

## 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<sup>2</sup> fiber net adds (Q1 2021: +47k), +23k total broadband net adds, +1k excl. Oxxio (Q1 2021: -1k)<sup>1,2</sup>
  - 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)<sup>2</sup>
  - 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
<b>Adjusted EBITDA AL</b>	€ 1,156m	~€ 2,345m	>€ 2,450m
<b>Capex</b>	€ 625m	€ 1,200m	€ 1.1-1.2bn
<b>Free Cash Flow</b>	€ 301m	~€ 765m	>€ 870m
<b>Regular DPS</b>	€ 4.5ct interim dividend	€ 13.6ct, +4.6% y-on-y	Progressive dividend, +3-5% annual growth

<sup>1</sup> 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)

<sup>2</sup> 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%
<b>Adjusted revenues</b>	<b>1,292</b>	<b>1,296</b>	<b>+0.2%</b>	<b>2,622</b>	<b>2,586</b>	<b>-1.4%</b>
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%
<b>Adjusted EBITDA AL</b>	<b>585</b>	<b>589</b>	<b>+0.6%</b>	<b>1,160</b>	<b>1,156</b>	<b>-0.3%</b>
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<sup>3</sup> 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.

<sup>3</sup> 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	
<b>Credit ratings</b>				<b>Rating</b>	<b>Outlook</b>	
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%
<b>Capex</b>	<b>295</b>	<b>304</b>	<b>+3.3%</b>	<b>572</b>	<b>625</b>	<b>+9.2%</b>
<i>As % of adjusted revenues</i>	<i>22.8%</i>	<i>23.5%</i>		<i>21.8%</i>	<i>24.2%</i>	

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%
<b>KPN Group</b>	<b>10,224</b>	<b>9,805</b>	<b>-419</b>	<b>-4.1%</b>

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 <sup>4</sup>
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%	
<b>Adjusted Consumer service revenues</b>	<b>648</b>	<b>644</b>		<b>-0.7%</b>	<b>1,300</b>	<b>1,279</b>	<b>-1.7%</b>	<b>-1.1%</b>
Non-service & Other revenues	58	63		+7.8%	117	129	+10%	
<b>Adjusted Consumer revenues</b>	<b>706</b>	<b>706</b>		<b>flat</b>	<b>1,418</b>	<b>1,408</b>	<b>-0.7%</b>	<b>-0.2%</b>
<b>Households (k)</b>								
Fixed-Mobile households	1,465	1,478		flat				+13
Fixed-only households	1,326	1,299		-9 <sup>5</sup>				-49 <sup>5</sup>
Postpaid-only households	796	774		-1				-22
<b>Total Consumer households</b>	<b>3,587</b>	<b>3,551</b>		<b>+12</b>				<b>-36</b>
<b>ARPA (€)</b>								
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<sup>5</sup> 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<sup>5,6</sup> (Q1 2021: -1k<sup>6</sup>). 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.

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

<sup>5</sup> Corrected for migration of Oxxio customers from Wholesale to Consumer (22k in Q2 2021, of which 9k fiber customers)

<sup>6</sup> 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 <sup>7</sup>
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%	
<b>Adjusted Business service revenues</b>	<b>422</b>	<b>402</b>		<b>-4.7%</b>	<b>864</b>	<b>813</b>	<b>-6.0%</b>	<b>-4.3%</b>
Non-service & Other revenues	29	27		-5.2%	65	56	-12%	-10%
<b>Adjusted Business revenues</b>	<b>451</b>	<b>430</b>		<b>-4.7%</b>	<b>929</b>	<b>869</b>	<b>-6.4%</b>	<b>-4.6%</b>
<b>KPIs (k)</b>								
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%)<sup>8</sup> 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%)<sup>8</sup> 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**

<sup>7</sup> Corrected for divestment of KPN Consulting (€ 17m revenues in Q1 2020)

<sup>8</sup> 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%
<b>Adjusted Wholesale service revenues</b>	<b>149</b>	<b>162</b>		<b>+8.9%</b>	<b>299</b>	<b>322</b>	<b>+7.7%</b>
Non-service & Other revenues	1	1		+14%	2	1	-46%
<b>Adjusted Wholesale revenues</b>	<b>149</b>	<b>163</b>		<b>+9.0%</b>	<b>302</b>	<b>323</b>	<b>+7.1%</b>
<b># Customers (k)</b>							
Postpaid SIMs	482	596	+23	+114			
Broadband lines	993	1,061	+16 <sup>9</sup>	+90 <sup>9</sup>			

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<sup>9</sup> broadband lines in Q2 2021. The sum of total broadband net adds between Consumer and Wholesale was +17k<sup>10</sup> 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
<b>FttH households total</b>	<b>2,656</b>	<b>3,106</b>	<b>+134</b>	<b>+450</b>
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

<sup>9</sup> Corrected for migration of Oxxio customers from Wholesale to Consumer (22k in Q2 2021)

<sup>10</sup> 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.
<b>Total revenues</b>	<b>1,304</b>	<b>2,136</b>	<b>+64%</b>	<b>2,633</b>	<b>3,426</b>	<b>+30%</b>
<b>Revenue incidentals</b>						
Consumer	-	-		-	-	
Business	11	-		11	-	
Wholesale	-	-		-	-	
Network, Operations & IT	-	-		-	-	
Other (incl. eliminations)	-	840		-	840	
<b>Total revenue incidentals</b>	<b>11</b>	<b>840</b>		<b>11</b>	<b>840</b>	
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%
<b>Total adjusted revenues</b>	<b>1,292</b>	<b>1,296</b>	<b>+0.2%</b>	<b>2,622</b>	<b>2,586</b>	<b>-1.4%</b>

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 Glaspoot	Other	-	840	-	840
<b>Total revenue incidentals</b>		<b>11</b>	<b>840</b>	<b>11</b>	<b>840</b>

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
<b>EBITDA</b>	<b>627</b>	<b>1,459</b>	<b>&gt;100%</b>	<b>1,231</b>	<b>2,058</b>	<b>+67%</b>
Incidentals	-11	-844	>100%	-11	-844	>100%
Restructuring	8	10	+22%	18	16	-9.5%
<b>Lease-related expenses</b>						
Depreciation right-of-use asset	-33	-30	-9.7%	-66	-62	-5.8%
Interest lease liabilities	-5	-5	-1.0%	-11	-11	-5.4%
<b>Adjusted EBITDA AL</b>	<b>585</b>	<b>589</b>	<b>+0.6%</b>	<b>1,160</b>	<b>1,156</b>	<b>-0.3%</b>

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 Glaspoot	Revenues	-	840	-	840
Release of provisions	Other opex	-	4	-	4
<b>Total EBITDA incidentals</b>		<b>11</b>	<b>844</b>	<b>11</b>	<b>844</b>

All related documents can be found on KPN's website: [ir.kpn.com](http://ir.kpn.com)

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**Safe harbor****Alternative performance measures and management estimates**

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

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

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