

## KPN reports solid start of 2020

Adjusted EBITDA after leases increased 2.1% y-on-y (+3.1% y-on-y corrected for impact of divestments). The effect of lower adjusted revenues was more than offset by net indirect opex savings. Operational free cash flow<sup>1</sup> was solid and free cash flow in Q1 2020 was € 80m (+23% y-on-y corrected for impact of divestments). KPN's balance sheet and liquidity position remains strong, with a leverage ratio of 2.2x and € 696m cash & short-term investments at hand at the end of the quarter. Liquidity is sufficient to cover debt maturities for the next three years. The impact of COVID-19 measures on operational KPIs and financial results was limited in the first quarter of 2020.

It is premature to say what the total impact of COVID-19 measures will be for the remainder of the year. We delivered solid results in the first quarter, however there is high uncertainty about the length of the COVID-19 crisis, its impact on the Dutch economy and our customers, and therefore its impact on KPN.

### Overall, good operational performance for the group, Consumer net adds still under pressure

- Consumer operational performance impacted by ongoing strong competition
  - Convergence:** -18k fixed-mobile households, 49% of broadband base (Q1 2019: 46%); -21k fixed-mobile postpaid customers, 62% of postpaid base (Q1 2019: 59%)
  - Fixed:** +13k fiber net adds, -25k broadband net adds; ARPU increased 5.4% y-on-y to € 48
  - Mobile:** +24k KPN brand postpaid net adds, -13k postpaid net adds across all brands; postpaid ARPU at € 17 for the fifth consecutive quarter, trend improving (-2.4% y-on-y)
  - Consumer NPS** of +15 in Q1 (Q1 2019: +17)
- Business** delivered good progress with customer migrations: 82% of SME and 62% of LE customers migrated from traditional fixed voice or legacy broadband services. NPS improved sequentially to +1 in Q1
- Wholesale** added 21k broadband lines and 12k postpaid SIMs, prepaid SIMs showed a decline of 22k in Q1
- Network** continued ramping up fiber roll-out: added 58k additional FttH households in Q1, 177k since the start in January 2019. ~290 mobile network sites upgraded, ~930 since September 2019
- Continued good progress on **simplification and digitalization** resulted in net indirect opex savings of € 38m in the quarter, € 180m since the start of the program in 2019

### Q1 2020 financial results show a good start of the year<sup>2</sup>

- Q1 2020 **adjusted revenues** declined 2.4% y-on-y (-1.9% y-on-y corrected for impact of divestments): Growth in Wholesale and Professional Services and Security services in Business, was offset by lower revenues from KPN Consulting and continued pressure on fixed voice and mobile services
- Q1 2020 **adjusted EBITDA after leases** increased 2.1% y-on-y (+3.1% y-on-y corrected for impact of divestments). The effect of lower revenues was more than offset by € 38m net indirect opex savings; margin increased to 43.3%
- Q1 2020 **net profit** of € 120m, € 31m higher y-on-y was mainly driven by higher EBITDA and lower finance costs as a result of lower gross debt. This was partly offset by slightly higher depreciation and taxes
- Capex** of € 278m increased 6.3% y-on-y, due to changed intra-year phasing from increased access investments due to accelerated fiber roll-out and mobile network modernization
- Operational free cash flow<sup>1</sup>** was solid at € 297m and was flat y-on-y corrected for impact of divestments
- Free cash flow** (excl. TEFD dividend) increased 16% y-on-y to € 80m (+23% y-on-y corrected for impact of divestments), despite higher Capex due to access investments, and higher cash impact from change in working capital compared to Q1 2019
- Strong liquidity** of € 2.2bn at the end of Q1 2020, consisted of € 422m cash and cash equivalents, € 275m short-term investments, € 1.25bn undrawn revolving credit facility and € 300m undrawn EIB facility<sup>3</sup>

### Key figures

Y-on-y trends in the last column are corrected for the impact of closed divestments: NLDC, International Network Services and Argeweb.<sup>2</sup>

Group financials (unaudited) (in € m, unless stated otherwise)	Q1 2019	Q1 2020	Δ y-on-y	Δ y-on-y excl. impact M&A
Adjusted revenues	1,362	1,329	-2.4%	-1.9%
Adjusted EBITDA after leases	563	575	+2.1%	+3.1%
As % of adjusted revenues	41.4%	43.3%		
Operating profit (EBIT)	189	216	+14%	
Net profit	89	120	+35%	
Capex	261	278	+6.3%	
As % of adjusted revenues	19.2%	20.9%		
Operational free cash flow <sup>1</sup>	302	297	-1.5%	0.0%
As % of adjusted revenues	22.2%	22.4%		
Free cash flow (excluding TEFD dividend)	69	80	+16%	+23%
As % of adjusted revenues	5.1%	6.0%		
Cash & short-term investments	392	696		

<sup>1</sup> Adjusted EBITDA AL -/- Capex

<sup>2</sup> For information purposes only, Q1 2019 corrected for impact of divestments to be found on page 10

<sup>3</sup> EIB facility was fully drawn on 2 April 2020

## Message from the CEO, Joost Farwerck

*“The COVID-19 pandemic is an unprecedented challenge, for people, businesses and society. We have undertaken several initiatives to ensure Dutch society stays connected in these challenging times, while focusing on the wellbeing of our people and customers and on business continuity. We are also supporting important sections of our society such as health organizations and elderly people. Since the beginning of the outbreak, we successfully accommodated a significant increase in traffic on mobile and fixed networks. I am proud of the way in which all of our employees are dealing with the situation and the collaboration in the company seems stronger than ever.*”

*From a business perspective, COVID-19 has had a limited impact on our operational KPIs and financial results in the first quarter. We continued with the execution of our strategic plan and saw continued intense competition in the Dutch market, resulting in a lower customer base in Consumer. Mobile postpaid ARPU in consumer stayed at € 17 for the fifth consecutive quarter. In Business, we made again solid progress with customer migrations towards our KPN EEN portfolio; 82% of our SME and 62% of our LE customers migrated from traditional fixed voice or legacy broadband services. We continued to digitalize and simplify our organization, which led to strong cost savings in the quarter. In Wholesale, the announced assessments of regulated tariffs were discontinued by regulator ACM following the CBb court ruling on wholesale fixed access regulation. KPN's fixed access network is no longer regulated, however KPN has reconfirmed its open wholesale policy based on its voluntary offer and the long-term contracts it has in place with several parties. During the first quarter, we rolled-out 58,000 households to our fiber network, a three-month figure representing almost half of connections that we achieved in the whole of 2019.*

*We delivered on our strategy in the quarter, to which we remain fully committed. Looking ahead, it is clear that risks to our outlook have increased due to the COVID-19 situation. The Dutch economy is expected to move towards a recession. However, it is as of yet premature to estimate the duration of this situation through the remainder of 2020, as well as how it will impact our customers and KPN for 2020. Reassuringly, we have a strong liquidity position and the connectivity and communication services are a basic need for people and businesses. We also have the ability to adjust our measures as an economic crisis develops. We expect to have more clarity about what this means for KPN in 2020 at the end of the second quarter.”*

## KPN has undertaken several initiatives for its employees, customers, and the Dutch society

- Minimizing physical contact amongst employees; mostly working from home including all call center agents.
- Offering employees additional leave hours and facilities to work from home, to best combine work and private life during this time.
- New reorganization requests are postponed until 1 June 2020. Scaled down further on external personnel and reducing the hiring of new employees to a minimum.
- Minimizing physical contact with customers: 16 out of 107 shops open in a safe way, no physical sales meetings in Business, completely moving to online sales and service model.
- Field engineers activities adjusted to the current situation taking into account the safety of our people and customers.
- Unilateral measures to support our customers in these difficult times:
  - Free TV channels for Consumer until 1 June 2020;
  - For our KPN EEN SME and Corporate customers, we have dropped out-of-bundle costs until end of April 2020;
  - Providing free conference numbers and - with the help of Trend Micro - free antivirus scanners;
  - In the healthcare sector we are accelerating the roll-out of workplace facilities to meet growing demand for capacity and operate new emergency locations. We have put in place extra monitoring of hospital networks as these come under more pressure.
- SME suppliers can count on payment within 30 days.
- We are working with our main contractors to protect the 3,000 jobs involved in our fiber roll-out and maintain the expertise around network build-out in the Netherlands.
- We are committed to supporting the most vulnerable in society, including children who do not have access to education due to a lack of digital means. We have made 1,000 4G routers available so these children can continue their educations online.

## Premature to say what the total impact of COVID-19 measures will be for KPN for the remainder of the year

### High uncertainty about impact COVID-19 on the Dutch economy, KPN customers and therefore on KPN

With the COVID-19 pandemic continuing and the Netherlands moving towards a recession, the ultimate impact on the Dutch economy and the position of our customers is currently difficult to predict.

Against this backdrop, KPN still generated solid results in Q1 2020, which show we are on track with the execution of our strategy. Demand for our essential connectivity services remained solid, and we have a robust liquidity position.

From a go-forward perspective, we continue to manage our business through the COVID-19 situation, closely monitoring a number of business drivers including payment behavior, net working capital and credit quality. During the first quarter, we started to see limited impact for a period of two to three weeks, and we remain alert throughout Q2. Meanwhile we prepare to take more necessary measures.

We are also looking closely at our revenue risk profile. Consumer, Wholesale and B2B Soho segments account for a large part of our revenue base, and impact here is currently mostly visible through lower roaming revenues and lower handset sales. In the Business segment, we have also seen lower IT and roaming revenues but across the board we see steadily increasing levels of data and voice traffic.

Lastly, we are considering the impact of changes in payment behavior or even bad debts in parts of our Business client base. Importantly, our SME exposure is relatively limited, and sectors such as hospitality, leisure and travel represent a minority within that SME base. Also, many of our LCE customers are active in the public sector.

We also identified a number of cost opportunities as potential counter measures.

Overall, while it is apparent that the external situation does increase the risk to our stated 2020 outlook, the combination of our good start to the year and our lack of visibility into the remainder of the year means it would be premature to confirm whether our 2020 outlook need to be updated. We expect to have a better visibility on potential operational and financial impact at the end Q2 2020. Therefore, we expect to be able to clarify our position at the end of the second quarter.

Meanwhile, we remain committed to our strategy and it is our ambition to reach our 2020 outlook as provided in January 2020, which as a reminder is as follows:

- Adjusted EBITDA AL: Stable to slightly growing compared to 2019<sup>4</sup>
- Capex: € 1.1bn
- FCF (excl. TEFD dividend): at least mid-single digit percentage growth compared to 2019<sup>5</sup>
- Regular DPS: € 13.0 cents

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<sup>4</sup> FY 2019 Adjusted EBITDA AL of € 2,287m, corrected for divestments. This is € 30m lower compared to € 2,317m as reported for FY 2019

<sup>5</sup> FY 2019 FCF (excl. TEFD dividend) of € 718m, corrected for divestments. This is € 8m lower compared to € 726m as reported for FY 2019

## Financial review KPN Group Q1 2020

### Market environment

Increased competitive activity continued in the fixed broadband market, with three players focusing on converged customers and increased competition from local fiber operators in rural areas. The mobile market has remained competitive. First signs of stabilization are visible in the no-frills segment of the market, while the premium segment remains highly competitive with all operators now offering unlimited data.

### Key financial metrics

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q1 2019	Q1 2020	Δ y-on-y	Δ y-on-y <small>excl. impact M&amp;A*</small>
Service revenues	1,265	1,234	-2.5%	-1.9%
Non-service revenues & other	96	95	-1.4%	-1.4%
<b>Adjusted revenues</b>	<b>1,362</b>	<b>1,329</b>	<b>-2.4%</b>	<b>-1.9%</b>
Cost of goods & services	309	315	+1.9%	-1.3%
Personnel expenses	276	246	-11%	-10%
IT/TI	93	81	-12%	-9.4%
Other operating expenses	78	73	-5.9%	-1.9%
Total adjusted opex	756	715	-5.4%	-5.6%
Depreciation right-of-use asset	35	33	-5.1%	+1.0%
Interest lease liabilities	8	6	-25%	-13%
Total adjusted indirect opex after leases	489	439	-10%	-8.1%
<b>Adjusted EBITDA after leases</b>	<b>563</b>	<b>575</b>	<b>+2.1%</b>	<b>+3.1%</b>
<i>As % of adjusted revenues</i>	<i>41.4%</i>	<i>43.3%</i>		
Operating profit (EBIT)	189	216	+14%	
Net profit	89	120	+35%	
FTE own personnel (#)	12,263	11,117	-9.3%	

\* Q1 2019 corrected for impact of divestments to be found on page 10

In Q1 2020, adjusted revenues declined 2.4% y-on-y (-1.9% y-on-y corrected for impact of divestments). Growth in Wholesale and Professional Services and Security in the Business segment was offset by lower revenues from KPN Consulting and continued pressure on fixed voice and mobile services. In the quarter, service revenues declined 2.5% y-on-y (-1.9% y-on-y corrected for impact of divestments) and non-service revenues declined 1.4% y-on-y.

Cost of goods and services increased 1.9% y-on-y in Q1 2020, driven by the divestment of NLDC which caused a shift from indirect opex after leases (€ 12m positive impact from divestments) to direct opex (€ 10m negative impact from divestments). Excluding the effect from divestments, cost of goods and services were 1.3% lower y-on-y, personnel expenses declined 10% y-on-y, driven by the ongoing digital transformation of KPN that leads to a reduction in own and temporary personnel, and IT/TI expenses declined 9.4% y-on-y, largely driven by simplification of networks, IT rationalization, and contract renegotiations with suppliers. Accelerating simplification and digitalization drives substantial improvements in quality and customer experience and results in structural savings. In Q1 2020, total net indirect opex savings were € 38m.

Adjusted EBITDA after leases increased 2.1% y-on-y (+3.1% y-on-y corrected for impact of divestments). The effect of lower revenues was fully offset by strong and disciplined cost control. Adjusted EBITDA AL margin increased to 43.3% from 41.4% in Q1 2019.

Operating profit (EBIT) increased € 27m y-on-y, driven by higher Adjusted EBITDA after leases and lower restructuring costs, partly offset by higher charges for depreciation and amortization. P&L restructuring costs were € 10m in the quarter compared to € 36m in the first quarter last year. KPN realized a strong headcount reduction in 2019, starting with a lower FTE count at the start of 2020. This led to a lower FTE reduction and related restructuring charges in Q1 2020. Delayed new reorganization requests as a result of the COVID-19 outbreak had no effect.

Net profit of € 120m was € 31m higher y-on-y. Higher operating profit was mainly supported by lower finance costs and higher share of profit of associates and joint ventures. Lower finance costs were driven by lower gross debt and lower lease interest. This was partly offset by lower other financial results, mainly due to the release of hedge reserve on the GBP hybrid and lower amortization of discontinued swaps after the USD bond tender. Income taxes reported was higher compared to last year due to higher profit before tax.

## Financial position

Group financials (unaudited) (in € m, unless stated otherwise)	Q1 2019	Q1 2020	Δ y-on-y	Δ y-on-y excl. impact M&A*
Operational free cash flow**	302	297	-1.5%	0.0%
As % of adjusted revenues	22.2%	22.4%		
Free cash flow (excluding TEFD dividend)	69	80	+16%	+23%
As % of adjusted revenues	5.1%	6.0%		
Net debt	5,644	5,063		
Gross debt	6,036	5,759		
Cash & short-term investments	392	696		
Leverage ratio***	2.5x	2.2x		
Interest cover ratio****	6.1x	8.7x		
<b>Credit ratings</b>	<b>Rating</b>	<b>Outlook</b>		
Standard & Poor's	BBB	Stable		
Fitch Ratings	BBB	Stable		
Moody's	Baa3	Stable		

\* Q1 2019 corrected for impact of divestments to be found on page 10

\*\* Adjusted EBITDA AL -/- Capex

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

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

In the quarter, KPN generated operational free cash flow (Adjusted EBITDA AL minus Capex) of € 297m, flat y-on-y corrected for impact of divestments. Free cash flow (excl. TEFD dividend) was € 11m higher y-on-y at € 80m, and € 15m or 23% higher y-on-y when corrected for impact of divestments. This strong increase was achieved despite an increase in Capex, a negative change in provisions, and a higher negative cash impact from change in working capital. Restructuring cash out was € 22m in the quarter, which is € 7m lower compared to the first quarter last year, mainly due to strong headcount reduction in 2019.

At the end of Q1 2020, net debt amounted to € 5,063m, € 581m lower compared to end Q1 2019 and € 85m lower compared to the end of Q4 2019. The sequential decline in net debt was mainly driven by solid free cash flow generation supported by lower interest payments.

KPN had a strong balance sheet and liquidity position at the end of Q1 2020. KPN had € 6.3bn nominal debt outstanding, of which € 461m is maturing in September 2020 and € 613m in 2021. KPN's committed liquidity consisted of € 422m cash and cash equivalents, € 275m short-term investments, € 1.25bn undrawn revolving credit facility, and € 300m undrawn EIB facility.<sup>6</sup> KPN's total liquidity of € 2.2bn is sufficient to cover debt maturities until the end of 2022. As at 31 March 2020, net debt to EBITDA ratio was 2.2x (Q4 2019: 2.2x). This includes equity credit on the hybrid bonds representing 0.2x net debt to EBITDA. KPN's interest cover ratio was 8.7x at the end of the quarter (Q4 2019: 7.7x). In the quarter, weighted average cost of senior debt was 3.2%, 30bps lower y-on-y. On 14 March 2020, KPN redeemed the € 400m hybrid bond with a 6.875% coupon. The instrument had already been refinanced through the issuance of a € 500m perpetual hybrid bond with a coupon of 2.0% in November 2019.

At the end of Q1 2020, Group equity amounted to € 2,720m, € 213m higher compared to the end of Q4 2019. This was mainly driven by net profit generated during the quarter and gains related to changes in KPN's hedge reserve.

## Capex

Group financials (unaudited) (in € m, unless stated otherwise)	Q1 2019	Q1 2020	Δ y-on-y
Capex	261	278	+6.3%

Capex increased by 6.3% to € 278m in Q1 2020, mainly driven by different intra-year phasing of increased access investments. The higher access investments are the result of KPN accelerating its fiber to the home roll-out and the modernization of its mobile network.

## Changes in corporate structure

The sale of KPN Consulting was completed on 1 April 2020. The results of KPN Consulting will no longer be included in the KPN Group consolidation as of Q2 2020. This transaction is in line with KPN's strategy to accelerate the simplification of the company and focus on a converged and simplified portfolio.

<sup>6</sup> EIB facility was fully drawn on 2 April 2020

## Financial and operating review per segment Q1 2020

### Consumer

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q1 2019	Q1 2020	Δ y-on-y	Δ q-on-q
Fixed revenues	477	477	0.0%	
Mobile revenues	251	234	-6.8%	
<b>Adjusted revenues</b>	<b>728</b>	<b>712</b>	<b>-2.3%</b>	
Total Consumer NPS	+17	+15	-2	-4
Total Consumer Convergence NPS	+28	+26	-2	-3
<b>Convergence KPIs</b>				
Fixed-Mobile households (k)	1,358	1,384	+26	-18
Fixed-Mobile penetration as % of broadband base	46%	49%		
Fixed-mobile postpaid # SIMs (k)	2,126	2,233	+107	-21
Fixed-mobile penetration as % of postpaid base (all brands)	59%	62%		
<b>Fixed KPIs</b>				
Total Fixed households (k)	3,395	3,188	-207	-48
Total broadband base (k)	2,927	2,823	-104	-25
Fixed ARPU (€)	46	48	+5.4%	
<b>Mobile KPIs</b>				
Total Mobile customers (#SIMs, k)	4,863	4,618	-245	-56
Postpaid ARPU (€)	17	17	-2.4%	

In Q1 2020, adjusted revenues declined 2.3% y-on-y, fully driven by lower mobile service revenues and lower handset sales. Fixed revenues were flat compared to Q1 2019, as the declining customer base was offset by higher ARPU. Mobile service revenues declined 5.6% y-on-y, largely driven by continued pressure on KPN's prepaid segment and partly by lower postpaid ARPU and a lower postpaid customer base.

KPN's converged household base declined 18k q-on-q from Q4 2019 to 1,384k in Q1 2020, representing 49% of broadband customers (Q4 2019: 49%). The converged postpaid customer base declined by 21k in Q1 2020 compared to end of Q4 2019 to 2,233k, representing 62% of postpaid customers (Q4 2019: 63%). KPN added 13k fiber customers in the first quarter (Q4 2019: +14k). Total broadband net adds were -25k q-on-q and the IPTV customer base declined by 9k q-on-q in Q1 2020. The decline in converged, broadband and IPTV customers was mainly driven by strong competition, reflected in aggressive promotions in the fixed market and by increased competition from local fiber operators in rural areas. KPN remains focused on value over volume, and in line with that strategy it introduced the well-received Super WIFI in the first quarter, distinguishing itself as undisputed quality leader. KPN commercially introduced a 1Gbps proposition on fiber in March 2020. This will further strengthen KPN's position in the premium segment. Fixed ARPU increased 5.4% y-on-y to € 48 in Q1 2020, mainly driven by price adjustments effective 1 June 2019, higher inflow ARPU following the integration of Telfort and a declining customer base for PSTN and Digipenne services.

The KPN brand postpaid customer base grew 24k in Q1 2020 compared to end of Q4 2019. KPN's postpaid net adds across all brands were -13k in Q1 2020. In Q1 2020, KPN focused its communication on the high value segment with its strong Unlimited data proposition, which led to a higher inflow ARPU. Postpaid ARPU remained at € 17 sequentially for the fifth quarter in a row and showed an improving trend (-2.4% y-on-y).

Good progress was made with the KPN brand strategy. KPN finalized the technical migration of Telfort Mobile and introduced new features such as free modem choice and Fritz!box, under the KPN brand.

In Q1 2020, Consumer NPS was +15 (Q1 2019: +17). NPS was lower due to the migration of Telfort mobile customers to the KPN brand who are not yet willing to recommend KPN. Customers continue to recognize KPN as best in class in terms of network and service level.

The impact of COVID-19 measures in the first quarter was limited and mainly visible on mobile non-service revenues due to less handset sales and lower roaming revenues. Most handsets are sold in retail shops, which were closed to protect the health and safety of employees and customers on 18 March. Throughout the country, 16 KPN XL shops were reopened with safety precautions. House calls by field engineers were limited as much as possible and most requests were handled digitally by the newly introduced remote engineer. Retail employees support customer service call centers to increase capacity. Free TV channels for Consumer customers were offered since the last week of March, and therefore have had a limited impact on revenues in the quarter. All these measures reflect KPN's operational flexibility and its commitment to prioritizing customer value.

## Business

Segment financials (unaudited) (in € m, unless stated otherwise)	Q1 2019	Q1 2020	Δ y-on-y	Δ y-on-y excl. impact M&A*
Communication Services	326	288	-12%	-9.5%
IT Services (a.o. security, cloud, workspace)	67	67	+0.6%	+2.9%
Professional Services	93	105	+13%	
KPN Consulting	20	17	-16%	
Other	0	1		
<b>Adjusted revenues</b>	<b>506</b>	<b>478</b>	<b>-5.5%</b>	<b>-4.0%</b>
Total Business NPS	+3	+1		
<b>Migrations</b>				
SME customers	50%	82%		
LE customers	25%	62%		

\* Q1 2019 corrected for impact of divestments to be found on page 10

In Q1 2020, adjusted revenues declined 5.5% y-on-y (-4.0% corrected for impact of divestments). This was fully driven by lower revenues from Communication Services (-9.5% y-on-y corrected for impact of divestments), partially compensated for by higher revenues from Professional Services (+13% y-on-y). The revenue decline in Communication Services was impacted considerably by planned strategic actions, such as the migrations from traditional technology to the future-proof portfolio, resulting in lower revenues from Fixed Voice (-23% y-on-y). The decline was also impacted by lower mobile service revenues (-6.8% y-on-y), which was partially driven by competition and partially by lower roaming revenues due to COVID-19 travel ban measures, and lower Broadband & Network Services (-1.8% corrected for impact of divestments).

Adjusted revenues from IT Services increased 0.6% y-on-y (+2.9% corrected for impact of divestments), mainly driven by Security. KPN continued to experience pressure in the LE & Corporate segment as customers focus on simplifying their IT landscape with a low-cost focus. Adjusted revenues from Professional Services increased 13% y-on-y, driven by more project related work. Revenues from KPN Consulting declined 16% y-on-y.

Following the discontinuation announcement of ISDN (1/2) and PSTN services, most ISDN and PSTN customers have now switched to a future-proof alternative such as KPN EEN, KPN Kleinzakelijk (small business proposition), or KPN Smart Combinations. 82% of SME customers (Q4 2019: 74%) and 62% of LE customers (Q4 2019: 53%) eligible for migration have migrated from traditional fixed voice or legacy broadband services. Although the effects of rationalization negatively impact service revenues from fixed voice in the shorter term, these migrations provide significant opportunities for up and cross-sell of additional network, ICT and security services. KPN expects to realize cost savings from moving to lean and digital operations and integrating IT systems. In addition, it will support customer loyalty as the future-proof propositions improve customer experience. Business NPS was +1 (Q1 2019: +3). The sequential improvement in NPS in the first quarter of this year was mainly driven by an increase at self-employed/Soho and Large Corporate customers.

The impact of COVID-19 measures was limited in Q1 2020 results. KPN has upgraded many customers to enable working from home. KPN services are stable and performing well under this new situation. KPN also provided free support to help manage this crisis for the Netherlands. This includes free conference calling until 1 May, content and support on working from home, free security and digitization advise towards healthcare.

KPN saw increased demand for workspace management and security in the (semi) public and health sector. To protect the health and safety of employees and customers, visits by field engineers were limited and KPN expects migrations that require physical installations to be postponed. At the same time, measures to reduce cost are taken accordingly. There was a decline in roaming due to the COVID-19 measures leading to less travel. In Q1 2020, KPN saw limited impact in payment behavior of its customers.

## Wholesale

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q1 2019	Q1 2020	Δ y-on-y	Δ y-on-y excl. impact M&A*
Fixed revenues	124	118	-4.8%	+4.8%
Mobile service revenues	34	35	+3.1%	
<b>Adjusted revenues</b>	<b>156</b>	<b>153</b>	<b>-2.4%</b>	<b>+5.2%</b>
<b># Customers (k)</b>				
Fixed	999	1,069	+7.0%	
Mobile Postpaid	337	382	+13%	
Mobile Prepaid	438	369	-16%	
Mobile total	775	751		

\* Q1 2019 corrected for impact of divestments to be found on page 10

In Q1 2020, adjusted revenues decreased 2.4% y-on-y, fully driven by € 11m negative impact from the sale of NLDC. Excluding this effect, adjusted revenues increased 5.2% y-on-y. Continued growth in mobile service revenues was driven by an increasing number of customers and higher ARPU due to increasing data usage. Higher fixed revenues were driven by an increased Wholesale Broadband Access (WBA) and ODF access (FtTH) portfolio, partly offset by lower revenues from international and national terminating traffic and from traditional fixed portfolio (WLR, MDF). Wholesale added +21k broadband lines in Q1 2020. The sum of total broadband net adds between Consumer and Wholesale declined by 4k in Q1 2020. The impact of COVID-19 on Wholesale was mainly visible on roaming revenues, which showed a substantial decline in the last two weeks of March.

The announced assessments of regulated tariffs (ODF, VULA copper and FtTH) were discontinued by regulator ACM following the CbB court ruling on wholesale fixed access regulation. KPN has reconfirmed its open wholesale policy based on its voluntary offer for ODF, WBA and VULA and the long-term contracts it has in place with several parties.

## Network, Operations & IT

Segment financials (unaudited)	Q1 2019	Q1 2020	Δ y-on-y
FtTH households own roll-out (k)	2,360	2,523	+163
FtTH households 3rd party roll-out (k)	32	51	+19
<b>FtTH households total (k)</b>	<b>2,384</b>	<b>2,566</b>	<b>+182</b>
Mobile sites modernized (#)	n.a.	~930	n.a.
Legacy lines to be migrated (k)	~600	~130	-470

In Q1 2020, KPN further accelerated its fiber roll out by adding 58k households to its base and has passed the milestone of 2.5 million homes passed. The number of additional homes passed in the first quarter is approximately half of KPN's FY 2019 FtTH production.

As part of its full network modernization, KPN upgraded approximately 290 mobile sites with the latest mobile RAN equipment during the first quarter of 2020. The speed of the mobile network modernization is impacted by COVID-19 measures as indoor and rooftop sites are less accessible. KPN is confident to be able to restore the pace of the mobile network modernization once the government lifts measures against the spread of COVID-19. Customers can already experience the benefits of 5G in several KPN XL shops.

KPN made solid progress towards becoming All-IP by the end of 2021 with the migration of 48k legacy lines in the first quarter. Currently approximately 130k lines are left to be migrated to IP-based infrastructure. KPN announced the phase out of 2.4m copper connections in fiber areas as per 2023.

## Analysis of adjusted results Q1 2020

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

Revenues (in € m)	Q1 2019	Q1 2020	Δ y-on-y
Consumer	728	712	-2.3%
Business	506	478	-5.5%
Wholesale	156	153	-2.4%
Network, Operations & IT	2	1	-9.3%
Other (incl. eliminations)	-31	-15	-51%
<b>Total revenues</b>	<b>1,362</b>	<b>1,329</b>	<b>-2.4%</b>
<b>Revenues incidentals</b>			
Consumer	-	-	
Business	-	-	
Wholesale	-	-	
Network, Operations & IT	-	-	
Other (incl. eliminations)	-	-	
<b>Total revenues incidentals</b>	<b>-</b>	<b>-</b>	
Consumer	728	712	-2.3%
Business	506	478	-5.5%
Wholesale	156	153	-2.4%
Network, Operations & IT	2	1	-9.3%
Other (incl. eliminations)	-31	-15	-51%
<b>Total adjusted revenues</b>	<b>1,362</b>	<b>1,329</b>	<b>-2.4%</b>

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

(in € m)	Q1 2019	Q1 2020	Δ y-on-y
<b>EBITDA</b>	<b>570</b>	<b>604</b>	<b>+6.0%</b>
Incidentals	-	-	
Restructuring	36	10	-72%
<b>Lease-related expenses</b>			
Depreciation right-of-use asset	-35	-33	-5.1%
Interest lease liabilities	-8	-6	-25%
<b>Adjusted EBITDA after leases</b>	<b>563</b>	<b>575</b>	<b>+2.1%</b>

## Q1 2019 corrected for impact of M&A

The following table shows the estimated adjustments of Q1 2019 results for the combined impact of completed divestments of NLDC (3 months), International Network Services (3 months) and Argeweb (3 months), as if the actual transfer of shares (closing) had taken place 12 months earlier:

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q1 2019	Impact divestments	Q1 2019 excl. divestments	Q1 2020	Δ y-on-y excl. divestments
Consumer	728	-	728	712	
Business	506	-8	498	478	-4.0%
Wholesale	156	-11	145	153	+5.2%
Network, Operations & IT	2	-	2	1	
Other (incl. eliminations)	-31	+12	-19	-15	-20%
<b>Adjusted revenues</b>	<b>1,362</b>	<b>-7</b>	<b>1,354</b>	<b>1,329</b>	<b>-1.9%</b>
Service revenues	1,265	-7	1,258	1,234	-1.9%
Non-service revenues & other	96	-	96	95	-1.4%
Cost of goods & services (direct opex)	309	+10	319	315	-1.3%
Personnel expenses	276	-3	274	246	-10%
IT/IT	93	-3	90	81	-9.4%
Other operating expenses	78	-3	74	73	-1.9%
Lease-related expenses	43	-3	40	39	-1.3%
Incidentals	-	-	-	-	
Restructuring	-36	-	-36	-10	-72%
<b>Adjusted indirect opex after leases</b>	<b>489</b>	<b>-12</b>	<b>477</b>	<b>439</b>	<b>-8.1%</b>
<b>Adjusted EBITDA after leases</b>	<b>563</b>	<b>-6</b>	<b>558</b>	<b>575</b>	<b>+3.1%</b>
<b>Operational free cash flow</b>	<b>302</b>	<b>-4</b>	<b>298</b>	<b>297</b>	<b>0.0%</b>
<b>Free cash flow (excl. TEFD dividend)</b>	<b>69</b>	<b>-4</b>	<b>65</b>	<b>80</b>	<b>+23%</b>

All related documents can be found on KPN's website: [ir.kpn.com](http://ir.kpn.com)

**For further information:****Corporate Communications**

Media Relations

Tel: +31 70 446 6300

E-mail: [press@kpn.com](mailto:press@kpn.com)**Investor Relations**

Tel: +31 70 446 0986

[ir.kpn.com](http://ir.kpn.com)**Formal disclosures:****Royal KPN N.V.**

Head of IR: Bisera Grubestic

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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 2019. 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 2019 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 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.*

*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 2019. 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 2019, unless stated otherwise.*

**Additional information regarding impact of divestments on Q1 2019 financial figures**

*KPN's Q1 2020 Press Release and Q1 2020 Analyst Presentation include additional information regarding impact of divestments on the Q1 2019 comparative financial figures for revenues, adjusted EBITDA AL, operational free cash flow and FCF, as KPN's Board of Management deems it important to provide readers with additional information on the financial impact of the following divestments: NLDC, International Network Services and Argeweb.*

*The impact of divestments as mentioned represents the estimated financial impact (transfer of revenues, addition of COGS and transfer of indirect costs) of the combined completed divestments as if the actual transfer of shares (closing) had taken place 12 months earlier. This information has been included for comparison reasons only and is not considered to be an alternative performance measure. Please note that the financial impact of divestments is based on management estimates, which have not and will not be audited.*