**196**

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 derivatives 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 2021, the total derivatives asset position would be € 99m (31 December 2020: € 70m) and the total derivatives liability position would be € 13m (31 December 2020: € 64m).

[17] Commitments and contingencies

	Amounts due by period				
(in € m)	Less than 1 year	1–5 years	More than 5 years	**Total 30 June 2021**	Total 31 December 2020
Capital and purchase commitments	939	367	13	1,319	1,183
Guarantees and other	-	3	125	129	131
Total commitments	**939**	**370**	**139**	**1,448**	**1,314**

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 € 129m relates to parent guarantees (31 December 2020: € 131m).

Contingent liabilities

No significant changes have occurred in KPN's contingent liabilities during H1 2021. Further information is available in Note [22] of the Integrated Annual Report 2020.

[18] 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 2020.

On 9 June 2021, KPN sold 50% of the shares of its subsidiary Glaspoort B.V. and entered into a joint venture agreement with APG (refer to note [3]). As of 9 June 2021, KPN's remaining 50% interest in Glaspoort is classified as a joint venture and account for as using the equity method. KPN will be an anchor tenant on the network of Glaspoort and will also supply services to Glaspoort. In the period between completion of the sale and 30 June 2021, there have been no material transactions with Glaspoort. Furthermore, in the first six months of 2021 there have been no changes in the type of related party transactions as described in the Integrated Annual Report 2020, 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 13 July 2021, América Móvil, S.A.B. de C.V. ('AMX') published that it held 20.9% of the shares related to KPN's ordinary share capital as at 30 June 2021.

Other shareholdings equaling or exceeding 3% of the issued capital:
- On 28 June 2021, UBS Group AG, notified the AFM that it held 3.05% of the shares and the voting rights related to KPN's ordinary share capital.
- On 24 June 2021, BlackRock, Inc. notified the AFM that it held 3.72% of the shares and 4.57% of the voting rights related to KPN's ordinary share capital.
- On 22 April 2021, The Income Fund of America notified the AFM that it held 5.04% of the shares related to KPN's ordinary share capital.
- On 12 January 2021, Capital Research and Management Company notified the AFM that it held 14.99% of the voting rights related to KPN's ordinary share capital.
- On 26 February 2020, Amundi Asset Management notified the AFM that it held 3.00% of the shares and 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 2021.

[19] 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 2020 (pages 73-80, Note 12.4 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 2021.

KPN will publish its Integrated Annual Report 2021 in February 2022, with a detailed update of KPN's principal risks.

With respect to regulatory risk, refer to note [20], with respect to related parties, refer to note [18].

[20] 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). 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 application of the regulation of operators with significant market power is enforced nationally, but under coordination of the European Commission. Licensing regimes for frequencies are based on national law. Increasingly, also other regulation (such as privacy law and content-related law) has an impact.

The national implementation of the 2018 European Electronic Communications Code, which amends the regulation for the electronic communications sector, is to a large extent delayed and now being discussed in Parliament. Some new powers on mapping, new powers to enforce symmetric access regulation and lowering of switching barriers have taken force per 21 December 2020. Symmetrical access obligations aim to allow competitors to ask for connections in local situations where replication is not feasible (due to e.g. zoning restrictions) or where replicability is not economically possible. BEREC has issued Guidelines in December 2020 to ensure a harmonized approach on this new obligation by regulators across Europe. The scope of the remaining part of the amended regulation is extended to all interpersonal communications services (including over-the-top), thereby creating an increased level playing field for comparable services.

A draft new e-Privacy Regulation (in addition to the General Data Protection Regulation, replacing the existing e-Privacy Directive) is still being discussed by the EU institutions. Various legislative instruments that may have impact on KPN (though sometimes to a lesser extent) are still being discussed (such as a draft e-Evidence Regulation). A new Roaming Regulation – that will replace the current regulation that expires on 30 June 2022 – is being discussed in the EU Institutions and is based on the same regulatory 'roam-like-at-home' principle, with amended wholesale caps and some additional provisions.

Security concerns based on geopolitical developments

Both at the European and national level increased attention has been given to security concerns in relation to control over telecom operators via investment and to potential security risks in networks. A Foreign Direct Investment Screening Regulation has come into effect per 11 October 2020, aimed at information exchange between EU member states on potential risks for national security and public order in relation to investments. At national level, a sector specific Act has been adopted, which creates new powers for the government to prevent undesirable control (related to security risks for public order or national security) over telecom operators which have a significant role in the market. On security requirements for mobile networks, regulations have been published which include powers for the minister to impose specific security requirements for network equipment and to mandate operators not to use equipment from certain vendors in specifically designated critical parts of their networks.

Spectrum licenses

The 700, 1,400 (L-band) and 2,100MHz bands have been auctioned in 2020. The 3.5GHz band is planned to be auctioned in 2022, but due to a Court Order successfully demanded by Inmarsat, the preparations for the auction may be delayed. Inmarsat uses a part of this spectrum for commercial reasons and for emergency communications at sea and claims the right to continue using this spectrum. The timing of allocation of the 26GHz band is not yet clear. The government intends to proceed with this latter allocation in the coming years, while also noting advice from the Dutch Health Council (Gezondheidsraad) on further research.

Market analysis decisions in the Netherlands

On almost all telecom markets ex ante regulations have been lifted. This includes the broadband access market analysis following an annulment in Court in March 2020. ACM, however, still investigates possibilities for interventions. These investigations can still affect KPN in some fixed markets. The fixed and mobile call termination services are still regulated, with call termination rates being defined at EU level as of 1 July 2021.

[21] Subsequent events

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

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 2021, 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 2021 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 2021

Joost Farwerck	Chairman of the Board of Management and Chief Executive Officer
Chris Figee	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 2020. KPN's management considers these non-GAAP figures, combined with GAAP performance measures and in conjunction with each other, most appropriate to measure the performance of the Group and its segments. The non-GAAP figures are used by management for planning, reporting (internal and external) and incentive purposes. KPN's main alternative performance measures are listed below. The figures shown in this financial report are based on continuing operations and were rounded in accordance with standard business principles. As a result, totals indicated may not be equal to the precise sum of the individual figures.

Financial information is based on KPN's interpretation of IFRS as adopted by the European Union as disclosed in the Integrated Annual Report 2020 and do not take into account the impact of future IFRS standards or interpretations. Note that certain definitions used by KPN in this report deviate from the literal definition thereof and should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS as adopted by the European Union. KPN defines revenues as the total of revenues and other income. Adjusted revenues are derived from revenues (including other income) and are adjusted for the impact of incidentals. KPN defines EBITDA as operating result before depreciation (including impairments) of PP&E and amortization (including impairments) of intangible assets. Adjusted EBITDA after leases ('adjusted EBITDA AL') are derived from EBITDA and are adjusted for the impact of restructuring costs and incidentals ('adjusted') and for lease costs, including depreciation of right-of-use assets and interest on lease liabilities ('after leases' or 'AL'). KPN defines Gross Debt as the nominal value of interest-bearing financial liabilities representing the net repayment obligations in Euro, excluding derivatives, related collateral, and leases, taking into account 50% of the nominal value of the hybrid capital instruments. In its Leverage Ratio, KPN defines Net Debt as Gross Debt less net cash and short-term investments, divided by 12 month rolling adjusted EBITDA AL excluding major changes in the composition of the Group (acquisitions and disposals). The Lease adjusted leverage ratio is calculated as Net Debt including lease liabilities divided by 12 month rolling adjusted EBITDA 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 2020. All forward-looking statements and ambitions stated in this financial report that refer to a growth or decline, refer to such growth or decline relative to the situation per 31 December 2020, unless stated otherwise.

Press release
27 July 2021

KPN delivers mass-market service revenue growth in Q2; on track to reach full-year outlook

- **Executing strategy and delivering on commitments ahead of schedule by growing mass-market service revenues**
- **Return to mobile service revenue growth in Consumer for first time since Q1 2017**
- **Consumer realizing +23k broadband net adds, of which 22k related to Oxxio acquisition**
- **Sequential service revenue growth in SME, on track to stabilize by year end**
- **Passed the milestone of 3 million fiber households; Glaspoort JV operational**
- **Recognized as best mobile network and fastest 5G in the Netherlands**
- **Adjusted EBITDA AL +0.6% y-on-y; investments in customer support resulting in higher NPS**
- **Additional capital returns structural part of shareholder remuneration, € 200m SBB program in 2021**

Message from the CEO, Joost Farwerck

"We go all out to connect everyone in the Netherlands to a sustainable future and to create value for all stakeholders. We delivered growth in mass-market service revenues; an important proof point of the success of our strategy and a first step towards sustainable top-line growth for the Group, which showed slight growth as well this quarter. We have further improved the quality of our mobile network, we have improved customer experience, and we're on track to reach our full-year outlook.

We are building a fiber company and we're installing fiber at a record pace. During the quarter we've passed the milestone of three million fiber connections. Today, almost half of all Dutch households have a fiber connection; the vast majority via KPN. Thanks to the Glaspoort JV, which is now operational, we will be able to further accelerate our ambition and commit to jointly covering approximately 80% of the Netherlands with fiber by the end of 2026. Our mobile network has once again been recognized as the best in the Netherlands with best coverage and fastest 5G. Thanks to the efforts of all colleagues and our investments in the quality and reliability of our digital services, the customer experience and NPS are again improving.

For the first time in four years we've seen growth in Consumer mobile service revenues, supported by the strong commercial performance of our Unlimited data proposition. Total mobile net adds in Consumer and Business continued to grow strongly. In SME, our service revenue trend is improving and is on track to stabilize in the second half this year. In Wholesale we see continued strong performance, backed by our open wholesale access policy and several renewed broadband and MVNO agreements. With ESG fully embedded in our strategy and operations, we are contributing to making the Netherlands a better place to live.

While we keep investing to drive future growth and maintain room for value creating growth opportunities, we pay out a progressive dividend that is comfortably covered. The confidence in our strategic plan and successful execution gives us comfort around our multi-year cash generation perspective, enabling us to structurally return additional capital to our shareholders. As a first step, we intend to buy back shares worth 200 million euros this year."

Key figures

Group financials (unaudited) *(in € m, unless stated otherwise)*	**Q2 2020**	**Q2 2021**	**Δ y-on-y**	**H1 2020**	**H1 2021**	**Δ y-on-y**
Adjusted revenues	1,292	1,296	*+0.2%*	2,622	2,586	*-1.4%*
Adjusted EBITDA AL	585	589	*+0.6%*	1,160	1,156	*-0.3%*
As % of adjusted revenues	*45.3%*	*45.5%*		*44.3%*	*44.7%*	
Operating profit (EBIT)	233	1,093	*>100%*	449	1,329	*>100%*
Net profit	135	800	*>100%*	255	941	*>100%*
Capex	295	304	*+3.3%*	572	625	*+9.2%*
As % of adjusted revenues	*22.8%*	*23.5%*		*21.8%*	*24.2%*	
Operational Free Cash Flow	291	284	*-2.1%*	588	531	*-9.6%*
As % of adjusted revenues	*22.5%*	*22.0%*		*22.4%*	20.5%	
Free Cash Flow	177	179	*+1.2%*	257	301	*+17%*
As % of adjusted revenues	*13.7%*	*13.8%*		*9.8%*	*11.7%*	
Net debt				5,248	5,201	
ROCE				9.8%	10.3%	

Continued strong operational momentum

- **Consumer:** mobile service revenues returned to growth (+1.3% y-on-y), driven by base growth and stable ARPU
  - Fixed-Mobile households: stable (Q1 2021: +4k); Fixed-Mobile ARPA at € 82 (+2.4% y-on-y)
  - Broadband: +47k[2] fiber net adds (Q1 2021: +47k), +23k total broadband net adds, +1k excl. Oxxio (Q1 2021: -1k)[1,2]
  - Postpaid: +16k net adds (Q1 2021: +4k); ARPU stable at € 17 (+1.1% y-on-y)
  - NPS improved q-on-q to +14 (Q1 2021: +11); quality improvements led to an increase of ~10% first-time-right calls YTD
- **Business:** continued good base developments on target portfolio, on track to stabilize SME service revenues by year end
  - Broadband lines: -3k net adds (Q1 2021: +1k); Q2 run-rate impacted by technical correction (-4k); SME +7k (Q1 2021: +6k)
  - Mobile SIMs: +32k net adds (Q1 2021: +23k); SME +17k (Q1 2021: +15k)
  - NPS improved to +4 (Q1 2021: +2); driven by customer migrations to target portfolio and reliability of products and services
- **Wholesale:** success of open wholesale policy illustrated by continued revenue growth and contract renewals
  - Broadband lines: +16k net adds (Q1 2021: +22k)[2]
  - Postpaid SIMs: +23k net adds (Q1 2021: +30k)
- **Network:** fiber joint venture with APG 'Glaspoort' operational
  - Added 113k FttH households to KPN's fiber footprint and passed the 3 million milestone; activated 56k households
  - Mobile network once again recognized by Ookla as best in the Netherlands with fastest 5G
- **Cost savings:** Net indirect opex savings of € 9m in the quarter

Solid financial performance

- **Adjusted revenues** increased 0.2% y-on-y, supported by growing mass-market service revenues (+0.5% y-on-y) and non-service revenues (+15% y-on-y). Adjusted Group service revenues decreased 0.8% y-on-y as growth in Wholesale and Consumer Fixed-Mobile was offset by Consumer Legacy and Business. H1 2021 adjusted revenues declined 1.4% y-on-y
- **Adjusted EBITDA AL** increased 0.6% y-on-y. The effects of higher revenues and continued cost control were partially offset by a lower savings run-rate y-on-y due to elevated costs to improve customer support and less tailwind from COVID-related savings. Adjusted EBITDA AL margin increased to 45.5% (Q2 2020: 45.3%). H1 2021 adjusted EBITDA AL declined 0.3% y-on-y
- **Net profit** of € 800m increased € 665m y-on-y, mainly impacted by net effects of € 649m related to the 'Glaspoort' transaction, a € 4m release of provision in Q2 2021 and € 11m book gain on the sale of KPN Consulting in Q2 2020. Excluding these incidentals, net profit would have increased by € 24m (+20%) y-on-y in Q2 2021. H1 2021 net profit excl. incidentals would have increased 18% y-on-y
- **Capex** of € 304m increased € 9m y-on-y driven by the accelerated fiber rollout. H1 2021 Capex increased € 53m y-on-y
- **Operational Free Cash Flow** of € 284m decreased 2.1% y-on-y due to higher Capex. H1 2021 Operational Free Cash Flow decreased 9.6% y-on-y
- **Free Cash Flow** of € 179m increased € 2m y-on-y despite higher Capex. H1 2021 Free Cash Flow increased € 45m as higher Capex and cash taxes paid were more than offset by more favorable working capital developments, lower cash interest paid and cash restructuring
- Steadily improving **ROCE** to 10.3% in H1 2021 (+50bps y-on-y), driven by higher NOPLAT
- Strong **liquidity** of € 2,045m, covering debt maturities until 2023

Outlook 2021 and ambitions 2023 reiterated

KPN reiterates its FY 2021 outlook for adjusted EBITDA AL of approximately € 2,345m, Capex of € 1,200m, and Free Cash Flow of approximately € 765m. KPN intends to pay a regular dividend per share of € 13.6 cents over 2021. An interim dividend of € 4.5 cents per share will be paid on 4 August 2021. The ex-dividend date is 29 July 2021. 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 intends to buy back shares worth € 200m in 2021.

	Achievements H1 2021	Outlook FY 2021	Ambitions 2023
Adjusted EBITDA AL	€ 1,156m	~€ 2,345m	>€ 2,450m
Capex	€ 625m	€ 1,200m	€ 1.1-1.2bn
Free Cash Flow	€ 301m	~€ 765m	>€ 870m
Regular DPS	€ 4.5ct interim dividend	€ 13.6ct, +4.6% y-on-y	Progressive dividend, +3-5% annual growth

[1] Corrected for migrations to, and new customers of, small business proposition (8k in Q2 2021, 8k in Q1 2021, 8k in Q4 2020, 5k in Q3 2020, 7k in Q2 2020)
[2] Corrected for migration of Oxxio customers from Wholesale to Consumer (22k in Q2 2021, of which 9k fiber customers)

Financial review KPN Group Q2 and H1 2021

Key financial metrics

Group financials (unaudited) *(in € m, unless stated otherwise)*	Q2 2020	Q2 2021	Δ y-on-y	H1 2020	H1 2021	Δ y-on-y
Service revenues	1,206	1,196	*-0.8%*	2,441	2,392	*-2.0%*
Non-service revenues & other	86	99	*+15%*	181	194	*+7.6%*
Adjusted revenues	**1,292**	**1,296**	***+0.2%***	**2,622**	**2,586**	***-1.4%***
Cost of goods & services	297	306	*+2.9%*	612	620	*+1.3%*
Personnel expenses	220	217	*-1.4%*	466	439	*-5.8%*
IT/TI	83	80	*-3.3%*	164	159	*-2.9%*
Other operating expenses	68	68	*-0.4%*	141	138	*-2.7%*
Total adjusted opex	669	672	*+0.4%*	1,384	1,356	*-2.0%*
Depreciation right-of-use asset	33	30	*-9.7%*	66	62	*-5.8%*
Interest lease liabilities	5	5	*-1.0%*	11	11	*-5.4%*
Total adjusted indirect opex after leases	410	401	*-2.2%*	849	809	*-4.7%*
Adjusted EBITDA AL	**585**	**589**	***+0.6%***	**1,160**	**1,156**	***-0.3%***
As % of adjusted revenues	*45.3%*	*45.5%*		*44.3%*	*44.7%*	
Operating profit (EBIT)	233	1,093	*>100%*	449	1,329	*>100%*
Net profit	135	800	*>100%*	255	941	*>100%*
ROCE*				9.8%	10.3%	
FTE own personnel (#)				10,224	9,805	*-4.1%*

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

Q2 2021

Adjusted revenues increased 0.2% y-on-y, driven by non-service revenues (+15% y-on-y) including non-recurring IPR benefits. Adjusted service revenues declined 0.8% y-on-y, as growth in Wholesale and Consumer Fixed-Mobile service revenues was offset by lower service revenues from Business and Consumer Legacy. Mass-market[3] service revenues increased 0.5% y-on-y driven by a return to growth in Consumer mobile, ongoing momentum in Wholesale and an improving trend in SME.

Cost of goods and services increased 2.9% y-on-y due to higher Wholesale traffic costs, and higher acquisition and retention costs in Consumer. Personnel expenses declined 1.4% y-on-y, driven by fewer personnel due to the ongoing digital transformation of KPN. IT/TI expenses declined 3.3% y-on-y and adjusted other opex declined 0.4% y-on-y. Further simplification and digitalization of the company resulted in a decline of 2.2% of total adjusted indirect opex after leases, translating into € 9m net indirect opex savings. The run rate of indirect opex savings was impacted by temporarily elevated customer support costs and less tailwind from COVID-related savings.

Adjusted EBITDA AL increased 0.6% y-on-y. The effects of higher revenues and continued cost control were partially offset by a lower savings run-rate y-on-y due to elevated spend to improve customer support and less tailwind from COVID-related savings y-on-y. Adjusted EBITDA AL margin increased to 45.5% (Q2 2020: 45.3%).

Operating profit (EBIT) of € 1,093m increased € 860m y-on-y, impacted by an € 840m book gain related to the 'Glaspoort' transaction, a € 4m release of provision in Q2 2021 and € 11m book gain on the sale of KPN Consulting in Q2 2020. Excluding these incidentals, operating profit would have increased by € 28m driven by lower depreciation and amortization.

Net profit of € 800m increased € 665m y-on-y, impacted by net effects of € 649m related to the 'Glaspoort' transaction, a € 4m release of provision in Q2 2021 and € 11m book gain on the sale of KPN Consulting in Q2 2020. Excluding these incidentals, net profit would have increased by € 24m (net of tax) mainly due to a higher operating profit, and lower finance costs and income tax.

H1 2021

Adjusted revenues declined 1.4% y-on-y, impacted by an € 8m one-off correction in Q1 2021 to Consumer Fixed service revenues related to the timing of revenue recognition in 2020 and by the sale of KPN Consulting (€ 15m revenues in Q1 2020). Corrected for these, adjusted revenues declined 0.5%, mainly driven by lower Business revenues.

Cost of goods and services increased 1.3% y-on-y due to higher traffic, and higher acquisition and retention costs. Personnel expenses declined 5.8% y-on-y due to the ongoing transformation of KPN. IT/TI expenses declined 2.9% y-on-y. Total net indirect opex savings for H1 2021 were € 30m.

[3] Mass market consists of Consumer, SME and Wholesale segments

Adjusted EBITDA AL declined 0.3% y-on-y. The effects of lower revenues and elevated spend to improve customer support were partly offset by lower indirect opex.

Operating profit (EBIT) of € 1,329m increased € 879m y-on-y, impacted by an € 840m book gain related to the 'Glaspoort' transaction, a € 4m release of provision in Q2 2021 and € 11m book gain on the sale of KPN Consulting in Q2 2020. Excluding these incidentals, operating profit would have increased by € 46m driven by lower depreciation and amortization.

Net profit of € 941m increased € 686m y-on-y, impacted by net effects of € 649m related to the 'Glaspoort' transaction, a € 4m release of provision in Q2 2021 and € 11m book gain on the sale of KPN Consulting in Q2 2020. Excluding these incidentals, net profit would have increased by € 45m (net of tax) mainly driven by higher operating profit and lower finance costs partially offset by higher income tax.

ROCE was 10.3% in H1 2021, an increase of ~50 basis points compared to H1 2020 (9.8%). This increase was mainly driven by higher NOPLAT as operational efficiency increased, driven by cost control. Capital employed increased, mainly as a result of the spectrum licenses acquired in July 2020.

Financial position

Group financials (unaudited) *(in € m, unless stated otherwise)*	**Q2 2020**	**Q2 2021**	**Δ y-on-y**	**H1 2020**	**H1 2021**	**Δ y-on-y**
Operational Free Cash Flow	291	284	*-2.1%*	588	531	*-9.6%*
As % of adjusted revenues	*22.5%*	*22.0%*		*22.4%*	*20.5%*	
Free Cash Flow	177	179	*+1.2%*	257	301	*+17%*
As % of adjusted revenues	*13.7%*	*13.8%*		*9.8%*	*11.7%*	
Net debt				5,248	5,201	
Gross debt				6,154	5,996	
Cash & short-term investments				907	795	
Leverage ratio*				2.3x	2.2x	
Interest cover ratio**				9.3x	11.0x	
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 2021

Operational Free Cash Flow of € 531m was 9.6% lower y-on-y due to higher Capex driven by the accelerated fiber rollout, and slightly lower adjusted EBITDA AL.

Free Cash Flow of € 301m increased € 45m, or 17% y-on-y. Higher Capex and cash taxes paid were more than offset by more favorable working capital developments, and lower cash interest paid and cash restructuring. Free Cash Flow margin improved ~190 basis points to 11.7%.

At the end of Q2 2021, net debt amounted to € 5,201m, € 20m lower compared to end Q1 2021. The decrease in net debt was mainly driven by the € 217m (net of tax) cash proceeds in relation to 'Glaspoort' and Free Cash Flow generation during the quarter, partly offset by the € 365m final dividend payment over 2020 in April 2021.

KPN had a strong balance sheet and liquidity position at the end of Q2 2021. Nominal debt outstanding was € 6,570m including € 210m short-term commercial paper. KPN's committed liquidity consisted of € 795m cash & short-term investments and a € 1.25bn undrawn revolving credit facility which covers debt maturities through 2023. At 30 June 2021, the net debt to EBITDA ratio was 2.2x (Q1 2021: 2.3x). KPN's interest cover ratio was 11.0x at the end of the second quarter (Q1 2021: 11.0x). At 30 June 2021, the weighted average cost of senior debt was 2.76%, 19 basis points lower y-on-y.

At the end of Q2 2021, Group equity amounted to € 3,228m, € 496m higher compared to the end of Q1 2021. This was driven by net income generated during the quarter (including net effects of € 649m related to the 'Glaspoort' transaction), partly offset by the final dividend payment over 2020.

Capex

Group financials (unaudited) *(in € m, unless stated otherwise)*	Q2 2020	Q2 2021	Δ y-on-y	H1 2020	H1 2021	Δ y-on-y
Fiber rollout				136	218	*+60%*
Other				436	407	*-6.7%*
Capex	**295**	**304**	***+3.3%***	**572**	**625**	***+9.2%***
As % of adjusted revenues	*22.8%*	*23.5%*		*21.8%*	*24.2%*	

Capex was € 304m in Q2 2021. H1 2021 Capex increased € 53m y-on-y to 24.2% of adjusted revenues (H1 2020: 21.8%) as investments in fiber rollout increased by € 82m (+60%) to € 218m. Other Capex declined by € 29m (-6.7%), mainly driven by lower investments in copper infrastructure, IT, and mobile access. The percentage of Other Capex over adjusted revenues declined by 90bps y-on-y to 15.7% (Q2 2020: 16.6%).

Personnel

# FTE own personnel by segment at the end of the period *(unaudited)*	H1 2020	H1 2021	Δ y-on-y	Δ y-on-y
Consumer	2,483	2,455	-28	*-1.1%*
Business	2,914	2,745	-169	*-5.8%*
Wholesale	203	207	+4	*+2.1%*
Network, Operations & IT	3,605	3,407	-198	*-5.5%*
Other	1,020	991	-28	*-2.8%*
KPN Group	**10,224**	**9,805**	**-419**	***-4.1%***

At the end of Q2 2021, KPN employed 9,805 own personnel (in FTEs). This is 419 FTE lower compared to the end of Q2 2020 while also having insourced 267 FTE external personnel. The decline in personnel is mainly related to KPN's simplification and digitalization program, and natural attrition.

Implications of Glaspoort JV on KPN financial statements

On 9 June 2021, KPN sold 50% of the shares of its subsidiary Glaspoort B.V. to a subsidiary of APG. At the same time, KPN entered into a joint venture agreement regarding Glaspoort. Glaspoort is a network company, pursuing an open-access wholesale strategy based on non-discriminatory terms, fostering competition and innovation in the Netherlands.

The total consideration upon sale of the 50% interest in Glaspoort consists of a cash consideration received upon deal close of € 238m and a contingent cash receivable of € 234m, to be received in annual installments based on the rollout progress of Glaspoort. The contingent cash receivable classifies as a financial asset initially recognized at fair value (€ 218m) and is subsequently measured at fair value through profit or loss.

The transaction resulted in a preliminary net book gain of € 649m, consisting of a book gain on the transaction of € 840m included in other income and a tax expense of € 191m.

On the closing date, both joint venture partners paid a share premium contribution of € 39m to Glaspoort's equity, resulting in a carrying amount of KPN's interest in the joint venture on 30 June 2021 of € 495m. KPN's 50% share in the result of Glaspoort in the period between the transaction and 30 June 2021 is estimated to be immaterial.

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

For more details on the implications of Glaspoort on KPN's financial statements please refer to the Q2 2021 Interim Financial Statements.

Financial and operating review per segment Q2 and H1 2021

Consumer

Segment financials (unaudited) *(in € m, unless stated otherwise)*	Q2 2020	Q2 2021	Δ q-on-q	Δ y-on-y	H1 2020	H1 2021	Δ y-on-y	Δ y-on-y Excl. one off[4]
Fixed-Mobile service revenues	350	362		*+3.4%*	701	716	*+2.1%*	*+2.7%*
Fixed-only service revenues	203	194		*-4.3%*	407	386	*-5.0%*	*-4.1%*
Postpaid-only service revenues	61	60		*-0.6%*	121	120	*-1.2%*	
Legacy/other service revenues	35	28		*-20%*	72	57	*-20%*	
Adjusted Consumer service revenues	**648**	**644**		***-0.7%***	**1,300**	**1,279**	***-1.7%***	***-1.1%***
Non-service & Other revenues	58	63		*+7.8%*	117	129	*+10%*	
Adjusted Consumer revenues	**706**	**706**		***flat***	**1,418**	**1,408**	***-0.7%***	***-0.2%***
Households (k)								
Fixed-Mobile households	1,465	1,478	*flat*	*+13*				
Fixed-only households	1,326	1,299	*-9*[5]	*-49*[5]				
Postpaid-only households	796	774	*-1*	*-22*				
Total Consumer households	**3,587**	**3,551**	***+12***	***-36***				
ARPA (€)								
ARPA Fixed-Mobile households	80	82		*+2.4%*				
ARPA total Consumer households	57	58		*+2.1%*				
NPS Consumer	15	14	*+3*	*-1*				

In Consumer, the ambition is to grow service revenues by end 2021. KPN aims to be 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 2021

KPN continued its SuperWiFi campaign and lowered the price of its 1Gbps proposition by more than 10% while doubling the upload speed to stimulate up-sell within the base. In addition, KPN updated its MijnKPN app providing seamless handover between online and offline customer interaction, and continued to invest in customer support. Furthermore, KPN signed a unique entertainment partnership with Microsoft to integrate Xbox Game Pass Ultimate in the KPN offering.

Adjusted Consumer service revenues decreased 0.7% y-on-y. Service revenue growth in KPN's Fixed-Mobile portfolio of 3.4% y-on-y was offset by declining service revenues from KPN's Legacy portfolio (-20% y-on-y), such as traditional fixed voice. Fixed-only service revenues and Postpaid-only service revenues declined 4.3% and 0.6% y-on-y respectively. Consumer non-service revenues increased 7.8% y-on-y, partly driven by successful promotions related to the European Championship football, and increased handset sales.

KPN's Fixed-Mobile household base was flat at 1,478k and represents 53% of total Fixed households. Fixed-Mobile ARPA increased 2.4% y-on-y to € 82. The Fixed-Mobile household base was not impacted by the acquisition of the Oxxio base per 1 June 2021.

KPN activated 47k[5] fiber households in the quarter (Q1 2021: +47k). The growth in KPN's fiber base is fueling stabilization of the broadband base with total net adds of +1k[5,6] (Q1 2021: -1k[6]). Fixed ARPU increased 2.1% y-on-y to € 49. In May, KPN announced price adjustments taking effect 1 July 2021.

Consumer mobile service revenues increased 1.3% y-on-y (Q1 2021: -0.7%) and returned to growth for the first time since Q1 2017. KPN's postpaid base improved markedly with 16k net adds (Q1 2021: +4). Postpaid ARPU was € 17 and increased 1.1% y-on-y, driven by the commercial success of Unlimited bundles. Postpaid-only ARPA increased 3.1% to € 26.

In Q2 2021, Consumer NPS improved to +14 (Q2 2020: +15, Q1 2021: +11). KPN successfully invested in quality improvements in customer journeys and customer service delivery, leading to an increase of first call resolutions of ~10% over the last six months.

[4] Corrected for € 8m one-off in Consumer Fixed service revenues related to timing of revenue recognition in Q1 2021
[5] Corrected for migration of Oxxio customers from Wholesale to Consumer (22k in Q2 2021, of which 9k fiber customers)
[6] Corrected for migrations to, and new customers of, small business proposition (Q2 2021: 8k, Q1 2021: 8k, Q4 2020: 8k, Q3 2020: 5k, Q2 2020: 7k)

H1 2021

Adjusted Consumer revenues declined 0.7% y-on-y, impacted by an € 8m one-off correction on Consumer Fixed service revenues related to timing of revenue recognition in 2020. Corrected for this one-off, adjusted Consumer revenues were broadly stable (-0.2% y-on-y). Declining service revenues from KPN's Legacy, Fixed-only and Postpaid-only portfolio were partially offset by higher service revenues from KPN's Fixed-Mobile portfolio and non-service revenues.

Business

Segment financials (unaudited) *(in € m, unless stated otherwise)*	**Q2 2020**	**Q2 2021**	**Δ q-on-q**	**Δ y-on-y**	**H1 2020**	**H1 2021**	**Δ y-on-y**	**Δ y-on-y** Excl. divestment[7]
SME service revenues	141	136		*-3.1%*	282	269	*-4.6%*	
LCE service revenues	173	162		*-6.2%*	367	333	*-9.4%*	*-5.4%*
Tailored Solutions service revenues	108	103		*-4.2%*	216	211	*-2.2%*	
Adjusted Business service revenues	**422**	**402**		***-4.7%***	**864**	**813**	***-6.0%***	***-4.3%***
Non-service & Other revenues	29	27		*-5.2%*	65	56	*-12%*	*-10%*
Adjusted Business revenues	**451**	**430**		***-4.7%***	**929**	**869**	***-6.4%***	***-4.6%***
KPIs (k)								
Broadband lines	326	340	*-3*	*+14*				
Mobile SIMs	1,872	1,960	*+32*	*+88*				
NPS Business	+2	+4	*+2*	*+2*				

In Business, KPN has a clear segmented customer focus for SME, LCE and Tailored Solutions. In SME, KPN expects to stabilize service revenues by end 2021 through finalizing migrations and cross-sell opportunities from the KPN EEN platform. With its Smart Combinations portfolio, the LCE strategy is fully aligned but transformation is lagging SME by 1-2 years. For its largest customers, Tailored Solutions offers the full range of B2B services and focuses on sustainable customer relationships and value.

Q2 2021

The transformation of the B2B segment is taking shape. In Q2 2021 underlying base developments were favorable in core products with 32k net adds in mobile and 7k net adds in SME broadband. Target portfolios with standardized products are contributing to improving NPS and increased up and cross-sell opportunities. Triple-play customers within the KPN EEN proposition increased 56% y-on-y and the number of dual-play customers grew 13% y-on-y.

Adjusted Business revenues declined 4.7% y-on-y, broadly in line with -4.6% in Q1 2021 (corrected for divestment of KPN Consulting).

SME service revenues declined 3.1% y-on-y, but grew 2.6% sequentially (compared to Q1 2021). Growth in Broadband & Network Services and IT Services was offset by lower revenues from Mobile and Fixed Voice. Mobile service revenues declined 4.0% y-on-y and showed a strong sequential improvement (Q1 2021: -11% y-on-y) as the COVID-related loss of roaming revenues has annualized. The impact from continued competition in the mobile market was partly offset by increased take-up of unlimited data bundles and favorable base developments of +17k net adds in Q2 (Q1 2021: +15k). Broadband & Network Services increased 11% y-on-y driven by a growing customer base of +7k net adds (Q1 2021: +6k). IT Services increased 47% y-on-y, mainly driven by Cloud & Workspace services. Fixed Voice revenues declined 21% y-on-y due to ongoing customer migrations and line rationalization. At the end of Q2 2021, 95% of SME customers (Q2 2020: 84%)[8] had migrated to a future-proof integrated portfolio. SME is on track to stabilize service revenues by the end of the year on the back of healthy base developments and the effect of ISDN-2 decommissioning that will lapse in Q3.

LCE service revenues declined 6.2% y-on-y. Access & Connectivity revenues declined 5.3% y-on-y, mainly due to rationalization of LCE access and VPN portfolio. KPN continues to see good base developments and migrations to target portfolio. Revenues from IT Services declined 10% y-on-y as KPN witnessed subdued activity in the Public Services sector. At the end of Q2 2021, 79% of LCE customers (Q2 2020: 72%)[8] had migrated to a future-proof integrated portfolio.

Tailored Solutions service revenues declined 4.2% y-on-y, driven by lower revenues from Service Management.

Business NPS improved to a record-high of +4 (Q2 2020: +2, Q1 2021: +2) driven by customer migrations to target portfolios which have higher customer satisfaction levels. Customers appreciate the stability, reliability and quality of KPN's products and services.

H1 2021

[7] Corrected for divestment of KPN Consulting (€ 17m revenues in Q1 2020)
[8] Eligible customers migrated from traditional fixed voice or legacy broadband services

Adjusted Business revenues declined 6.4% y-on-y. Corrected for the divestment of KPN Consulting (€ 17m revenues in Q1 2020), the adjusted revenue trend was -4.6% y-on-y.

Wholesale

Segment financials (unaudited) *(in € m, unless stated otherwise)*	Q2 2020	Q2 2021	Δ q-on-q	Δ y-on-y	H1 2020	H1 2021	Δ y-on-y
Mobile	34	37		*+10%*	68	73	*+7.3%*
Broadband	55	66		*+20%*	110	132	*+21%*
Other	60	58		*-2.3%*	121	117	*-3.8%*
Adjusted Wholesale service revenues	**149**	**162**		***+8.9%***	**299**	**322**	***+7.7%***
Non-service & Other revenues	1	1		*+14%*	2	1	*-46%*
Adjusted Wholesale revenues	**149**	**163**		***+9.0%***	**302**	**323**	***+7.1%***
# Customers (k)							
Postpaid SIMs	482	596	*+23*	*+114*			
Broadband lines	993	1,061	*+16*[9]	*+90*[9]			

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

Q2 2021

KPN's strong open wholesale policy on reasonable and non-discriminatory terms was underlined by renewed broadband and MVNO agreements during the quarter.

Adjusted Wholesale revenues increased 9.0% y-on-y, driven by higher Broadband and Mobile service revenues.

As KPN witnessed solid demand for its fiber wholesale portfolio, particularly visible in continued growth of KPN's ODF and WBA installed base, Broadband service revenues increased 20% y-on-y. Wholesale added +16k[9] broadband lines in Q2 2021. The sum of total broadband net adds between Consumer and Wholesale was +17k[10] in Q2 2021.

Mobile service revenues increased 10% y-on-y, driven by a growing mobile base and increase in large account SMS. Wholesale added +23k postpaid SIMs during the quarter.

H1 2021

Adjusted Wholesale revenues increased 7.1% y-on-y, largely driven by growing Broadband service revenues.

Network, Operations & IT

Segment KPIs *(in thousands)*	H1 2020	H1 2021	Δ q-on-q	Δ y-on-y
FttH households own rollout	2,599	3,003	*+113*	*+403*
FttH households 3rd party access	57	103	*+21*	*+46*
Of which Glaspoort	-	12	*+12*	*+12*
FttH households total	**2,656**	**3,106**	***+134***	***+450***
FttH households activated on own rollout	1,319	1,540	*+56*	*+221*
Legacy lines to be migrated	~80	~20	*~-10*	*~-60*

In the coming years, KPN will 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. To offer more households and businesses access to this best-in-class network, KPN has accelerated its own fiber rollout to approximately half a million homes passed per year. KPN and 'Glaspoort' expect to jointly reach approximately 80% of Dutch households by the end of 2026. KPN's 5G strategy is focused on differentiated services for B2B customers in specific industries.

Q2 2021

[9] Corrected for migration of Oxxio customers from Wholesale to Consumer (22k in Q2 2021)
[10] Corrected for Consumer migrations to, and new customers of, small business proposition (8k in Q2 2021)

In Q2 2021, KPN reached its highest pace for fiber rollout, organically adding 113k households to its fiber footprint, and passing the milestone of 3 million fiber households. Nearly half of Dutch households (3.9m) are now connected to fiber, and more than 75% of these households are connected via KPN. During the quarter, KPN activated 56k households on own infrastructure, resulting in an activation rate of 55% over the last twelve months.

KPN announced symmetrical speeds for its entire fiber footprint in July 2021, ensuring users can upload as quickly as they can download. This is a unique advantage of fiber compared to other technologies and particularly useful when working from home (e.g. video conferencing) or gaming online.

KPN's mobile network has again been recognized by Ookla as the best mobile network in the Netherlands. In addition, KPN realized the fastest average up and download speeds for 5G in the Netherlands. As a result of the mobile network modernization, KPN is enabling 5G services throughout the country and our 5G network now reaches the majority of the Dutch population on the 700MHz spectrum.

Analysis of adjusted results Q2 and H1 2021

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

Revenues *(in € m)*	**Q2 2020**	**Q2 2021**	**Δ y-on-y**	**H1 2020**	**H1 2021**	**Δ y-on-y**
Consumer	706	706	*flat*	1,418	1,408	*-0.7%*
Business	462	430	*-7.1%*	940	869	*-7.5%*
Wholesale	149	163	*+9.0%*	302	323	*+7.1%*
Network, Operations & IT	1	4	*>100%*	3	6	*>100%*
Other (incl. eliminations)	-15	833	*n.m.*	-30	820	*n.m.*
Total revenues	**1,304**	**2,136**	***+64%***	**2,633**	**3,426**	***+30%***
Revenue incidentals						
Consumer	-	-		-	-	
Business	11	-		11	-	
Wholesale	-	-		-	-	
Network, Operations & IT	-	-		-	-	
Other (incl. eliminations)	-	840		-	840	
Total revenue incidentals	**11**	**840**		**11**	**840**	
Consumer	706	706	*flat*	1,418	1,408	*-0.7%*
Business	451	430	*-4.7%*	929	869	*-6.4%*
Wholesale	149	163	*+9.0%*	302	323	*+7.1%*
Network, Operations & IT	1	4	*>100%*	3	6	*>100%*
Other (incl. eliminations)	-15	-7	*-52%*	-30	-20	*-31%*
Total adjusted revenues	**1,292**	**1,296**	***+0.2%***	**2,622**	**2,586**	***-1.4%***

The following table specifies the revenue incidentals in more detail

Revenue incidentals *(in € m)*	**Segment**	**Q2 2020**	**Q2 2021**	**H1 2020**	**H1 2021**
Book gain on sale of KPN Consulting	Business	11	-	11	-
Book gain on Glaspoort	Other	-	840	-	840
Total revenue incidentals		**11**	**840**	**11**	**840**

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

(in € m)	**Q2 2020**	**Q2 2021**	**Δ y-on-y**	**H1 2020**	**H1 2021**	**Δ y-on-y**
EBITDA	**627**	**1,459**	***>100%***	**1,231**	**2,058**	***+67%***
Incidentals	-11	-844	*>100%*	-11	-844	*>100%*
Restructuring	8	10	*+22%*	18	16	*-9.5%*
Lease-related expenses						
Depreciation right-of-use asset	-33	-30	*-9.7%*	-66	-62	*-5.8%*
Interest lease liabilities	-5	-5	*-1.0%*	-11	-11	*-5.4%*
Adjusted EBITDA AL	**585**	**589**	***+0.6%***	**1,160**	**1,156**	***-0.3%***

The following table specifies the EBITDA incidentals in more detail:

EBITDA incidentals *(in € m)*	**Category**	**Q2 2020**	**Q2 2021**	**H1 2020**	**H1 2021**
Book gain on sale of KPN Consulting	Revenues	11	-	11	-
Book gain on Glaspoort	Revenues	-	840	-	840
Release of provisions	Other opex	-	4	-	4
Total EBITDA incidentals		**11**	**844**	**11**	**844**

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

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Safe harbor

Alternative performance measures and management estimates

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

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

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

Forward-looking statements

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