

KPN delivers SME service revenue growth in Q3; on track to reach full-year outlook

- Continued growth mass-market service revenues (+2.2% y-on-y), supported by all segments
- SME service revenues inflected to growth in Q3 (+2.9% y-on-y), delivering on commitment to stabilize before year end
- Ongoing strong mobile base momentum in Consumer and Business (+67k postpaid net adds)
- Sequential Consumer mobile service revenue growth (+2.4% y-on-y) driven by growing base and ARPU
- Adjusted EBITDA AL +1.4% y-on-y supported by higher Group service revenues
- On track to reach full-year outlook; 86% of € 200m share buyback for 2021 completed

Message from the CEO, Joost Farwerck

“In the third quarter, we continued to make good progress against our strategic and financial ambitions. The fiber engine is running at close to full speed in line with our ambition to cover the Netherlands with fiber by 2026 and to enable superior symmetrical access network speeds. Customer satisfaction levels improved further thanks to customer journey improvements. We see a healthy customer inflow in Consumer and Business, especially in mobile.

Mass-market service revenues continued to grow, supporting service revenue growth for the Group as a whole. Consumer mobile and Wholesale continued to show growth. Most notably, service revenues for our SME segment grew this quarter due to good base developments on our attractive KPN EEN portfolio, ahead of our commitment to stabilize before year end. I see this as an important milestone, providing momentum and confidence to deliver the turnaround for the total Business segment.

I’m grateful for the continued effort of our people to improve customer experience, and I’m pleased to see that employee engagement has remained at a top-tier level throughout the pandemic, while we maintained a strong focus on diversity and inclusion. We’re determined to further strengthen this position as we return to the office, explore new ways of hybrid working and increase personal contact with customers and stakeholders.

We are committed to creating value for all our stakeholders in a sustainable way. We refinanced our existing revolving credit facility with a 1 billion euros Sustainability-Linked facility, integrating our ambitious sustainability agenda into a core financing instrument. We are confident to deliver on our full-year 2021 outlook. The successful execution of our strategic plan enables us to structurally return additional capital to our shareholders. The first step, a 200 million euros share buyback for this year has been nearly completed.”

Key figures

Group financials (unaudited) (in € m, unless stated otherwise)	Q3 2020	Q3 2021	Δ y-on-y	YTD 2020	YTD 2021	Δ y-on-y
Adjusted revenues	1,299	1,312	+1.0%	3,920	3,898	-0.6%
Adjusted EBITDA AL	598	607	+1.4%	1,759	1,763	+0.3%
As % of adjusted revenues	46.1%	46.3%		44.9%	45.2%	
Operating profit (EBIT)	240	281	+17%	690	1,610	>100%
Net profit	132	185	+40%	386	1,126	>100%
Capex	286	259	-9.7%	859	884	+2.9%
As % of adjusted revenues	22.1%	19.7%		21.9%	22.7%	
Operational Free Cash Flow	312	348	+12%	900	879	-2.3%
As % of adjusted revenues	24.0%	26.5%		23.0%	22.6%	
Free Cash Flow	241	232	-3.8%	498	533	+7.1%
As % of adjusted revenues	18.6%	17.7%		12.7%	13.7%	
Net debt				5,584	5,293	

Continued strong operational momentum

- **Consumer:** mobile service revenue growth (+2.4% y-on-y) for second consecutive quarter, driven by growing postpaid base and ARPU
 - Fixed-Mobile households: +7k net adds (Q2 2021: flat); Fixed-Mobile ARPA at € 83 (+2.6% y-on-y)
 - Broadband: +36k fiber household net adds (Q2 2021: +47k), total broadband base flat (Q2 2021: +1k excl. Oxxio)¹
 - Postpaid: +27k net adds (Q2 2021: +16k); ARPU 1.7% higher y-on-y at € 17
 - NPS improved y-on-y to +15 (Q3 2020: +12); driven by quality and customer journey improvements
- **Business:** growing SME service revenues (+2.9% y-on-y), driven by good base developments on KPN EEN portfolio
 - Broadband lines: +5k net adds (Q2 2021: -3k)
 - Mobile SIMs: +40k net adds (Q2 2021: +32k)
 - NPS improved to +3 (Q3 2020: -1); driven by customer centricity and reliability of products and services
- **Wholesale:** success of open wholesale policy illustrated by continued customer base and revenue growth
 - Broadband lines: +18k net adds (Q2 2021: +16k excl. Oxxio)
 - Postpaid: +33k net adds (Q2 2021: +23k)
- **Network:** fiber rollout on track, delivered 424k homes passed in the last 12 months
 - Added 93k FttH households to KPN's fiber footprint (3.1m households) and activated +46k households in Q3 2021
- **Cost savings:** net indirect opex savings of € 26m YTD 2021 (Q3 2021: -€ 4m), full-year 2021 cost savings back-end loaded

Solid financial performance

- **Adjusted revenues** grew 1.0% y-on-y, supported by growing mass-market service revenues (+2.2% y-on-y). Adjusted Group service revenues increased 0.7% y-on-y as mass-market service revenue growth was partly offset by lower service revenues in LCE and Tailored Solutions. YTD 2021 adjusted revenues declined 0.6% y-on-y
- **Adjusted EBITDA AL** increased 1.4% y-on-y, supported by higher Group service revenues. Adjusted EBITDA AL margin of 46.3% was slightly higher than Q3 2020 (46.1%). YTD 2021 adjusted EBITDA AL increased 0.3% y-on-y
- **Net profit** of € 185m increased € 53m y-on-y, mainly driven by € 27m lower depreciation and amortization and € 13m higher EBITDA
- **Capex** of € 259m was € 28m lower y-on-y mainly due to lower mobile network investments, partly offset by the accelerated fiber rollout in 2021. YTD 2021 Capex increased € 25m y-on-y
- **Operational Free Cash Flow** of € 348m increased 12% y-on-y due to lower Capex and higher adjusted EBITDA AL. YTD 2021 Operational Free Cash Flow decreased 2.3% y-on-y
- **Free Cash Flow** of € 232m decreased € 9m y-on-y. YTD 2021 Free Cash Flow increased by € 35m y-on-y as higher cash taxes paid and Capex were more than offset by more favorable working capital developments, lower cash interest paid and lower cash restructuring spend
- Strong **liquidity** of € 1.7bn, 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 over 2021 was paid on 4 August 2021. KPN reiterates its 2023 ambitions as provided at the Strategy Update on 24 November 2020.

	Achievements YTD 2021	Outlook FY 2021	Ambitions 2023
Adjusted EBITDA AL	€ 1,763m	~€ 2,345m	>€ 2,450m
Capex	€ 884m	€ 1,200m	€ 1.1-1.2bn
Free Cash Flow	€ 533m	~€ 765m	>€ 870m
Regular DPS	€ 4.5ct interim dividend 2021	€ 13.6ct, +4.6% y-on-y	Progressive dividend, +3-5% annual growth

KPN's execution of its strategy and multi-year cash generation perspective enables the company to structurally return additional capital to its shareholders. On 23 August 2021, KPN commenced a € 200m share buyback, with the purpose to reduce the capital of KPN. As of 22 October 2021, KPN had bought back 63.1 million shares for an amount of € 171.8m and completed 85.9% of this initial share buyback program.

¹ Corrected for migrations to, and new customers of, small business proposition (7k in Q3'21, 8k in Q2'21, 8k in Q1'21, 8k in Q4'20, 5k in Q3'20, 7k in Q2'20)

Financial review KPN Group Q3

Key financial metrics

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q3 2020	Q3 2021	Δ y-on-y	YTD 2020	YTD 2021	Δ y-on-y
Service revenues	1,211	1,220	+0.7%	3,652	3,611	-1.1%
Non-service revenues & other	88	92	+4.9%	268	286	+6.7%
Adjusted revenues	1,299	1,312	+1.0%	3,920	3,898	-0.6%
Cost of goods & services	317	320	+1.0%	929	940	+1.2%
Personnel expenses	197	203	+2.7%	663	642	-3.3%
IT/TI	75	76	+1.9%	239	236	-1.4%
Other operating expenses	74	71	-3.2%	215	209	-2.8%
Total adjusted opex	663	670	+1.1%	2,046	2,026	-1.0%
Depreciation right-of-use asset	32	30	-6.6%	99	93	-6.1%
Interest lease liabilities	6	5	-14%	17	15	-8.3%
Total adjusted indirect opex after leases	384	385	+0.4%	1,232	1,194	-3.1%
Adjusted EBITDA AL	598	607	+1.4%	1,759	1,763	+0.3%
<i>As % of adjusted revenues</i>	<i>46.1%</i>	<i>46.3%</i>		<i>44.9%</i>	<i>45.2%</i>	
Operating profit (EBIT)	240	281	+17%	690	1,610	>100%
Net profit	132	185	+40%	386	1,126	>100%

Q3 2021

Adjusted revenues increased 1.0% y-on-y driven by mass-market² service revenue growth and higher non-service revenues, partly offset by lower service revenues in LCE and Tailored Solutions. Mass-market service revenues increased 2.2% y-on-y driven by growth in SME service revenues and ongoing strong momentum in Consumer mobile and Wholesale.

Adjusted EBITDA AL increased 1.4% y-on-y, supported by higher Group service revenues. The adjusted opex level was higher y-on-y, driven by higher COGS and a lower net indirect opex savings run-rate due to a tough comparable cost base in Q3 2020. Adjusted EBITDA AL margin was slightly higher at 46.3% (Q3 2020: 46.1%).

Operating profit (EBIT) of € 281m increased € 41m y-on-y driven by lower depreciation and amortization, and higher EBITDA.

Net profit of € 185m increased € 53m y-on-y, mainly due to higher EBIT.

² Mass market consists of Consumer, SME and Wholesale segments

Financial position

Group financials (unaudited) (in € m, unless stated otherwise)	Q3 2020	Q3 2021	Δ y-on-y	YTD 2020	YTD 2021	Δ y-on-y
Operational Free Cash Flow	312	348	+12%	900	879	-2.3%
As % of adjusted revenues	24.0%	26.5%		23.0%	22.6%	
Free Cash Flow	241	232	-3.8%	498	533	+7.1%
As % of adjusted revenues	18.6%	17.7%		12.7%	13.7%	
Net debt				5,584	5,293	
Gross debt				6,376	6,017	
Cash & short-term investments				792	724	
Leverage ratio*				2.4x	2.3x	
Interest cover ratio**				9.2x	11.4x	
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)

YTD 2021

Operational Free Cash Flow of € 879m was 2.3% lower y-on-y due to higher Capex driven by the accelerated fiber rollout.

Free Cash Flow of € 533m increased € 35m, or 7.1% y-on-y. Higher cash taxes paid and Capex were more than offset by more favorable working capital developments, lower cash interest paid and lower cash restructuring spend. Free Cash Flow margin improved ~100 basis points to 13.7%.

At the end of Q3 2021, net debt amounted to € 5,293m, € 92m higher compared to end Q2 2021. The increase in net debt was mainly driven by the € 189m interim dividend payment over 2021 on 4 August 2021 and € 90m share repurchases in August and September 2021, partly offset by Free Cash Flow generation during the quarter.

KPN had a strong balance sheet and liquidity position at the end of Q3 2021. Nominal debt outstanding was € 6,480m including € 120m short-term commercial paper. KPN's committed liquidity consisted of € 724m cash & short-term investments and a € 1.0bn undrawn revolving credit facility which covers debt maturities through 2023. In the third quarter, KPN successfully closed a € 1.0bn, Sustainability-Linked Revolving Credit Facility, refinancing its existing credit facility from 2016. This facility reinforces KPN's commitment to sustainability by aligning its ambitions into a core financing instrument. The new facility has a maturity of five years with two one-year extension options.

At 30 September 2021, the Group's net debt to EBITDA ratio was 2.3x (Q2 2021: 2.2x). KPN's interest cover ratio was 11.4x at the end of the third quarter (Q2 2021: 11.0x). At 30 September 2021, the weighted average cost of senior debt was 2.81%, the same level as Q3 2020.

At the end of Q3 2021, Group equity amounted to € 3,130m, € 98m lower compared to the end of Q2 2021. This was driven by net profit generated during the quarter, offset by higher shareholder distributions.

Financial and operating review per segment Q3

Consumer

Segment financials (unaudited) (in € m, unless stated otherwise)	Q3 2020	Q3 2021	Δ q-on-q	Δ y-on-y	YTD 2020	YTD 2021	Δ y-on-y
Fixed-Mobile service revenues	356	368		+3.5%	1,057	1,084	+2.6%
Fixed-only service revenues	202	197		-2.6%	609	583	-4.2%
Postpaid-only service revenues	60	61		+0.4%	182	180	-0.7%
Legacy/other service revenues	33	27		-18%	104	84	-20%
Adjusted Consumer service revenues	651	653		+0.2%	1,952	1,932	-1.0%
Non-service & Other revenues	62	66		+7.0%	179	195	+9.2%
Adjusted Consumer revenues	713	719		+0.8%	2,130	2,127	-0.2%
Households (k)							
Fixed-Mobile households	1,469	1,485	+7	+16			
Fixed-only households	1,313	1,284	-15	-29			
Postpaid-only households	786	772	-2	-14			
Total Consumer households	3,568	3,542	-9	-26			
ARPA (€)							
ARPA Fixed-Mobile households	81	83		+2.6%			
ARPA total Consumer households	58	59		+2.1%			
NPS Consumer	12	15		+3			

Q3 2021

Adjusted Consumer service revenues increased 0.2% y-on-y. Service revenue growth in KPN's Fixed-Mobile portfolio of 3.5% y-on-y and postpaid-only of 0.4% y-on-y was offset by declining service revenues from KPN's Legacy portfolio (-18% y-on-y) and Fixed-only service revenues (-2.6% y-on-y). Consumer non-service revenues increased 7.0% y-on-y, mainly driven by higher handset sales.

KPN's Fixed-Mobile household base grew by 7k in the quarter (Q2 2021: flat) and represents 54% of total Fixed households (Q3 2020: 53%). Fixed-Mobile ARPA increased 2.6% y-on-y to € 83.

KPN activated 36k fiber households in the quarter (Q2 2021: +47k excl. Oxxio). The growth in KPN's fiber base is contributing to a stable broadband base in the third quarter (Q2 2021: +1k excl. Oxxio)³. Fixed ARPU increased 1.7% y-on-y to € 50, partly supported by price adjustments implemented in July 2021. In Q3 2021, the growth in fiber broadband service revenues was higher than the decline in copper broadband service revenues.

Consumer mobile service revenues showed ongoing momentum and increased 2.4% y-on-y (Q2 2021: +1.3%). KPN's postpaid base improved markedly with +27k net adds (Q2 2021: +16k). Postpaid ARPU was € 17 and increased 1.7% y-on-y, driven by the commercial success of KPN and Simyo's mobile propositions, including KPN's Unlimited bundles. Postpaid-only ARPA increased 2.7% y-on-y to € 26.

Consumer NPS saw a strong y-on-y recovery to +15 (Q3 2020: +12). KPN successfully invested in customer service delivery and quality improvements of several customer journeys, such as copper customers in fiber areas migrating to fiber, and customers moving to new homes. Furthermore, KPN implemented a new version of its WiFi-manager, to optimize WiFi speeds at households.

³ Corrected for migrations to, and new customers of, small business proposition (Q3 2021: 7k, Q2 2021: 8k, Q1 2021: 8k, Q4 2020: 8k, Q3 2020: 5k)

Business

Segment financials (unaudited) (in € m, unless stated otherwise)	Q3 2020	Q3 2021	Δ q-on-q	Δ y-on-y	YTD 2020	YTD 2021	Δ y-on-y
SME service revenues	134	138		+2.9%	417	407	-2.2%
LCE service revenues	170	160		-5.7%	537	493	-8.2%
Tailored Solutions service revenues	110	104		-5.2%	326	315	-3.2%
Adjusted Business service revenues	414	403		-2.7%	1,279	1,216	-4.9%
Non-service & Other revenues	24	26		+5.4%	89	82	-7.5%
Adjusted Business revenues	438	428		-2.3%	1,367	1,298	-5.1%
KPIs (k)							
Broadband lines	334	345	+5	+11			
Mobile SIMs	1,880	2,000	+40	+120			
NPS Business	-1	+3	-1	+4			

Q3 2021

The transformation in B2B is taking shape, supported by the segmented approach which has been implemented within the organization this year. In Q3 2021, underlying base developments were favorable in core products with 66k net adds across the KPN EEN portfolio. Triple-play customers within the KPN EEN proposition increased 46% y-on-y and the number of dual-play customers grew 13% y-on-y. In September 2021, the higher speed offerings in the KPN EEN line-up were made more accessible at lower pricing levels, aimed at stimulating up-sell of the SME broadband base. In LCE, KPN is actively migrating corporate customers to its Smart Combination portfolio, following a similar strategy as executed within SME, but lagging by at least one year. Target portfolios with standardized products are contributing to improving NPS and provide a strong platform for up and cross-sell opportunities. The total mobile base in Business continued to show strong growth with 40k net adds (Q2 2021: +32k).

Adjusted Business revenues declined 2.3% y-on-y, a significant improvement compared to the trend shown in the last quarters (Q2 2021: -4.7% y-on-y).

SME service revenues grew 2.9% y-on-y (Q2 2021: -3.1%), delivering ahead of schedule on the commitment to stabilize by the end of this year. Continued growth in Broadband & Network Services and IT Services was partly offset by lower revenues from Fixed Voice. Mobile service revenues were stable (-0.2% y-on-y) following a period of declines as the impact from continued competition in the mobile market was offset by increased take-up of unlimited data bundles and strong mobile base momentum. Broadband & Network Services increased 12% y-on-y driven by a growing customer base. IT Services increased 47% y-on-y, mainly driven by Cloud & Workspace services. The Fixed Voice revenue decline slowed down to -9.8% y-on-y as continued customer migrations and line rationalization were partly offset by lapsing of the effect of phasing out ISDN2 in the third quarter of 2020. At the end of Q3 2021, 97% of SME customers (Q3 2020: 86%)⁴ had migrated to the future-proof integrated portfolio.

LCE service revenues declined 5.7% y-on-y (Q2 2021: -6.2%). Access & Connectivity revenues declined 4.3% 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. At the end of Q3 2021, 80% of LCE customers (Q3 2020: 75%)⁴ had migrated to a future-proof integrated portfolio. Revenues from IT Services declined 8.9% y-on-y, following rationalization of low margin IT services and subdued activity in the Public Services sector.

Tailored Solutions service revenues declined 5.2% y-on-y (Q2 2021: -4.2%), driven by lower revenues from project related work and service management. Furthermore, KPN has rationalized several contracts with a stronger focus on profitability of its standardized core portfolio.

Business NPS improved y-on-y to +3 (Q3 2020: -1) driven by strong customer intimacy and product leadership on target portfolios which have higher customer satisfaction levels. Customers appreciate the stability, reliability and quality of KPN's products and services.

⁴ Eligible customers migrated from traditional fixed voice or legacy broadband services

Wholesale

Segment financials (unaudited) (in € m, unless stated otherwise)	Q3 2020	Q3 2021	Δ q-on-q	Δ y-on-y	YTD 2020	YTD 2021	Δ y-on-y
Mobile	36	41		+15%	104	115	+9.9%
Broadband	58	70		+20%	168	202	+20%
Other	63	61		-3.4%	185	178	-3.6%
Adjusted Wholesale service revenues	157	172		9.4%	457	494	+8.3%
Non-service & Other revenues	4	-		-90%	6	2	-75%
Adjusted Wholesale revenues	161	173		+7.2%	463	496	+7.1%
# Customers (k)							
Postpaid SIMs	518	629	+33	+111			
Broadband lines	1,016	1,080	+18	+64			

Q3 2021

In Wholesale, KPN's attractive open access policy for third-party operators resulted in several renewed long-term agreements with some of the larger broadband providers and MVNO's in the past months.

Adjusted Wholesale revenues increased 7.2% y-on-y, driven by higher Broadband and Mobile service revenues, and partly supported by several smaller revenue related incidentals (driving ~3% growth in Q3 2021).

Fiber contributes to continued growth of broadband network penetration. 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 +18k broadband lines in Q3 2021. The sum of total broadband net adds of Consumer and Wholesale was +18k⁵ in Q3 2021.

Mobile service revenues increased 15% y-on-y, driven by a growing mobile base and increase in large account SMS. Wholesale added 33k postpaid customers during the quarter.

Non-service and Other revenues were lower y-on-y as Q3 2020 included ~€ 3m related to the sale of nautical frequency licenses.

Network, Operations & IT

Segment KPIs (in thousands)	YTD 2020	YTD 2021	Δ q-on-q	Δ y-on-y
FttH households own roll out	2,672	3,096	+93	+424
FttH households 3rd party access	64	138	+35	+74
Of which Glaspoort	-	34	+22	+34
FttH households total	2,736	3,234	+128	+498
FttH households activated on own roll out	1,361	1,586	+46	+225
Legacy lines to be migrated	~50	~15	~5	~35

Q3 2021

In Q3 2021, KPN added 93k households to its fiber footprint, now totaling 3.1 million households. KPN has a clear fiber roll out plan in place for the coming years. The fiber investments are resulting in increased network penetration, more loyal customers with an increased willingness to pay for quality, lower service tickets and network maintenance costs. KPN and Glaspoort expect to jointly reach approximately 80% of Dutch households by the end of 2026. Following successful trials, KPN will start to deploy XGS-PON technology for its fiber roll out in Q4 2021. XGS-PON enables symmetrical access speeds of up to 10Gbps, ensuring KPN's network is ready for future customer demand.

KPN has the best mobile network and fastest 5G in the Netherlands and continues to focus on completing its mobile network modernization. The 3.5GHz spectrum auction which was scheduled for Q2 2022 is likely to be postponed by the Dutch government for several months. KPN's 5G strategy is focused on differentiated services for B2B customers in specific industries.

⁵ Corrected for Consumer migrations to, and new customers of, small business proposition (7k in Q3 2021)

Analysis of adjusted results Q3

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

Revenues (in € m)	Q3 2020	Q3 2021	Δ y-on-y	YTD 2020	YTD 2021	Δ y-on-y
Consumer	713	719	+0.8%	2,130	2,127	-0.2%
Business	438	428	-2.3%	1,379	1,298	-5.9%
Wholesale	161	186	+15%	463	509	+10%
Network, Operations & IT	2	4	>100%	4	9	>100%
Other (incl. eliminations)	-16	-12	-24%	-45	808	n.m.
Total revenues	1,299	1,325	+2.0%	3,932	4,751	+21%
Revenue incidentals						
Consumer	-	-		-	-	
Business	-	-		11	-	
Wholesale	-	13		-	13	
Network, Operations & IT	-	-		-	-	
Other (incl. eliminations)	-	-		-	840	
Total revenue incidentals	-	13		11	853	
Consumer	713	719	+0.8%	2,130	2,127	-0.2%
Business	438	428	-2.3%	1,367	1,298	-5.1%
Wholesale	161	173	+7.2%	463	496	+7.1%
Network, Operations & IT	2	4	>100%	4	9	>100%
Other (incl. eliminations)	-16	-12	-24%	-45	-33	-28%
Total adjusted revenues	1,299	1,312	+1.0%	3,920	3,898	-0.6%

The following table specifies the revenue incidentals in more detail:

Revenue incidentals (in € m)	Segment	Q3 2020	Q3 2021	YTD 2020	YTD 2021
Release of revenue related provision	Wholesale	-	13	-	13
Book gain on sale of KPN Consulting	Business	-	-	11	-
Book gain on Glaspoort	Other	-	-	-	840
Total revenue incidentals		-	13	11	853

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

(in € m)	Q3 2020	Q3 2021	Δ y-on-y	YTD 2020	YTD 2021	Δ y-on-y
EBITDA	626	640	+2.1%	1,858	2,697	+45%
Incidentals	-	-13	n.m.	-11	-857	>100%
Restructuring	10	15	+55%	27	31	+13%
Lease-related expenses						
Depreciation right-of-use asset	-32	-30	-6.6%	-99	-93	-6.1%
Interest lease liabilities	-6	-5	-14%	-17	-15	-8.3%
Adjusted EBITDA AL	598	607	+1.4%	1,759	1,763	+0.3%

The following table specifies the EBITDA incidentals in more detail:

EBITDA incidentals (in € m)	Category	Q3 2020	Q3 2021	YTD 2020	YTD 2021
Release of revenue related provision	Revenues	-	13	-	13
Book gain on Glaspoort	Revenues	-	-	-	840
Release of provisions	Other opex	-	-	-	4
Book gain on sale of KPN Consulting	Revenues	-	-	11	-
Total EBITDA incidentals		-	13	11	857

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 AL excluding major changes in the composition of the Group (acquisitions and disposals). Operational Free Cash Flow is defined as adjusted EBITDA AL minus capital expenditures ('Capex') being expenditures on PP&E and software. Free Cash Flow ('FCF') is defined as cash flow from continuing operating activities plus proceeds from real estate, minus Capex. Return on capital employed ('ROCE') is calculated by the net operating profit less adjustments for taxes ('NOPLAT') divided by capital employed, on a 4-quarter rolling basis. Net operating profit is the adjusted EBITA (excluding incidentals and amortization of other intangibles and including restructuring costs). KPN defines capital employed as the carrying amount of operating assets and liabilities, which excludes goodwill and the other intangibles.

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

Forward-looking statements

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