

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

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

Message from the CEO, Joost Farwerck

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

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

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

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

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

Key figures

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

Continued strong operational momentum

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

Solid financial performance

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

Outlook 2023 reiterated

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

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

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

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

Financial review KPN Group Q2 and H1 2023

Key financial metrics

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

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

Q2 2023

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

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

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

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

H1 2023

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

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

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

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

Financial position

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

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

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

H1 2023

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

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

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

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

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

Capex

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

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

Personnel

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

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

Financial and operating review per segment Q2 and H1 2023

Consumer

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

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

Q2 2023

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

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

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

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

Business

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

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

Q2 2023

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

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

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

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

Business NPS remained positive at +5 (Q2 2022: +1; Q1 2023: +6). Customers continue to value KPN for the stability, reliability and quality of our network and services. KPN's customer satisfaction remains leading in the Dutch market.

Wholesale

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

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

Q2 2023

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

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

Mobile service revenues increased 7.9% y-on-y, driven by a growing mobile base and increased data volumes. Wholesale added 17k postpaid SIMs during the quarter.

Other service revenues declined by 7.8%, mainly due to lower regulated tariffs leading to a decrease in low-margin interconnect revenues.

Network, Operations & IT

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

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

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

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

Q2 2023

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

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

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

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

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

Analysis of adjusted results Q2 and H1 2023

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

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

The following table specifies the revenue incidental in more detail:

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

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

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

The following table specifies the EBITDA incidentals in more detail:

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

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

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

This financial report contains a number of alternative performance measures (non-GAAP figures) to provide readers with additional financial information that is regularly reviewed by management, such as EBITDA and Free Cash Flow ('FCF'). These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures and are not uniformly defined by all companies including KPN's peers. Numerical reconciliations are included in KPN's quarterly factsheets and in the Integrated Annual Report 2022. KPN's management considers these non-GAAP figures, combined with GAAP performance measures and in conjunction with each other, most appropriate to measure the performance of the Group and its segments. The non-GAAP figures are used by management for planning, reporting (internal and external) and incentive purposes. KPN's main alternative performance measures are listed below. The figures shown in this financial report are based on continuing operations and were rounded in accordance with standard business principles. As a result, totals indicated may not be equal to the precise sum of the individual figures.

Financial information is based on KPN's interpretation of IFRS as adopted by the European Union as disclosed in the Integrated Annual Report 2022 and do not take into account the impact of future IFRS standards or interpretations. Note that certain definitions used by KPN in this report deviate from the literal definition thereof and should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS as adopted by the European Union. KPN defines revenues as the total of revenues and other income. Adjusted revenues are derived from revenues (including other income) and are adjusted for the impact of incidentals. KPN defines EBITDA as operating result before depreciation (including impairments) of PP&E and amortization (including impairments) of intangible assets. Adjusted EBITDA after leases ('adjusted EBITDA AL') are derived from EBITDA and are adjusted for the impact of restructuring costs and incidentals ('adjusted') and for lease costs, including depreciation of right-of-use assets and interest on lease liabilities ('after leases' or 'AL'). KPN defines Gross Debt as the nominal value of interest-bearing financial liabilities representing the net repayment obligations in Euro, excluding derivatives, related collateral, and leases, taking into account 50% of the nominal value of the hybrid capital instruments. In its Leverage Ratio, KPN defines Net Debt as Gross Debt less net cash and short-term investments, divided by 12 month rolling adjusted EBITDA AL excluding major changes in the composition of the Group (acquisitions and disposals). The Lease adjusted leverage ratio is calculated as Net Debt including lease liabilities divided by 12 month rolling adjusted EBITDA AL excluding major changes in the composition of the Group (acquisitions and disposals). Operational Free Cash Flow is defined as adjusted EBITDA AL minus capital expenditures ('Capex') being expenditures on PP&E and software, excluding M&A. Free Cash Flow ('FCF') is defined as cash flow from continuing operating activities plus proceeds from real estate, minus Capex. Return on capital employed ('ROCE') is calculated by the net operating profit less adjustments for taxes ('NOPLAT') divided by capital employed, on a 4-quarter rolling basis. Net operating profit is the adjusted EBITA (excluding incidentals and amortization of other intangibles and including restructuring costs). KPN defines capital employed as the carrying amount of operating assets and liabilities, which excludes goodwill and the other intangibles.

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

Forward-looking statements

Certain statements contained in this financial report constitute forward-looking statements. These statements may include, without limitation, statements concerning future results of operations, the impact of regulatory initiatives on KPN's operations, KPN's and its joint ventures' share of new and existing markets, general industry and macro-economic trends and KPN's performance relative thereto and statements preceded by, followed by or including the words "believes", "expects", "anticipates", "will", "may", "could", "should", "intends", "estimate", "plan", "goal", "target", "aim" or similar expressions. These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside KPN's control that could cause actual results to differ materially from such statements. A number of these factors are described (not exhaustively) in the Integrated Annual Report 2022. All forward-looking statements and ambitions stated in this financial report that refer to a growth or decline, refer to such growth or decline relative to the situation per 31 December 2022, unless stated otherwise.