KPN Third Quarter 2015 Results

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Highlights

Focus on excellent customer experience driving further Consumer base growth in Q3 2015

+33k net adds in broadband and +55k in IPTV

+80k postpaid net adds in Consumer Mobile

Fixed-mobile bundles now represent 28% of retail postpaid base (Q3 2014: 16%) and 23% of broadband base (Q3 2014: 14%)

Transformation of Business segment on track in rapidly changing market with traditional services declining, repricing in mobile partly offset by growing multi play and new services

Good progress Simplification program, approximately EUR 250m run-rate savings realized by end Q3 2015

Further improvement in customer satisfaction; NPS increased across all segments

On track for outlook 2015

Key figures* (from continuing operations)

Group financials ** (unaudited)	**Q3 2015**	**Q3 2014**	**D y-on-y**	**YTD 2015**	**YTD 2014**	**D y-on-y**
(in EUR m, unless stated otherwise)						
Revenues	1,764	1,811	-2.6%	5,263	5,476	-3.9%
Adjusted revenues* **	**1,764**	**1,811**	**-2.6%**	**5,273**	**5,454**	**-3.3%**
EBITDA	602	595	1.2%	1,746	2,210	-21%
Adjusted EBITDA* **	**640**	**612**	**4.6%**	**1,837**	**1,787**	**2.8%**
Adjusted EBITDA margin	***36.3%***	***33.8%***		***34.8%***	***32.8%***	
Adjusted EBITDA margin The Netherlands	*41.7%*	*39.2%*		*40.1%*	*38.0%*	
Operating profit (EBIT)	204	193	5.7%	548	977	-44%
Profit for the period (net profit)	87	-75	n.m.	270	277	-2.5%
Capex	**305**	**251**	**22%**	**945**	**825**	**15%**
Free cash flow** **	**213**	**234**	**-9.0%**	**475**	**28**	**>100%**

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

** BASE Company classified as discontinued operations as per 15 April 2015

*** 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

**** Free cash flow YTD 2015 was EUR 329m, excluding Telefónica Deutschland dividend of EUR 146m

Financial performance

Adjusted revenues were down 2.6% y-on-y in Q3 2015. Growing Consumer revenues were offset by the impact of the ongoing decline of the business market size

Adjusted EBITDA increased by 4.6% y-on-y in Q3 2015 driven by customer base growth and positive impact of cost savings, partly offset by the impact of declining revenues in Business

Net profit increased by EUR 162m y-on-y to EUR 87m in Q3 2015 due to lower net finance costs (EUR 114m Reggefiber option liability increase in Q3 2014)

Capex in Q3 and YTD 2015 was higher y-on-y due to different intrayear phasing

Free cash flow YTD 2015 of EUR 329m (excluding EUR 146m Telefónica Deutschland dividend) was significantly higher compared to last year, driven by lower interest payments in 2015, and settlement of legal claims and an additional pension payment in 2014

Message from the CEO, Eelco Blok

"We delivered another strong quarter with improvements in customer satisfaction and positive operational and financial performance, driven by a combination of innovative services, high quality networks and simplification.

In Consumer, the inflection in financial performance is being driven by continued customer base growth as a result of our differentiated competitive position via fixed-mobile bundling. In Business, we are operating in a rapidly changing environment with traditional services declining. We are transforming the Business organization to increase customer satisfaction, benefit from new services and support profitability going forward.

I am proud that our commitment to corporate social responsibility has again received external recognition, as KPN has been included in the Dow Jones Sustainability Index for the fourth consecutive year.

Our financial performance continued to improve in the third quarter, driven by positive commercial momentum and strict cost discipline. In the third quarter, we paid an interim dividend in respect of 2015 and distributed the Telefónica Deutschland dividend to our shareholders. We expect to grow shareholder remuneration further based on a growing free cash flow."

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 (not including dividends related to Telefónica Deutschland). The dividend per share in respect of 2016 is expected to grow further.

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.

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.