KPN Fourth Quarter and Annual Results 2015

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Highlights

Rising customer satisfaction supporting continued strong base growth in Consumer in Q4 2015 and FY 2015

+40k broadband net adds (FY 2015: +139k) and +69k IPTV net adds (FY 2015: +265k)

+80k postpaid net adds (FY 2015: +289k) in Consumer Mobile

Fixed-mobile bundles now represent 33% of retail postpaid base (Q4 2014: 21%) and 28% of broadband base (Q4 2014: 17%)

NPS for both Consumer Residential and Consumer Mobile increased to +9 (Q4 2014: +2)

Transformation Business segment ongoing; declining traditional services and repricing in mobile, partly offset by growing multi play and new services

Simplification program delivered approximately EUR 280m run-rate savings by end Q4 2015

Savings target upgraded to approximately EUR 450m by end 2016

Key figures* (from continuing operations)

Group financials ** (unaudited)	**Q4 2015**	**Q4 2014**	**D y-on-y**	**FY 2015**	**FY 2014**	**D y-on-y**
(in EUR m, unless stated otherwise)						
Revenues	1,745	1,933	-9.7%	7,008	7,409	-5.4%
Adjusted revenues* **	**1,745**	**1,898**	**-8.1%**	**7,018**	**7,352**	**-4.5%**
EBITDA	578	656	-12%	2,324	2,866	-19%
Adjusted EBITDA* **	**582**	**630**	**-7.6%**	**2,419**	**2,417**	**0.1%**
Adjusted EBITDA margin The Netherlands	*37.8%*	*38.9%*		*39.6%*	*38.2%*	
Operating profit (EBIT)	160	235	-32%	708	1,212	-42%
Profit for the period (net profit)	254	-16	n.m.	524	261	>100%
Capex	**355**	**414**	**-14%**	**1,300**	**1,239**	**4.9%**
Free cash flow** **	**223**	**-179**	**n.m.**	**698**	**-151**	**n.m.**

* 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 FY 2015 was EUR 552m, excluding Telefónica Deutschland dividend of EUR 146m

Financial performance

Adjusted revenues declined 8.1% y-on-y in Q4 2015. Without the tax settlement benefit (EUR 44m) in Q4 2014, adjusted revenues would have been down 5.9% y-on-y. Growing Consumer revenues were offset by the impact of the ongoing decline of the business market size and lower revenues at iBasis. Adjusted revenues FY 2015 decreased by 4.5% compared to last year

Adjusted EBITDA decreased by 7.6% y-on-y in Q4 2015. Without the tax settlement benefit (EUR 44m) in Q4 2014, adjusted EBITDA would have been down 0.7% y-on-y. Customer base growth and the positive impact of cost savings were offset by the impact of declining revenues in Business and higher subscriber acquisition costs in Consumer Mobile. Adjusted EBITDA FY 2015 increased by 0.1% compared to last year

Net profit increased by EUR 270m y-on-y to EUR 254m in Q4 2015, mainly due to improved net finance results driven by a realized book gain on the sale of Telefónica Deutschland shares (EUR 184m) and a lower gross debt level in Q4 2015, and bond tender premiums in Q4 2014. Net profit FY 2015 was EUR 263m higher y-on-y at EUR 524m

Capex in Q4 2015 was 14% lower y-on-y due to different intrayear phasing. Capex FY 2015 was 4.9% higher compared to last year due to Reggefiber consolidation per 1 November 2014

Free cash flow FY 2015 of EUR 552m (excluding EUR 146m Telefónica Deutschland dividend) was EUR 703m higher compared to last year driven by lower interest payments in 2015 and a large number of non-recurring items (EUR 574m) impacting free cash flow in 2014

Message from the CEO, Eelco Blok

"We achieved strong customer base growth in Consumer in 2015 as a result of our focus on delivering an excellent customer experience, supported by our best-in-class networks and innovative services. The continued successful uptake of our differentiating fixed-mobile bundles has driven a significant reduction in churn. We continue to operate in a challenging business market where customer needs are changing from traditional to new services. We are rationalizing and standardizing the Business organization to deliver an improvement in customer satisfaction, capture growth in new services and support profitability going forward. Supported by our strong commercial momentum in Consumer and strict cost focus across the Dutch business, we delivered an improved financial performance in 2015. Our main priorities in 2016 will be growing the number of services and revenues per household in Consumer, the ongoing transformation of the Business segment and execution of our Simplification program.

We sold 5% of Telefónica Deutschland shares last quarter and will return 70% of the proceeds to our shareholders in 2016, illustrating our strong commitment to shareholder returns, while maintaining a solid financial profile."

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 regular dividend per share of EUR 8.0 cents in respect of 2015 (not including dividend related to Telefónica Deutschland). The final dividend of EUR 5.0 cents per share is expected to be paid in April 2016. 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.

In November 2015, KPN successfully completed an accelerated bookbuild offering to institutional investors of 150 million shares in Telefónica Deutschland at a price of EUR 5.37 per share, realizing EUR 805m of proceeds. KPN will distribute approximately 70% of the proceeds of the transaction to its shareholders in the form of a capital repayment. The capital repayment of EUR 13 cents per share is subject to shareholder approval at the AGM on 13 April 2016. KPN expects to execute the capital repayment in June 2016.

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 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.