Third Quarter 2018 Results

24 Oct 2018 07:30 CET/CEST

Third Quarter 2018 Results

Highlights

Ongoing success of convergence and value focus in Consumer

Record-high Consumer NPS of +17 (Q3 '17: +14)

68% of KPN brand postpaid customers in fixed-mobile bundle (Q3 '17: 62%)

+53k fixed-mobile postpaid customers, reaching 56% of postpaid base (Q3 '17: 49%)

+26k fixed-mobile households, reaching 45% of broadband base (Q3 '17: 40%)

ARPU per household increased by 4.1% y-on-y to EUR 45. Postpaid ARPU remained stable at EUR 18 (excluding the effect of regulation)

-1k KPN brand postpaid net adds and -13k no frills, -2k broadband and +10k IPTV net adds

Business transformation is taking shape

First-time positive Business NPS of +1 (Q3 '17: -5)

Continued successful bundling of services in SME; +37k multi play seats

Growth in Professional Services supported by integrated solutions at KPN's larger customers

Second wave Simplification program delivered ~EUR 190m run-rate savings by end Q3 '18

Key figures* (from continuing operations)

Group financials (unaudited)	**Q3 2018**	**Q3 2017**	**Δ y-on-y**	**YTD 2018**	**YTD 2017**	**Δ y-on-y**
(in EUR m, unless stated otherwise)						
Revenues	1,399	1,412	-0.9%	4,202	4,290	-2.0%
Adjusted revenues**	**1,399**	**1,422**	**-1.6%**	**4,202**	**4,297**	**-2.2%**
EBITDA	546	559	-2.4%	1,656	1,638	1.1%
Adjusted EBITDA**	**585**	**592**	**-1.2%**	**1,731**	**1,718**	**0.8%**
Adjusted EBITDA margin	***41.8%***	***41.7%***		***41.2%***	***40.0%***	
Operating profit (EBIT)	194	211	-8.1%	612	586	4.4%
Profit for the period (net profit)	90	99	-9.5%	326	334	-2.5%
Capex	**257**	**239**	**7.3%**	**737**	**739**	**-0.2%**
Free cash flow (incl. TEFD dividend)	235	264	-11%	635	582	9.1%
Free cash flow (excl. TEFD dividend)	**235**	**264**	**-11%**	**581**	**512**	**14%**

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

** Adjusted revenues and adjusted EBITDA reconciliations to be found on page 7 and 8

Financial performance

Q3 2018 adjusted revenues 1.6% lower y-on-y. When excluding the effect of regulation this was 1.3% lower y-on-y. Growth in Consumer Residential, driven by higher ARPU per household and growth in Professional Services in Business was offset by ongoing pressure in mobile and lower Wholesale revenues

Adjusted EBITDA 1.2% lower y-on-y in Q3 2018. Excluding the impact from a new Collective Labor Agreement, of which EUR 7m relates to H1 2018, adjusted EBITDA would have been flat y-on-y. Lower revenues were offset by ongoing savings from Simplification and digitalization of services

Net profit of EUR 90m in Q3 2018, 9.5% lower y-on-y. Lower operating profit was partly offset by lower net finance costs

Free cash flow (excl. TEFD dividend) of EUR 581m YTD 2018 was EUR 69m higher compared to the same period last year. Growth was mainly driven by lower interest paid, less impact from change in working capital and higher EBITDA

Message from the CEO, Maximo Ibarra

"We achieved a solid set of results in the third quarter and are well on track to deliver on our full-year outlook. At KPN our customer-first approach is delivering results. We now have record-high Net Promoter Scores among our Consumer and Business customers, and our focus on value and convergence is delivering growth in our fixed-mobile customer base and higher ARPU per household. In Business, we see ongoing migrations of customers to our integrated KPN ÉÉN platform and order intake in previous quarters has driven solid growth in Professional Services. Furthermore, we announced to split the management of the commercial segment in separate units for Consumer and Business. This will result in clear end-to-end responsibilities and a dedicated customer focus. We look forward to sharing our strategic, operational, and financial initiatives at our Capital Markets Day in November.

KPN is one of the most sustainable telecom companies in the world, being listed for the seventh consecutive year in the Dow Jones Sustainability World Index. We firmly believe that doing business in a sustainable manner is in the long-term interests of all our stakeholders."

Outlook 2018 (continuing operations)

Adjusted EBITDA in line with 2017

Capex ~EUR 1.1bn

Free cash flow (excl. TEFD dividend) growing to ~EUR 800m (previous outlook: Free cash flow (excl. TEFD dividend) growing)

Shareholder remuneration and financial profile

KPN intends to pay a regular dividend per share of EUR 12 cents in respect of 2018 and grow the regular dividend in line with its free cash flow growth profile thereafter. EUR 4.0 cents per share was paid as an interim dividend in August 2018.

At the end of Q3 2018, KPN owned a stake of 5.2% in Telefónica Deutschland, which is treated as a financial investment. KPN benefits from dividend payments by Telefónica Deutschland and the additional financial flexibility the stake provides.

In September, KPN redeemed the EUR 1.1bn perpetual hybrid bond from existing cash. Through the redemption, KPN will save the instrument's EUR 67m annual coupon from 2019 onwards. KPN retains equity credit for the remaining hybrid bonds.

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. KPN has a credit rating of Baa3 with a stable outlook from Moody's, BBB with a stable outlook from Fitch Ratings and BBB- with a positive outlook from Standard & Poor's.

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

ir.kpn.com

For further information:

Corporate Communications

Media Relations

Tel: +31 70 4466300

E-mail: press@kpn.com

Investor Relations

Tel: +31 70 4460986

E-mail: ir@kpn.com

Formal disclosures:

Royal KPN N.V.

Head of IR: Bisera Grubesic

Inside information: No

Topic: Q3 2018 Results

24/10/2018; 7:30h