Press release
26 April 2017

First Quarter 2017 Results

Highlights

- Focus on value and convergence continues to deliver strong results in Consumer
  - Fixed-mobile bundles now represent 45% of postpaid base (Q1 2016: 35%) and 39% of broadband base (Q1 2016: 31%)
  - +12k broadband net adds, +27k IPTV net adds, and +2k postpaid net adds[1] driven by the high value KPN brand
  - Postpaid ARPU up 4.0% y-on-y to EUR 26, ARPU per household increased by 5.0% y-on-y to EUR 42
  - Further improvement in customer satisfaction in Consumer; NPS +13 (Q1 2016: +10)
- Ongoing migrations to integrated solutions (+36k multi play seats) and new technologies in Business, resulting in stronger customer relations, but impacting financial performance
  - NPS in Business improving y-on-y to -6 (Q1 2016: -11)
- Promising start second wave Simplification program; delivering improved quality of service and approximately EUR 35m run-rate savings end Q1 2017
- EUR 200m share buyback program in coming period

Key figures* (from continuing operations)

Group financials (unaudited) *(in EUR m, unless stated otherwise)*	**Q1 2017**	**Q1 2016**	**Δ y-on-y**
Revenues	1,648	1,689	-2.4%
Adjusted revenues**	**1,648**	**1,689**	**-2.4%**
EBITDA	556	559	-0.5%
Adjusted EBITDA**	**584**	**568**	**2.8%**
Adjusted EBITDA margin The Netherlands	***39.1%***	***37.6%***	***+150bps***
Operating profit (EBIT)	201	141	43%
Profit for the period (net profit)	92	48	92%
Capex	**266**	**318**	**-16%**
Operating free cash flow	**318**	**250**	**27%**
Free cash flow	**35**	**-40**	**n.m.**

* All non-IFRS terms are explained in the safe harbor section
** Adjusted revenues and adjusted EBITDA reconciliations to be found on page 9

Financial performance

- Adjusted revenues were 2.4% lower y-on-y, mainly due to the impact of price pressure in the wholesale voice carrier market on iBasis revenues (-10%). Adjusted revenues for The Netherlands were 1.5% lower y-on-y in Q1 2017. Revenues in Business were impacted by migrations and rationalization, and price pressure in mobile. Consumer revenues were supported by the positive impact of base growth and higher ARPU per household
- Adjusted EBITDA was 2.8% higher y-on-y in Q1 2017 due to improved operational efficiency as a result of Simplification
- Operating profit increased by 43% y-on-y in Q1 2017 driven by EUR 60m lower amortization charges, of which EUR 45m related to an impairment at iBasis in Q1 2016. Net profit increased by EUR 44m y-on-y to EUR 92m in Q1 2017, mainly due to the higher operating profit
- Capex in Q1 2017 decreased by 16% y-on-y, mainly due to lower network investments following a period of elevated investment levels
- Free cash flow in Q1 2017 of EUR 35m was EUR 75m higher compared to the same period last year, mainly driven by lower interest paid and lower Capex

[1] Adjusted for 4k clean-up at Simyo

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Message from the CEO, Eelco Blok

"In the first quarter of 2017, our market leading household proposition continued to deliver strong results in Consumer. In Business, our customers are migrating increasingly to integrated solutions. Furthermore, we strengthened our capabilities in security and cloud based services by completing two acquisitions.

We have made a promising start to the second wave of our Simplification program, which continues to drive substantial quality and customer satisfaction improvements across all segments in The Netherlands, resulting in structural spend savings."

Outlook 2017 (continuing operations)

- Adjusted EBITDA in line with 2016
  - Including approximately EUR 40-50m impact from roaming regulation
- Capex ~EUR 1.15bn
- Free cash flow (excl. TEFD dividend) growing[2]
- Additional cash flow via expected dividend from 9.5% stake in Telefónica Deutschland

Shareholder remuneration and financial profile

KPN intends to pay a regular dividend per share of EUR 11 cents in respect of 2017 and grow the regular dividend in line with its free cash flow growth profile thereafter.

On 13 March 2017, KPN exchanged 6% of Telefónica Deutschland shares for approximately 1.4% of Telefónica's share capital. Subsequently, KPN has started to sell its shares in Telefónica with a value-driven focus. The 9.5% stake in Telefónica Deutschland is treated as a financial investment. KPN benefits from dividend payments by Telefónica Deutschland and additional financial flexibility. KPN intends to distribute the expected Telefónica Deutschland dividend over 2016 to its shareholders in the form of a special interim dividend distribution of EUR 1.7 cents per ordinary share. The provisional ex-dividend date is 17 May 2017 and the provisional payment date is 22 May 2017.

KPN remains committed to an investment grade credit profile and expects to utilize excess cash for operational and financial flexibility, (small) in-country M&A and/or shareholder remuneration. A EUR 200m share buyback program is intended to be executed in the coming period.

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

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[2] Compared to 2016 free cash flow, after adjusting for the impact of cash optimization actions, of EUR 683m

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 2016. 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.

*KPN defines **EBITDA** as operating result before depreciation (including impairments) of PP&E and amortization (including impairments) of intangible assets. Note that KPN's definition of EBITDA deviates from the literal definition of earnings before interest, taxes, depreciation and amortization 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. In the **Net Debt / EBITDA ratio**, KPN defines **Net Debt** as the nominal value of interest bearing financial liabilities excluding derivatives and related collateral, representing the net repayment obligations in Euro, taking into account 50% of the nominal value of the hybrid capital instruments, less net cash and short-term investments, and defines EBITDA as a 12 month rolling total excluding restructuring costs, incidentals and major changes in the composition of the Group (acquisitions and disposals). **Free Cash Flow** is defined as cash flow from continuing operating activities plus proceeds from real estate, minus capital expenditures (Capex), being expenditures on PP&E and software. **Operating free cash flow** is defined as adjusted EBITDA minus Capex. **Revenues** are defined as the total of revenues and other income unless indicated otherwise. **Adjusted revenues** and **adjusted EBITDA** are derived from revenues (including other income) and EBITDA, respectively, and are adjusted for the impact of restructuring costs and incidentals. The term service revenues refers to wireless service revenues.*
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 2016.

Financial and operating review The Netherlands

(in EUR m)	Q1 2017	Q1 2016	Δ y-on-y
Adjusted revenues*			
Consumer	788	772	2.1%
Business	552	593	-6.9%
Wholesale	178	180	-1.1%
Network, Operations & IT	4	4	0.0%
Other (incl. eliminations)	-42	-46	-8.7%
The Netherlands	**1,480**	**1,503**	**-1.5%**

* Certain items have been restated, for further details refer to page 8

Consumer

In the first quarter, KPN continued to strengthen its position as the leading converged operator in the Dutch consumer market by further growing its converged household base. NPS improved further to +13 in Q1 2017 (Q1 2016: +10) driven by KPN's fixed-mobile bundles and market leading interactive TV product.

Adjusted revenues in Consumer increased by 2.1% y-on-y in Q1 2017 due to continued service revenue growth in both residential and mobile. Residential revenues grew by 1.5% driven by an increasing number of RGUs and higher ARPU per household. Mobile service revenue growth was 3.8% y-on-y driven by high value base growth. Excluding a tax benefit and impact from regulation (roaming), service revenue growth would have been 1.0% y-on-y in Q1 2017.

In Q1 2017, the number of fixed-mobile households grew by 45k to 1,122k, representing 39% of the broadband customer base (Q1 2016: 31%). The number of postpaid customers in fixed-mobile bundles grew by 89k to 1,672k, equivalent to 45% penetration of the postpaid base at the end of Q1 2017 (Q1 2016: 35%).

KPN's net adds of 12k in broadband and 27k in IPTV were driven by growth in the high value KPN brand in Q1 2017. ARPU per household increased by 5.0% y-on-y to EUR 42 (Q1 2016: EUR 40).

Furthermore, KPN grew its postpaid base by 2k[3] customers in Q1 2017, fully driven by the high value KPN brand with 22k net adds. In the no frills segment, KPN's subscriber base remained under pressure due to the competitive dynamics in this part of the market. The inflow of high value postpaid subscribers had a positive effect on ARPU (Q1 2017: EUR 26, Q1 2016: EUR 25). The committed part of ARPU also increased by EUR 1 y-on-y to approximately EUR 22.

Business

KPN continues to migrate Business customers to integrated solutions and new technologies. In all segments of the business market, this presents up- and cross-sell opportunities, but also results in lower revenues from traditional services. Revenues are also being impacted by rationalization and price pressure in the mobile-only market.

[3] Adjusted for 4k clean-up at Simyo

KPN is executing a number of quality programs to further improve Business customer satisfaction. NPS for Business improved to -6 in Q1 2017 compared to -11 in the same period last year. Furthermore, it is implementing several initiatives to align its spend levels to the changing customer demand and market dynamics.

Adjusted revenues declined by 6.9% y-on-y in Q1 2017 due to lower revenues from traditional telco services and repricing of mobile services, partly offset by growing revenues from integrated solutions, new services and higher hardware sales including IT licenses.

In SME, the migrations to KPN's integrated service KPN ONE (+36k multi play seats in Q1 2017) led to strong growth in Multi play revenues (+30%). Single play wireless revenues decreased by 13% y-on-y due to the impact of repricing, lower roaming fees and migrations to Multi play and Customized solutions. Traditional fixed-only services (-18%) continued to be impacted by rationalization of the legacy portfolio and the ongoing migration towards VoIP and multi play services.

In LE & Corporate, revenues from Network & IT services declined by 5.3% y-on-y. Customers are rationalizing and migrating away from legacy network services to flexible and scalable solutions, which presents opportunities to benefit from growth in areas such as software defined network services. Revenues from Customized solutions were flat y-on-y, supported by the take-up of integrated solutions.

Wholesale

The migration of wholesale customers from regulated ULL (Unbundled Local Loop) services to commercially agreed VULA (Virtual Unbundled Local Access) and WBA (Wholesale Broadband Access) services continued in Q1 2017. Adjusted revenues declined by 1.1% y-on-y in Q1 2017 mainly driven by lower international traffic.

Network, Operations & IT

KPN continuously innovates and upgrades capacity of its best-in-class integrated network and ICT infrastructure. KPN completed the upgrade of its core network, which will support the quality of KPN's services as data consumption grows exponentially. In mobile, KPN continued to roll-out carrier aggregation with 4G+ (LTE 1800), which is currently integrated at the majority of mobile sites. The excellent network experience is reflected in the improved customer satisfaction levels across all segments.

Operating expenses The Netherlands

(in EUR m)	Q1 2017	Q1 2016	Δ y-on-y
Opex The Netherlands (excl. D&A)*	**901**	**938**	**-3.9%**
Cost of goods & services	349	356	-2.0%
Personnel expenses	289	314	-8.0%
IT/TI	134	143	-6.3%
Other operating expenses	129	125	3.2%
Adjusted EBITDA The Netherlands	**579**	**565**	**2.5%**

* Adjusted for restructuring costs and incidentals. Certain items have been restated, for further details refer to page 8

Adjusted EBITDA for The Netherlands increased by 2.5% y-on-y. The adjusted EBITDA margin for The Netherlands improved to 39.1% in Q1 2017 (Q1 2016: 37.6%). This was mainly driven by improved operational efficiency supported by the Simplification program. Simplification is delivering structural savings in personnel expenses and IT/TI costs.

For example, as a result of the execution of the Simplification program, KPN managed to reduce the number of service calls in the Consumer segment by approximately 25% compared to the same quarter last year, resulting in a 25% y-on-y reduction of costs for the contact center. Cost of goods & services were somewhat lower y-on-y, mainly due to lower subscriber acquisition and retention costs compared to Q1 2016, partly offset by higher hardware and IT licenses costs in Business and higher content costs in Consumer.

The adjusted contribution margin in Consumer increased to 62.3% in Q1 2017 (Q1 2016: 58.9%) due to lower subscriber retention costs and reduced marketing spend as a result of the increased fixed-mobile penetration. KPN is witnessing a shift in costs as a consequence of the shift from Telco to IT related services. The adjusted contribution margin of Business shows a decreasing trend (Q1 2017: 55.4%; Q1 2016: 59.9%) due to the increase of IT related services which results in more direct costs. At the same time, decreasing traditional telco services result in rationalization opportunities at Network, Operations & IT. This trend results in structurally lower costs related to telco services in Network, Operations & IT to service business customers.

Financial and operating review iBasis

In Q1 2017, traffic volumes at iBasis were in line with last year, but price pressure in the wholesale voice carrier market led to a decline in revenues per minute. Furthermore, part of the revenue decline was driven by the divestments of E-Plus and BASE Company and the sale of iBasis' SMS business last year. iBasis continues to experience a transition from voice towards data services.

iBasis *(in EUR m)*	**Q1 2017**	**Q1 2016**	**Δ y-on-y**
Revenues	193	215	-10%
Adjusted revenues	**193**	**215**	**-10%**
EBITDA	5	6	-17%
Adjusted EBITDA	**5**	**6**	**-17%**

Adjusted revenues at iBasis decreased by 10% y-on-y in Q1 2017 (including a 1.9% favorable currency effect), driven by price pressure in the wholesale voice carrier market. The adjusted EBITDA margin in Q1 2017 of 2.6% was somewhat lower y-on-y (Q1 2016: 2.8%) as a result of lower revenues.

Profit, Capex, FCF and financial position KPN Group

In Q1 2017, Group operating profit (EBIT) increased by EUR 60m y-on-y to EUR 201m due to lower amortization charges. Amortization in Q1 2016 was impacted by a EUR 45m impairment charge at iBasis. Net profit in Q1 2017 was EUR 44m higher y-on-y at EUR 92m, mainly due to the higher operating profit.

Capex decreased by 16% y-on-y to EUR 266m in Q1 2017, mainly due to lower network investments following a period of elevated investment levels and lower customer driven investments.

Free cash flow in Q1 2017 was EUR 75m higher y-on-y at EUR 35m. The increase was mainly driven by EUR 71m lower interest paid, as a result of the bond redemptions in Q1 2016 and the bond tender in Q3 2016, and EUR 52m lower Capex. This was partly offset by EUR 49m less taxes received following a tax reimbursement in Q1 2016.

Net debt amounted to EUR 6.54bn at the end of Q1 2017, which was EUR 0.22bn lower compared to the end of Q4 2016. The decrease in net debt was mainly driven by the sale of part of KPN's shares in Telefónica and free cash flow generation in Q1 2017. At the end of Q1 2017, net debt to EBITDA was 2.7x (Q4 2016: 2.8x). The average coupon on KPN's senior bonds was 4.1% (Q1 2016: 5.0%).

On 13 March 2017, KPN exchanged 6% of Telefónica Deutschland shares for approximately 1.4% of Telefónica's share capital. Subsequently, KPN has started to reduce its shares in Telefónica with a value-driven focus. KPN retains additional financial flexibility via the remaining 9.5% stake in Telefónica Deutschland. KPN has credit ratings of Baa3 with a stable outlook by Moody's, BBB with a stable outlook by Fitch Ratings and BBB- with a positive outlook by Standard & Poor's (outlook moved to positive from stable during Q1 2017).

Restatements of 2016 financial results

The comparative financial information for 2016 has been restated to reflect a number of developments in KPN's internal management reporting. In terms of FY 2016 operating expenses, the main impact is visible in lower operating expenses for Network, Operations & IT and higher costs for the Wholesale segment.

The main restatements are explained below:

- KPN moved six data centers focused on offering colocation services, to a separate entity ('NLDC') within Wholesale. The activities of NLDC moved from Business to Wholesale and the related expenses moved from Network, Operations & IT to Wholesale. As per KPN's policy, intercompany revenues are minimized; therefore revenues generated by NLDC via the sales channel of the Business segment remain recorded at Business and not at Wholesale
- Reallocation of certain expenses from Cost of goods & services to IT/TI. KPN has decided to reallocate some isolated customer related expenses (COGS) in the Business segment to central IT costs (IT/TI) within Network, Operations & IT as this is a better fit with the nature of these expenses and the way these are managed
- Operating expenses for certain new business activities were moved from Network, Operations & IT to the Business segment, where the related revenues were already recognized

Restatements to adjusted revenues 2016

Adjusted revenues	Published figures					Restated figures					*Delta*
(in EUR m)	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016	*FY 2016*
Consumer	3,139	799	802	767	771	3,143	802	801	768	772	*4*
Business	2,303	572	569	573	589	2,309	573	569	574	593	*6*
Wholesale	737	186	187	184	180	734	185	185	184	180	*-3*
Network, Operations & IT	17	3	5	5	4	17	3	5	5	4	*-*
Other (incl. eliminations)	-170	-41	-45	-43	-41	-177	-44	-42	-45	-46	*-7*
The Netherlands	**6,026**	**1,519**	**1,518**	**1,486**	**1,503**	**6,026**	**1,519**	**1,518**	**1,486**	**1,503**	**-**

Restatements to operating expenses (excl. D&A) by function 2016

Opex excl. D&A by function*	Published figures					Restated figures					*Delta*
(in EUR m)	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016	*FY 2016*
Cost of goods & services	1,449	365	356	362	366	1,421	360	348	357	356	*-28*
Personnel expenses	1,149	285	259	291	314	1,149	285	259	291	314	*-*
IT/TI	517	137	119	128	133	547	143	127	134	143	*30*
Other operating expenses	500	130	127	118	125	498	129	127	117	125	*-2*
The Netherlands	**3,615**	**917**	**861**	**899**	**938**	**3,615**	**917**	**861**	**899**	**938**	**-**

* Adjusted for restructuring costs and incidentals

Restatements to operating expenses (excl. D&A) by segment 2016

Opex excl. D&A by segment*	Published figures					Restated figures					*Delta*
(in EUR m)	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016	*FY 2016*
Consumer	1,247	305	304	317	321	1,242	306	303	316	317	*-5*
Business	921	240	221	226	234	929	239	221	231	238	*8*
Wholesale	227	56	60	56	55	252	63	66	62	61	*25*
Network, Operations & IT	1,141	289	262	281	309	1,106	282	253	271	300	*-35*
Other (incl. eliminations)	79	27	14	19	19	86	27	18	19	22	*7*
The Netherlands	**3,615**	**917**	**861**	**899**	**938**	**3,615**	**917**	**861**	**899**	**938**	**-**

* Adjusted for restructuring costs and incidentals

Analysis of adjusted results Q1 2017

The following table shows the key items between reported and adjusted revenues.

Revenues *(in EUR m)*	Q1 2017 reported	Incidentals	Q1 2017 adjusted	Q1 2016 reported	Incidentals	Q1 2016 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
Consumer	788	-	788	772	-	772	2.1%	2.1%
Business	552	-	552	593	-	593	-6.9%	-6.9%
Wholesale	178	-	178	180	-	180	-1.1%	-1.1%
Network, Operations & IT	4	-	4	4	-	4	0.0%	0.0%
Other (incl. eliminations)	-42	-	-42	-46	-	-46	-8.7%	-8.7%
The Netherlands	**1,480**	**-**	**1,480**	**1,503**	**-**	**1,503**	**-1.5%**	**-1.5%**
iBasis	193	-	193	215	-	215	-10%	-10%
Other activities	1	-	1	1	-	1	0.0%	0.0%
Intercompany revenues	-26	-	-26	-30	-	-30	-13%	-13%
KPN Group	**1,648**	**-**	**1,648**	**1,689**	**-**	**1,689**	**-2.4%**	**-2.4%**

There were no revenue incidentals in Q1 2017 and Q1 2016.

The following table shows the key items between reported and adjusted EBITDA.

EBITDA *(in EUR m)*	Q1 2017 reported	Incidentals	Restruc-turing	Q1 2017 adjusted	Q1 2016 reported	Incidentals	Restruc-turing	Q1 2016 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
The Netherlands	**555**	**-11**	**-13**	**579**	**558**	**-**	**-7**	**565**	**-0.5%**	**2.5%**
iBasis	5	-	-	5	6	-	-	6	-17%	-17%
Other activities	-4	-	-4	-	-5	-	-2	-3	-20%	-100%
KPN Group	**556**	**-11**	**-17**	**584**	**559**	**-**	**-9**	**568**	**-0.5%**	**2.8%**

The following table specifies the opex incidentals in more detail.

Opex incidentals *(in EUR m)*	**Opex category**	**Q1 2017**	**Q1 2016**
Change of provisions	Other operating expenses	-11	-
KPN Group		**-11**	**-**