Press release
29 April 2016

First Quarter 2016 Results

Highlights

- Focus on excellent customer experience led to a continued increase in bundle penetration and high value base growth in Consumer
  - Fixed-mobile bundles now represent 35% of postpaid base (Q1 2015: 24%) and 31% of broadband base (Q1 2015: 20%)
  - +22k broadband net adds, +53k IPTV net adds and +36k postpaid net adds
  - NPS for Consumer improved further to +10; dedicated programs implemented to improve NPS for Business (-11)
- Transformation into Business ICT service provider ongoing; declining traditional fixed services and repricing in mobile, partly offset by growing multi play and new services
- Simplification program delivered approximately EUR 300m run-rate savings by end Q1 2016
- Intention to distribute expected Telefónica Deutschland dividend to KPN shareholders (EUR 2.5 cents per share)

Key figures* (from continuing operations)

Group financials (unaudited) *(in EUR m, unless stated otherwise)*	**Q1 2016**	**Q1 2015**	**Δ y-on-y**
Revenues	1,689	1,758	-3.9%
Adjusted revenues**	**1,689**	**1,758**	**-3.9%**
EBITDA	559	576	-3.0%
Adjusted EBITDA**	**568**	**595**	**-4.5%**
Adjusted EBITDA margin The Netherlands	*37.6%*	*38.2%*	
Operating profit (EBIT)	141	175	-19%
Profit for the period (net profit)	48	23	>100%
Capex	**318**	**334**	**-4.8%**
Free cash flow	**-40**	**30**	**n.m.**

* All non-IFRS terms are explained in the safe harbor section. Certain financial figures and KPIs have been restated, as published on 15 March 2016
** 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. Reconciliations to be found on page 7

Financial performance

- Adjusted revenues declined 3.9% y-on-y in Q1 2016. Growing Consumer revenues were offset by the ongoing decline of the business market size and the impact of the sale of SNT Deutschland end Q1 2015 (-1.3%)
- Adjusted EBITDA decreased by 4.5% y-on-y in Q1 2016. This was a result of lower revenues and temporarily higher IT related costs in network and operations in the run-up to IT rationalization
- Operating profit decreased by 19% y-on-y driven by an impairment charge related to iBasis (EUR 45m). Net profit increased by EUR 25m y-on-y to EUR 48m in Q1 2016, mainly due to lower net finance costs
- Capex in Q1 2016 decreased by 4.8% y-on-y, mainly due to structurally lower network investments following a period of elevated investment levels
- Free cash flow Q1 2016 of EUR -40m was influenced by intrayear working capital and cash interest phasing

Message from the CEO, Eelco Blok

"In the first quarter of 2016, we showed high value customer base growth and increased the number of products per customer in Consumer. This is driven by our successful strategy centered around households and the ongoing convergence of fixed-mobile, with a focus on our high value KPN brand. In Business, we are in a transformation phase with lower revenues from traditional Telco services, partly offset by promising growth in multi play and new services, such as cloud and Internet of Things applications.

As a result of the transformation in the Business and Consumer IT operations domain we incurred additional costs in the first quarter. The execution of our Simplification program is on track and will yield significant savings this year."

Outlook and shareholder remuneration

2016 (continuing operations)

- Adjusted EBITDA in line with 2015
- Capex ~EUR 1.2bn
- Free cash flow (excl. TEFD dividend) > EUR 650m
- Additional cash flow via expected dividend from 15.5% stake in Telefónica Deutschland

KPN intends to pay a total regular dividend per share of EUR 10 cents in respect of 2016 and grow the dividend in line with its free cash flow growth profile thereafter.

KPN will distribute EUR 1.2bn of the combined proceeds from the sale of BASE Company and approximately 5% Telefónica Deutschland shares to its shareholders in the form of a capital repayment of EUR 28 cents per share. This capital repayment was approved by the AGM on 13 April 2016. KPN expects to execute the capital repayment in June 2016, following a creditor objection period of approximately two months.

The remaining 15.5% 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 2015 (EUR 110m) to its shareholders in the form of a special interim dividend distribution of EUR 2.5 cents per ordinary share. The provisional ex-dividend date is 24 May 2016 and the provisional payment date is 27 May 2016.

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.

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

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Safe harbor

Non-GAAP measures and management estimates

This financial report contains a number of non-GAAP figures, such as EBITDA and Free Cash Flow ('FCF'). These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures. 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.* ***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 2015.

Financial and operating review by segment

Consumer

In the first quarter, KPN reinforced its position as the leading converged operator in the Dutch market by showing continued growth of its fixed-mobile base. KPN illustrated its focus on the high value segment by delivering a continued improving customer experience and reduced temporary promotions. Competitiveness increased in the no frills segment of the mobile market, which affected the performance of the Telfort and Simyo brands. However, KPN continued to add high value customers in both mobile and residential, supported by differentiating fixed-mobile bundles, best-in-class networks and the highest customer satisfaction in the Dutch market.

Consumer *(in EUR m)*	**Q1 2016**	**Q1 2015**	**Δ y-on-y**
Revenues	771	750	2.8%
Of which: Consumer Residential	*460*	*451*	*2.0%*
Of which: Consumer Mobile	*311*	*299*	*4.0%*
Adjusted revenues	**771**	**750**	**2.8%**
EBITDA (contribution margin)	449	429	4.7%
Adjusted EBITDA (contribution margin)	**450**	**432**	**4.2%**

Adjusted revenues in consumer increased by 2.8% y-on-y in Q1 2016, supported by continued customer base growth, partly offset by the ongoing decline of traditional fixed voice services. Mobile service revenues increased by 5.9% y-on-y (Q1 2015: -1.8%) driven by high value postpaid net adds in the last quarters. Adjusted EBITDA (contribution margin) increased by 4.2% y-on-y as a result of higher revenues, partly offset by higher operating expenses resulting from a higher number of handset transactions. This resulted in an adjusted EBITDA margin of 58.4% (Q1 2015: 57.6%).

KPN's fixed-mobile households grew to 888k, representing 31% of the broadband customer base (Q1 2015: 20%). The number of postpaid customers in fixed-mobile bundles grew by 114k to 1,286k, equivalent to 35% penetration of the postpaid base at the end of Q1 2016 (Q1 2015: 24%).

KPN's net adds in broadband (+22k) and IPTV (+53k) showed continued good growth in Q1 2016. Triple play net adds were 36k, resulting in a 59% penetration of the broadband customer base (Q1 2015: 54%) and a growing number of RGUs per household (2.10 vs. 1.97 in Q1 2015). This led to a 5.3% y-on-y increase in the ARPU per household to EUR 40 (Q1 2015: EUR 38).

Furthermore, KPN continued to grow its mobile customer base with 36k postpaid net adds. This was fully driven by the high value KPN brand, partly offset by a decrease in the no frills customer base. Postpaid ARPU decreased to EUR 25 in Q1 2016 (Q1 2015: EUR 26), mainly driven by lower above bundle usage, partly offset by continued high value postpaid net adds. The committed part of postpaid ARPU increased to approximately 85%, up 2%-points y-on-y.

Business

KPN operates in an environment where market dynamics are changing, driven by technological developments and evolving customer needs. The transformation of the Business segment is on track. KPN continues to execute its Simplification program and has dedicated programs in place to improve customer satisfaction focused on digital customer interaction and further standardization and automation of processes. Combined with a strong focus on multi play and new services, such as cloud and Internet of Things, this will deliver an improvement in customer satisfaction, opportunities to capture growth in new services and a structurally lower indirect cost base.

KPN strengthened its position in the business market via a number of small in-country acquisitions. For example, KPN added scale in the Dutch cloud market and strengthened its distribution capabilities in the SME segment by acquiring the remaining 87.5% stake in RoutIT (which was already fully consolidated).

Business *(in EUR m)*	**Q1 2016**	**Q1 2015**	**Δ y-on-y**
Revenues	589	632	-6.8%
Adjusted revenues	**589**	**632**	**-6.8%**
EBITDA (contribution margin)	352	379	-7.1%
Adjusted EBITDA (contribution margin)	**355**	**386**	**-8.0%**

Adjusted revenues declined by 6.8% y-on-y in Q1 2016 driven by lower revenues from traditional services and repricing of the mobile base, partly offset by growth in multi play and new services. Adjusted EBITDA (contribution margin) decreased by 8.0% y-on-y in Q1 2016 driven by the continued decline of traditional services, partly offset by lower personnel costs. This resulted in an adjusted EBITDA margin of 60.3% (Q1 2015: 61.1%).

Multi play seats grew by 10k in Q1 2016 to 68k. The total wireless customer base increased by 2k in Q1 2016, but the mobile-only ARPU decreased by 2.9% y-on-y to EUR 33 in Q1 2016 (Q1 2015: EUR 34). Traditional fixed-only services were impacted by rationalization and the ongoing migration towards VoIP and multi play, and access lines fell by 32k to 563k (Q1 2015: 697k). Fixed-only voice ARPU was lower y-on-y at EUR 49 (Q1 2015: EUR 51).

Wholesale

In Q1 2016, KPN completed the phase out of the legacy ATM network for its wholesale customers. The migration of wholesale customers from regulated ULL (Unbundled Local Loop) services to commercially agreed VULA (Virtual Unbundled Access) and WBA (Wholesale Broadband Access) services remains ongoing.

Wholesale *(in EUR m)*	**Q1 2016**	**Q1 2015**	**Δ y-on-y**
Revenues	180	184	-2.2%
Adjusted revenues	**180**	**184**	**-2.2%**
EBITDA (contribution margin)	125	125	0.0%
Adjusted EBITDA (contribution margin)	**125**	**125**	**0.0%**

Adjusted revenues at Wholesale decreased by 2.2% y-on-y in Q1 2016, mainly driven by lower voice volumes. The adjusted EBITDA (contribution margin) remained stable y-on-y, resulting in a higher adjusted EBITDA margin of 69.4% (Q1 2015: 67.9%).

Network, Operations & IT

KPN continued to invest in its high quality networks and IT infrastructure. In fixed, the selective FttH roll-out is combined with the roll-out of fiber to the street cabinets. This resulted in approximately 70% coverage of Dutch households with access to speeds of at least 100Mbps (Q1 2015: 57%). KPN continued to increase capacity and download speeds of its mobile network by implementing carrier aggregation.

Network, Operations & IT *(in EUR m)*	**Q1 2016**	**Q1 2015**	**Δ y-on-y**
Revenues	4	4	0.0%
Adjusted revenues	**4**	**4**	**0.0%**
EBITDA (cost center)	-307	-301	-2.0%
Adjusted EBITDA (cost center)	**-305**	**-297**	**-2.7%**

Costs at Network, Operations & IT were EUR 8m higher y-on-y in Q1 2016 (adjusted for restructuring). KPN incurred additional costs in the first quarter to support the IT transformation in its Consumer and Business operations domain and to connect a few large Business customers, which offset the Simplification savings. These costs comprise temporarily higher external personnel expenses and higher IT expenses in the run-up to IT rationalization. For example, KPN is preparing to switch off IT legacy systems in the Consumer residential and mobile domains, which combined with other aspects of KPN's Simplification program will yield significant savings.

iBasis

In the first quarter, iBasis continued to build market share as a facilitator of international LTE data traffic. iBasis also increased its focus on improving market share in its core wholesale voice business, amongst other things as a provider to OTT services.

iBasis *(in EUR m)*	**Q1 2016**	**Q1 2015**	**Δ y-on-y**
Revenues	215	227	-5.3%
Adjusted revenues	**215**	**227**	**-5.3%**
EBITDA	6	5	20%
Adjusted EBITDA	**6**	**5**	**20%**

Adjusted revenues at iBasis decreased by 5.3% y-on-y in Q1 2016. A small favorable currency effect of 1.3% was offset by lower traffic volumes in Q1 2016. The adjusted EBITDA margin in Q1 2016 of 2.8% was higher y-on-y (Q1 2015: 2.2%) as a result of continued cost focus.

Analysis of adjusted results Q1 2016

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

Revenues *(in EUR m)*	Q1 2016 reported	Incidentals	Q1 2016 adjusted	Q1 2015 reported	Incidentals	Q1 2015 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
Consumer	771	-	771	750	-	750	2.8%	2.8%
Business	589	-	589	632	-	632	-6.8%	-6.8%
Wholesale	180	-	180	184	-	184	-2.2%	-2.2%
Network, Operations & IT	4	-	4	4	-	4	0.0%	0.0%
Other (incl. eliminations)	-41	-	-41	-37	-	-37	11%	11%
The Netherlands	**1,503**	**-**	**1,503**	**1,533**	**-**	**1,533**	**-2.0%**	**-2.0%**
iBasis	215	-	215	227	-	227	-5.3%	-5.3%
Other activities	1	-	1	27	-	27	-96%	-96%
Intercompany revenues	-30	-	-30	-29	-	-29	3.4%	3.4%
KPN Group	**1,689**	**-**	**1,689**	**1,758**	**-**	**1,758**	**-3.9%**	**-3.9%**

There were no revenue incidentals in Q1 2016 and Q1 2015.

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

EBITDA *(in EUR m)*	Q1 2016 reported	Incidentals	Restruc-turing	Q1 2016 adjusted	Q1 2015 reported	Incidentals	Restruc-turing	Q1 2015 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
Consumer *(contribution margin)*	449	-	-1	450	429	-	-3	432	4.7%	4.2%
Business *(contribution margin)*	352	-	-3	355	379	-	-7	386	-7.1%	-8.0%
Wholesale *(contribution margin)*	125	-	-	125	125	-	-	125	0.0%	0.0%
Network, Operations & IT *(cost center)*	-307	-	-2	-305	-301	-	-4	-297	2.0%	2.7%
Other *(incl. eliminations)*	-61	-	-1	-60	-62	-	-1	-61	-1.6%	-1.6%
The Netherlands	**558**	**-**	**-7**	**565**	**570**	**-**	**-15**	**585**	**-2.1%**	**-3.4%**
iBasis	6	-	-	6	5	-	-	5	20%	20%
Other activities	-5	-	-2	-3	1	-	-4	5	n.m.	n.m.
KPN Group	**559**	**-**	**-9**	**568**	**576**	**-**	**-19**	**595**	**-3.0%**	**-4.5%**

There were no EBITDA incidentals in Q1 2016 and Q1 2015.

Group review and other developments

Group financial review (continuing operations)

Adjusted Group revenues were 3.9% lower y-on-y in Q1 2016. KPN continued to grow its Consumer customer base, however this was offset by the ongoing decline of the business market size and the impact of the sale of SNT Deutschland at the end of Q1 2015.

Adjusted Group EBITDA decreased by 4.5% y-on-y in Q1 2016. Customer base growth in Consumer and positive impact lower marketing and housing expenses were offset by the revenue decline in Business and temporarily higher IT related expenses in Network, Operations & IT in the run-up to phasing out legacy IT systems. As a result of this, the adjusted EBITDA margin for The Netherlands in Q1 2016 decreased to 37.6% (Q1 2015: 38.2%).

Group operating profit (EBIT) decreased by EUR 34m y-on-y in Q1 2016 to EUR 141m due to a EUR 45m impairment charge related to iBasis as a result of changing market dynamics. Net profit increased to EUR 48m in Q1 2016, EUR 25m higher y-on-y. The increase in net profit was mainly driven by lower net finance costs due to lower interest costs as a result of lower gross debt level and a book gain related to the sale of KPN's stake in Jasper Technologies in Q1 2016.

Capex decreased by 4.8% y-on-y to EUR 318m in Q1 2016, mainly due to structurally lower network investments following a period of elevated investment levels.

KPN made further progress with its Simplification program in Q1 2016 and has realized run-rate Capex and opex savings of approximately EUR 300m since end 2013.

Free cash flow for Q1 2016 of EUR -40m was influenced by intrayear working capital and cash interest phasing. In the first quarter, KPN's interest payments already amount to approximately 50% of total interest payments for the full year 2016. This was partly offset by a tax reimbursement relating to utilization of tax losses against prior years.

Net debt to EBITDA

Net debt amounted to EUR 5.4bn at the end of Q1 2016, EUR 1.1bn lower compared to the end of Q4 2015 (EUR 6.5bn). The decrease in net debt was mainly driven by proceeds from the sale of BASE Company in February 2016. The net debt to EBITDA ratio was lower at 2.3x at the end of Q1 2016 (Q4 2015: 2.5x). Pro forma the EUR 1.2bn capital repayment, which is expected to be executed in June 2016, the net debt to EBITDA ratio at the end of Q1 2016 would have been 2.8x.

KPN has additional financial flexibility via the remaining 15.5% stake in Telefónica Deutschland.

KPN has credit ratings of Baa3 with a stable outlook by Moody's, BBB- with a stable outlook by Standard & Poor's and BBB- with a positive outlook by Fitch Ratings.

Other developments

Following regulatory approval by the European Commission on 4 February 2016, the sale of BASE Company to Telenet was completed on 11 February 2016. KPN sold and transferred 100% of its interest in BASE Company to Telenet for a consideration of EUR 1,325m. The book gain from the disposal of BASE Company, recognized in discontinued operations in Q1 2016, was EUR 362m.

On 1 April 2016, KPN purchased the remaining 87.5% shares of RoutIT, which was already consolidated in full as KPN held the option to purchase the remaining shares.