



# Interim Financial Statements

For the six months ended  
30 June 2022

**kpn.** The network of the Netherlands



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

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

## Unaudited Consolidated Statement of Profit or Loss

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

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

## Unaudited Consolidated Statement of Other Comprehensive Income

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

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

## Unaudited Consolidated Statement of Financial Position

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

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

**Group equity and liabilities**  
*(in € m)*

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

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

## Unaudited Consolidated Statement of Changes in Group Equity

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

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

## Unaudited Consolidated Statement of Cash Flows

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

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



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

[..] 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

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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

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#### **Basis of preparation**

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

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

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

#### **Significant accounting estimates, judgments and assumptions**

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

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

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

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

### **Change in accounting policies**

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

#### **Amendments to IAS 37: Onerous contracts**

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

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

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

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

#### **Other amendments**

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

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

**Future implications of new and amended standards and interpretations**

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

Endorsed amendments;

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

Amendments pending endorsement;

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

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

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

On 9 June 2021, KPN sold 50% of the shares of its subsidiary 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. Refer to note [10] for more information.

## Notes to the Condensed Consolidated Statement of Profit or Loss

### [4] Segment information Profit or Loss

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

### For the six months period ending 30 June 2022

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

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

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

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

### [5] Revenues and other income

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

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

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

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

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

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

### [6] Operating expenses, DA&I

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

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

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

### [7] Finance income and expenses

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

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

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

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

### [8] Income taxes

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

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

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

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

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

## Notes to the Condensed Statement of Financial Position

### [9] Segment information Statement of Financial Position

#### Segment information as at 30 June 2022

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

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

#### Segment information as at 31 December 2021 (restated)

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

### [10] Equity investments accounted for using the equity method

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

#### Joint Venture 'Glaspoort B.V.'

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

*Summarized statement of financial position;*

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

*Summarized statement of profit or loss;*

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

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

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

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

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

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

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

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

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

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

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

#### [12] Other current financial assets

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

#### [13] Cash and cash equivalents

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

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

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

#### **[14] Group equity**

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

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

#### **[15] Borrowings, bond issues and redemptions**

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

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

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

#### **[16] Provisions for retirement benefit obligations**

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

**[17] Provisions for other liabilities and charges**

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

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

**[18] Fair value disclosures**

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

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

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

### Fair value estimation

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

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

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

### [19] Commitments and contingencies

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

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

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

### **Contingent liabilities**

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

### **German tax audit**

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

### **Glaspoort**

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

### **[20] Related-party transactions**

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

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

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

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

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

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

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

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

## [21] Risk management

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

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

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

## [22] Regulatory developments

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

### **European developments**

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



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

### **Security concerns based on geopolitical developments**

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

### **Spectrum licenses**

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

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

### **Market analysis decisions in the Netherlands**

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

### **[23] Subsequent events**

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

#### **Receivables Transfer Agreement**

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

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

## Responsibility statement

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

Rotterdam, 27 July 2022

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

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

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

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

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

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

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## Safe harbor

### Alternative performance measures and management estimates

*This financial report contains a number of alternative performance measures (non-GAAP figures) to provide readers with additional financial information that is regularly reviewed by management, such as EBITDA and Free Cash Flow ('FCF'). These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures and are not uniformly defined by all companies including KPN's peers. Numerical reconciliations are included in KPN's quarterly factsheets and in the Integrated Annual Report 2021. KPN's management considers these non-GAAP figures, combined with GAAP performance measures and in conjunction with each other, most appropriate to measure the performance of the Group and its segments. The non-GAAP figures are used by management for planning, reporting (internal and external) and incentive purposes. KPN's main alternative performance measures are listed below. The figures shown in this financial report are based on continuing operations and were rounded in accordance with standard business principles. As a result, totals indicated may not be equal to the precise sum of the individual figures.*

*Financial information is based on KPN's interpretation of IFRS as adopted by the European Union as disclosed in the Integrated Annual Report 2021 and do not take into account the impact of future IFRS standards or interpretations. Note that certain definitions used by KPN in this report deviate from the literal definition thereof and should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS as adopted by the European Union. KPN defines revenues as the total of revenues and other income. Adjusted revenues are derived from revenues (including other income) and are adjusted for the impact of incidentals. KPN defines EBITDA as operating result before depreciation (including impairments) of PP&E and amortization (including impairments) of intangible assets. Adjusted EBITDA after leases ('adjusted EBITDA AL') are derived from EBITDA and are adjusted for the impact of restructuring costs and incidentals ('adjusted') and for lease costs, including depreciation of right-of-use assets and interest on lease liabilities ('after leases' or 'AL'). KPN defines Gross Debt as the nominal value of interest-bearing financial liabilities representing the net repayment obligations in Euro, excluding derivatives, related collateral, and leases, taking into account 50% of the nominal value of the hybrid capital instruments. In its Leverage Ratio, KPN defines Net Debt as Gross Debt less net cash and short-term investments, divided by 12 month rolling adjusted EBITDA AL excluding major changes in the composition of the Group (acquisitions and disposals). The Lease adjusted leverage ratio is calculated as Net Debt including lease liabilities divided by 12 month rolling adjusted EBITDA AL excluding major changes in the composition of the Group (acquisitions and disposals). Operational free cash flow is defined as adjusted EBITDA AL minus capital expenditures ('Capex') being expenditures on PP&E and software. Free Cash Flow ('FCF') is defined as cash flow from continuing operating activities plus proceeds from real estate, minus Capex. Return on capital employed ('ROCE') is calculated by the net operating profit less adjustments for taxes ('NOPLAT') divided by capital employed, on a 4-quarter rolling basis. Net operating profit is the adjusted EBITA (excluding incidentals and amortization of other intangibles, and 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](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 2021. All forward-looking statements and ambitions stated in this financial report that refer to a growth or decline, refer to such growth or decline relative to the situation per 31 December 2021, unless stated otherwise.*