Press release
26 April 2019

First quarter results 2019

Operational highlights

- Solid performance in competitive Consumer market
  - Record-high Consumer NPS of +17 (Q1 2018: +11)[1]
  - +61k fixed-mobile postpaid customers, reaching 59% of postpaid base (Q1 2018: 53%)
  - +14k fixed-mobile households, reaching 46% of broadband base (Q1 2018: 43%)
  - Fixed ARPU increased 5.4% y-on-y to € 46; postpaid ARPU decreased 5.0% y-on-y to € 17
  - +1k[2] broadband, +16k IPTV and -6k postpaid net adds
- Progressing with customer migrations in Business
  - Record-high Business NPS of +3 (Q1 2018: -5)[1]
  - 50% of SME customers migrated from traditional fixed voice or legacy broadband services, negatively impacting Business revenues in short term
- Solid start to new cost savings program: € 27m net indirect opex savings[3]
- Full focus on the Netherlands; sale of iBasis completed on 7 February 2019

Key figures*

Group financials (unaudited) *(in € m, unless stated otherwise)*	**Q1 2018**	**Q1 2019**	**Δ y-on-y**
Adjusted revenues**	1,402	1,362	-2.9%
EBITDA	598	570	-4.7%
Adjusted EBITDA after leases**	**565**	**563**	**-0.3%**
As % of Adjusted revenues	*40.3%*	*41.4%*	
Operating profit (EBIT)	216	189	-12%
Net profit	99	89	-10%
Capex	**236**	**261**	**11%**
Free cash flow*** (excl. TEFD dividend)	**121**	**69**	**-43%**

* All non-IFRS terms are explained in the safe harbor section
** Adjusted revenues and adjusted EBITDA after leases reconciliations to be found on page 8
*** After leases

Financial highlights

- Adjusted revenues 2.9% lower y-on-y
  - Growth in bundled services in Consumer and Professional Services in Business
  - Offset by a decline in legacy services and continued pressure in mobile
- Adjusted EBITDA after leases in line with last year
  - Effect of lower revenues offset by savings from accelerated simplification and digitalization
- Net profit 10% lower y-on-y
  - Impacted by € 23m higher restructuring costs y-on-y, partly offset by lower net finance costs and lower income taxes
- Free cash flow (excluding TEFD dividend) of € 69m
  - Decline y-on-y mainly driven by higher restructuring costs and higher Capex
  - Higher Capex y-o-y mainly due to accelerated FttH roll-out
  - Interest costs and change in working capital in the quarter reflecting intra-year phasing

[1] 2018 restated as result of recalibration of relative weights of underlying businesses
[2] Corrected for migrations to, and new customers of, small business proposition (8k)
[3] Net savings in adjusted indirect opex after leases

Message from the CEO, Maximo Ibarra

"Our performance in the first quarter reflects a mix of an ongoing competitive environment and the impact of the execution of our strategic actions. We are making good progress with the accelerated simplification and digitalization of our company, which delivered significant cost savings in the first quarter. On the other hand, in Business, customer migrations to our future proof KPN EEN portfolio and 'value over volume' approach had an adverse effect on revenues. We achieved Adjusted EBITDA AL in line with last year, and we are confident to deliver on our full-year outlook.

Customer satisfaction has increased in both Consumer and Business, a clear indication that our customers appreciate the quality of the connectivity and services we deliver. In addition, we announced our brand strategy to fully focus on the KPN brand. This will enable us to drive growth in the profitable convergence segment, as well as to further drive simplification of our company. As part of our accelerated FttH roll-out strategy, we opted to deploy the latest PON technology to strengthen the performance of our fiber network. This will make symmetrical speeds of up to 10Gbps possible, providing a true future-proof connection for our customers."

IFRS 16 and financial KPIs

KPN adopted the IFRS 16 accounting standard, effective as of 1 January 2019. Under IFRS 16, lease expenses are reported below EBITDA. As a result, KPN introduced the following financial KPIs, taking into account the full impact of leases:

- Adjusted EBITDA after leases ('Adjusted EBITDA AL');
- Adjusted indirect opex after leases;
- Free cash flow after leases ('FCF'); and
- Leverage ratio, defined as 'Net debt (excl. all leases)' divided by 'Adjusted EBITDA AL'.

Outlook 2019 and 2019 – 2021 ambitions

Following the introduction of IFRS 16, KPN's outlook and 2019 – 2021 ambitions now reflect the following KPIs: Adjusted EBITDA AL and FCF.

	Outlook 2019	2019 – 2021 ambitions
Adjusted EBITDA AL	In line with 2018	Organic growth
Capex	€ 1.1bn	Stable at € 1.1bn annually
FCF (excl. TEFD dividend)	Front-end loaded restructuring charges leading to incidentally lower FCF compared with 2018	Three-year mid-single digit CAGR* driven by EBITDA AL growth
Regular DPS	€ 12.5 cents	Progressive dividend, supported by FCF

* Three-year CAGR calculated from the end of 2018 to the end of 2021

Shareholder remuneration and financial profile

KPN intends to pay a regular dividend per share of € 12.5 cents in respect of 2019. KPN aims for sustainable FCF (excl. TEFD dividend) growth, driving a progressive regular dividend per share and deleveraging.

At the end of Q1 2019, KPN owned a stake of 3.5% in Telefónica Deutschland, which provides KPN with additional financial flexibility and is treated as a financial investment.

KPN remains committed to an investment grade credit profile and aims for a leverage ratio of <2.5x in the medium-term (Q1 2019: 2.5x). In Q1 2019, S&P upgraded KPN's credit rating to BBB with a stable outlook, from BBB- with a positive outlook. Furthermore, KPN has a credit rating of BBB with a stable outlook from Fitch Ratings and Baa3 with a stable outlook from Moody's.

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All related documents can be found on KPN's website:

[ir.kpn.com](ir.kpn.com)

For further information:

Corporate Communications
Media Relations
Tel: +31 70 446 6300
E-mail: press@kpn.com

Investor Relations
Tel: +31 70 446 0986
E-mail: ir@kpn.com

Formal disclosures:
Royal KPN N.V.
Head of IR: Bisera Grubesic
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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 2018. 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 2018 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 excluding major changes in the composition of the Group (acquisitions and disposals). Free Cash Flow ('FCF') 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 and adjusted for repayments of lease liabilities.

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 2018. 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 2018, unless stated otherwise.

IFRS 16

KPN applies IFRS 16 using the full retrospective approach. The implementation of the standard had not been fully completed at the date of publication of KPN's restated figures, so that certain management estimates have been made with respect to 2018. The impact of the adoption of IFRS 16 is unaudited and may be subject to change until the publication of KPN's Financial Statements 2019.

Financial and operating review KPN Group

(in € m)	Q1 2018	Q1 2019	Δ y-on-y
Adjusted revenues			
Consumer	744	728	-2.1%
Business	533	506	-4.9%
Wholesale	152	157	3.0%
Network, Operations & IT	6	2	-73%
Other (incl. eliminations)	-32	-31	-2.0%
KPN Group	**1,402**	**1,362**	**-2.9%**

Consumer

KPN continues to leverage its strong market position to drive growth in convergence. In a continued competitive landscape, KPN's focus on value and convergence further strengthened its position as a leading converged operator in the Netherlands. This was visible in an increased fixed-mobile customer base, particularly among postpaid customers and a steady base of postpaid KPN brand and broadband customers. In line with this strategy, KPN announced that the KPN brand will become the focus of the company's offering. The KPN brand will be enhanced with the best signature features of the Telfort and XS4ALL brands and is ready to serve all customer groups in the various segments. Furthermore, KPN introduced a new line up of mobile propositions during the first quarter.

In the quarter, Consumer NPS increased to a record-high +17 (Q1 2018: +11)[4].

Adjusted revenues in Consumer declined 2.1% y-on-y in Q1 2019, fully driven by lower mobile service revenues and lower handset sales. Mobile service revenues declined 4.6% y-on-y in Q1 2019, mainly driven by lower postpaid ARPU. Lower handset sales result from lengthening handset cycles and customers opting more often for SIM-only propositions. Residential revenues grew 0.4% in Q1 2019. Increasing revenues from bundled services, driving higher Fixed ARPU fully offset the effect of a declining base for traditional voice services and Digitenne.

In the quarter, fixed-mobile postpaid subscribers grew by 61k to 2,126k, representing 59% of the postpaid customer base (Q1 2018: 53%). Fixed-mobile penetration for the high-value KPN brand reached 70% of postpaid customers (Q1 2018: 66%). The number of fixed-mobile households grew by 14k to 1,358k, or 46% of the broadband base (Q1 2018: 43%). Increasing fixed-mobile penetration makes KPN more resistant to competitive pressure in the mobile market.

KPN continues to focus on retention of its high value postpaid customers. Consequently, the KPN brand's postpaid customer base declined 1k in Q1 2019, while the customer base of no frills brands Telfort and Simyo continued to be impacted most and declined by 5k. Postpaid ARPU declined 5.0% y-on-y to € 17 (Q1 2018: € 18).

In Q1 2019, Fixed ARPU increased 5.4% y-on-y to € 46 in Q1 2019. KPN added 1k broadband customers, adjusted for migrations from Consumer and new customers of the small businesses proposition (8k). KPN added 16k IPTV customers to its base.

Business

In the Business segment, KPN focuses on value over volume. Leveraging KPN's leading market positions with its high-quality brand perception and solid reputation will lead to more profitable revenues in the years to come. Part of this strategy is emphasis on a future-proof, simplified product portfolio and network upgrades with improved access speeds. KPN offers standardized and converged solutions to replace tailor made single-play services.

[4] 2018 restated as result of recalibration of relative weights of underlying businesses

In the quarter, KPN continued to migrate customers to KPN EEN and its small business proposition. At the end of Q1, 50% of SME customers eligible for migration have migrated from legacy services. Although negatively impacting service revenues from Communication Services in the shorter term due to rationalization, this provides significant opportunities for up- and cross-sell of additional services and cost reductions from moving to lean and digital operations.

KPN is transforming its operating platform by simplifying the underlying IT infrastructure. This enables strengthened and faster delivery of converged products and an improved digital customer interaction for migrated customers. Business customer satisfaction in the quarter improved further to a record high NPS of +3 (Q1 2018: -5)[5].

In the quarter, adjusted revenues in Business declined 4.9% y-on-y. Growth in Professional Services was offset by lower revenues from Communication Services.

Revenues from Communication Services declined 7.6% y-on-y in Q1 2019, mainly driven by lower revenues from Fixed Voice (-15% y-on-y) and by lower mobile service revenues (-8.8% y-on-y). This was partly offset by growth of KPN's Internet of Things (IoT) solution (+5.8% y-on-y).

Revenues from IT Services declined 3.5% y-on-y in Q1 2019. Strong growth in security and workspace services was mainly offset by declining revenues from licenses and hardware. Licenses and hardware particularly supported KPN's IT Services revenues in Q1 2018.

Revenues from Professional Services & Consultancy increased by 3.6% y-on-y in Q1 2019, supported by higher revenues from integrated solutions at KPN's larger customers and additional revenues from consultancy services.

Wholesale

Adjusted revenues in Wholesale increased by 3.0% y-on-y in Q1 2019. This was mainly driven by higher mobile service revenues due to a higher number of data users, increasing data usage, and more revenues from visitor roaming. Higher fixed revenues from more customers taking Wholesale Broadband Access (WBA), were offset by declining revenues from traditional voice lines (WLR) and less international traffic.

Network, Operations & IT

KPN aims to be the undisputed quality leader with the best access networks and made good progress in the first quarter of the year. In the annual P3 mobile network test, KPN was recognized as having an 'outstanding' network and showed the biggest improvement in performance among Dutch operators compared to last year.

As part of the accelerated fiber roll-out strategy, KPN has started construction in 11 different neighborhoods in the Netherlands since the start of the year. Furthermore, to strengthen the performance of our fiber network, this quarter KPN signed an agreement with Nokia to use G-PON technology. This will allow symmetrical up and download speeds of up to 10 Gbps.

Furthermore, KPN made necessary preparations this quarter for the full modernization of its mobile networks in the coming years, making it 5G-ready by the end of 2021.

[5] 2018 restated as result of recalibration of relative weights of underlying businesses

Operating expenses*

(in € m)	Q1 2018	Q1 2019	Δ y-on-y
Cost of goods & services	321	309	-3.8%
Personnel expenses	282	276	-2.0%
IT/TI	113	93	-18%
Other operating expenses	74	78	4.1%
Total adjusted operating expenses	**791**	**756**	**-4.5%**
Depreciation right-of-use asset	38	35	-7.5%
Interest lease liabilities	9	8	-12%
Total adjusted indirect operating expenses after leases	**516**	**489**	**-5.2%**
Adjusted EBITDA after leases	**565**	**563**	**-0.3%**

* Operating expenses adjusted for restructuring and incidentals, excluding D&A

Adjusted EBITDA after leases was in line with last year (-0.3% y-on-y). Lower revenues were offset by savings from accelerated simplification and digitalization. In Q1 2019, the adjusted EBITDA AL margin increased to 41.4% (Q1 2018: 40.3%).

In Q1 2019, lower costs of goods & services were partly supported by lower mobile handset sales. IT/TI expenses declined 18% y-on-y in Q1 2019, partly driven by contract renegotiations with suppliers as well as a reclassification of IT/TI to cost of goods & services as per Q2 2018. Personnel expenses were 2.0% lower y-on-y due to a reduction in own and temporary personnel. Other operating expenses increased by 4.1% y-on-y, mainly driven by higher energy costs for housing & facilities.

Accelerating simplification and digitalization drives substantial improvements in quality and customer experience and results in structural savings. In the first three months, this program yielded indirect opex savings[6] of € 27m. KPN expects this new program to result in approximately € 350m net indirect opex savings over the period 2019 – 2021[6].

iBasis (discontinued operations)

The sale of iBasis Inc. to Tofane Global, as announced on 7 March 2018, has been completed for an undisclosed consideration effective per 7 February 2019. KPN has accounted for iBasis as a discontinued operation as per Q1 2018.

[6] Indirect opex after leases, adjusted for the impact of restructuring costs and incidentals

Profit, Capex, FCF and financial position KPN Group

In Q1 2019, group operating profit (EBIT) decreased € 26m, or 12% y-on-y to € 189m. Lower EBITDA due to higher restructuring costs was partly offset by lower amortization charges.

Net profit of € 89m was € 10m, or 10% lower y-on-y in Q1 2019. Lower operating profit was partly offset by lower net finance expenses and lower taxes. Net finance expenses improved mainly due to a lower gross debt level following the redemption of the € 465m senior bond with a coupon of 7.5% during the quarter.

Capex increased 11% y-on-y to € 261m in Q1 2019, mainly driven by higher fixed access investments.

FCF (excl. TEFD dividend) of € 69m in Q1 2019 was € 52m or 43% lower compared to the same period last year. The strong decline was mainly driven by elevated restructuring charges weighing on EBITDA and higher Capex. Cash interest costs and change in working capital reflect intra-year phasing.

As of 31 March 2019, net debt amounted to € 5,644m, € 188m lower compared to the end of Q4 2018. This was mainly driven by the sale of Telefónica Deutschland shares and free cash flow generation during the quarter. At the end of Q1 2019, KPN's leverage ratio was 2.5x (Q4 2018: 2.5x). This includes the equity credit on the hybrid bonds representing 0.2x net debt to EBITDA. The average coupon on senior bonds reduced by 30bps y-on-y to 3.5%.

At the end of Q1 2019, Group equity amounted to € 1,933m, an increase of € 38m compared to 31 December 2018. This was mainly driven by net profit generated during the quarter, partly offset by a lower valuation of KPN's stake in Telefónica Deutschland.

Analysis of adjusted results Q1 2019

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

Revenues *(in € m)*	**Q1 2018**	**Q1 2019**	**Δ y-on-y**
Consumer	744	728	-2.1%
Business	533	506	-4.9%
Wholesale	152	157	3.0%
Network, Operations & IT	6	2	-73%
Other (incl. eliminations)	-32	-31	-2.0%
Total revenues	**1,402**	**1,362**	**-2.9%**
Revenues incidentals			
Consumer	-	-	n.m.
Business	-	-	n.m.
Wholesale	-	-	n.m.
Network, Operations & IT	-	-	n.m.
Other (incl. eliminations)	-	-	n.m.
Total revenues incidentals	**-**	**-**	**n.m.**
Consumer	744	728	-2.1%
Business	533	506	-4.9%
Wholesale	152	157	3.0%
Network, Operations & IT	6	2	-73%
Other (incl. eliminations)	-32	-31	-2.0%
Total adjusted revenues	**1,402**	**1,362**	**-2.9%**

There were no revenue related incidentals in Q1 2019 and Q1 2018.

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

(in € m)	**Q1 2018**	**Q1 2019**	**Δ y-on-y**
EBITDA	**598**	**570**	**-4.7%**
Incidentals	-	-	n.m.
Restructuring	13	36	>100%
Lease-related expenses			
Depreciation right-of-use asset	-38	-35	-7.5%
Interest lease liabilities	-9	-8	-12%
Adjusted EBITDA after leases	**565**	**563**	**-0.3%**

There were no EBITDA related incidentals in Q1 2019 and Q1 2018.