KPN Second Quarter 2015 Results

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Highlights

Further customer base growth in The Netherlands in Q2 2015

+31k net adds in broadband and +64k in IPTV

+70k postpaid net adds in Consumer Mobile

Consumer fixed-mobile bundles represent 26% of retail postpaid base (Q2 2014: 13%) and 21% of broadband base (Q2 2014: 10%)

Declining traditional services and lower mobile price levels impact performance in Business

Transforming Business segment to adjust cost base and benefit from growth opportunities in a rapidly changing market

Simplification program on track, approximately EUR 230m run-rate savings realized by end Q2 2015

Further improvement customer satisfaction; NPS increased across all segments

2015 outlook for adjusted EBITDA and free cash flow strengthened

Key figures* (from continuing operations)

Group financials ** (unaudited)	**Q2 2015**	**Q2 2014**	**D y-on-y**	**YTD 2015**	**YTD 2014**	**D y-on-y**
(in EUR m, unless stated otherwise)						
Revenues	1,741	1,835	-5.1%	3,499	3,665	-4.5%
Adjusted revenues* **	**1,751**	**1,820**	**-3.8%**	**3,509**	**3,643**	**-3.7%**
EBITDA	568	1,030	-45%	1,144	1,615	-29%
Adjusted EBITDA* **	**602**	**593**	**1.5%**	**1,197**	**1,175**	**1.9%**
EBITDA margin	*32.6%*	*56.1%*		*32.7%*	*44.1%*	
Adjusted EBITDA margin	***34.4%***	***32.6%***		***34.1%***	***32.3%***	
Operating profit (EBIT)	169	608	-72%	344	784	-56%
Profit for the period (net profit)	160	352	-55%	183	352	-48%
Capex	**306**	**275**	**11%**	**640**	**574**	**11%**
Free cash flow	**232**	**70**	**>100%**	**262**	**-206**	**n.m.**

* All non-IFRS terms are explained in the safe harbor section

** BASE Company classified as discontinued operations as per 15 April 2015. Refer to the Interim Financial Statements for the six months ended 30 June 2015 for more information

*** 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 8 to 11

Financial performance

Adjusted revenues were down 3.8% y-on-y in Q2 2015. Stable Consumer revenues were still offset by the impact of the ongoing decline of the business market size

Adjusted EBITDA increased by 1.5% y-on-y in Q2 2015 driven by customer base growth and positive impact of cost savings, partly offset by declining revenues in the Business segment

Net profit declined y-on-y in Q2 2015 due to one-off impact release of pension provision in Q2 2014, partly offset by dividend received from Telefónica Deutschland in Q2 2015. Without these one-off effects net profit would have increased by EUR 59m y-on-y to EUR 50m

Capex in Q2 2015 and first half of 2015 was 11% higher compared to last year due to different intrayear Capex phasing

Strong improvement in free cash flow (excl. TEFD dividend) in Q2 2015 and first half of 2015 driven by lower interest payments in 2015, settlement of legal claims and an additional pension payment in the first half of 2014, and different intrayear phasing of working capital

Message from the CEO, Eelco Blok

"We are driving positive results through our strategy of delivering the best customer experience, by combining innovative services with high quality networks and simplicity.

We are witnessing good results in our Consumer segments with service revenue inflection in Consumer Mobile and increasing fixed-mobile

penetration, but are not yet there in our Business segment. In a rapidly changing market, we are transforming the Business segment by simplifying our products, adjusting our cost base and pursuing selected growth opportunities. We have now reached agreement with the relevant works councils, which allows us to accelerate the FTE reduction program in the second half of the year.

The strong operational performance combined with strict cost discipline is translating into improving financial results. We have seen stabilized adjusted EBITDA earlier than anticipated and now expect adjusted EBITDA for the full year to be in line with 2014. Supported by lower interest payments, we expect strong free cash flow growth in 2015 which is the basis for our progressive shareholder remuneration policy."

Outlook and shareholder remuneration
2015 (continuing operations)

Adjusted EBITDA in line with 2014

Capex < EUR 1.3bn

Free cash flow (excl. TEFD dividend) > EUR 500m

Additional cash flow via dividend from 20.5% stake in Telefónica Deutschland

KPN intends to pay a dividend per share of EUR 8.0 cents in respect of 2015. The dividend per share in respect of 2016 is expected to grow further. KPN will pay an interim dividend per share of EUR 3.0 cents in respect of 2015, subject to approval by an Extraordinary General Meeting of Shareholders ("EGM"). Today, KPN convened an EGM for 11 September 2015 to request approval for the payment of this interim dividend. The provisional ex-dividend date is 15 September 2015 and the payment date 18 September 2015.

The 20.5% stake in Telefónica Deutschland is treated as a financial investment. KPN benefits from dividend payments by Telefónica Deutschland and additional financial flexibility. On 13 May 2015, KPN received a dividend of EUR 146m over 2014. KPN will distribute this dividend to KPN shareholders as an additional interim cash dividend per share of EUR 3.4 cents. The ex-dividend date is 31 July 2015 and the payment date 5 August 2015.

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.

For further information please find PDF below.