# First Quarter 2015 Results

## KPN started 2015 with a strong quarter

- Further customer base growth in The Netherlands in Q1 2015
  - Good uptake Consumer fixed-mobile bundles (+54k) and Business multi play seats (+69k)
  - Continued net add growth in broadband (+35k) and IPTV (+77k)
  - High postpaid net adds in Consumer Mobile (+59k)
- Progress made with transformation of Business segment to address impact from declining traditional services and lower mobile price levels
- Simplification program on track, approximately EUR 170m run-rate savings realized end Q1 2015
- Improving customer satisfaction across all segments
- Outlook maintained, BASE Company excluded
- Strong commitment to generate shareholder returns; intention to distribute Telefónica Deutschland dividend

## Key figures*

| **Group financials** (unaudited)** *(in EUR m, unless stated otherwise)* | **Q1 2015** | **Q1 2014** | **Δ y-on-y** |
|---|---|---|---|
| Revenues | 1,919 | 1,996 | -3.9% |
| **Adjusted revenues***** | **1,919** | **1,989** | **-3.5%** |
| EBITDA | 603 | 624 | -3.4% |
| **Adjusted EBITDA***** | **622** | **621** | **0.2%** |
| *EBITDA margin* | *31.4%* | *31.3%* | |
| ***Adjusted EBITDA margin*** | ***32.4%*** | ***31.2%*** | |
| Operating profit (EBIT) | 165 | 179 | -7.8% |
| Profit for the period (net profit) | 15 | 3 | >100% |
| **Capex** | **357** | **337** | **5.9%** |
| **Free cash flow** | **34** | **-292** | **n.m.** |

*All figures based on continuing operations, unless stated otherwise. BASE Company classified as discontinued operation as of Q2 2015
** All non-IFRS terms are explained in the safe harbor section
*** 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 and 9

## Improved financial performance

- Adjusted revenues were down 3.5% y-on-y in Q1 2015. Stabilizing Consumer revenues were still offset by the impact of the ongoing decline of the business market size
- Adjusted EBITDA increased by 0.2% y-on-y in Q1 2015 driven by customer base growth and positive impact of cost savings, partly offset by declining revenues in the Business segment and change in accounting treatment of Belgian site taxes (EUR 12m)
- Capex in Q1 2015 was 5.9% higher y-on-y due to frontloaded network investments in 2015
- Strong improvement in free cash flow in Q1 2015 versus Q1 2014 driven by different intrayear phasing and improvement in working capital, lower interest payments in Q1 2015 and settlement payment KPNQwest in Q1 2014

## Message from the CEO, Eelco Blok

*"The strong operational performance from the second half of last year continued in the first quarter of 2015, and is translating into improved financial performance with adjusted EBITDA stable year-on-year.*

*We have announced a unique OTT TV service, further differentiating our market leading TV proposition. The new data bundles in Consumer Mobile are delivering good results with strong inflow for the KPN brand, which will be further strengthened by the rebranding of Hi into KPN. These are clear examples of how we are simplifying our product portfolio and lowering our costs, while adapting and innovating our services to give the best quality and value to our customers. Our combination of leading fixed and mobile services is driving strong uptake of our fixed-mobile bundles in both the Consumer and Business markets.*

*As we look ahead to the remaining three quarters of 2015 we do see challenges in our markets, notably in the Dutch Business segment. However, we have a firm ambition to continue the good financial progress and maintain rigorous discipline in our opex and Capex spending, which will underpin growth in our free cash flow.*

*The sale of BASE Company shows that we are committed to create further shareholder value. The AGM approved the dividend over 2014 and we expect to grow dividend per share going forward based on improved free cash flow generation."*

## Outlook (excluding BASE Company) and shareholder remuneration

### 2015

- Adjusted EBITDA stabilized by end-2015
- Capex < EUR 1.3bn
- Growing free cash flow (excl. TEFD dividend)[1]
- Additional cash flow via potential dividend from 20.5% stake in Telefónica Deutschland

Following the announced sale of BASE Company on 20 April 2015, BASE Company will be reported as a discontinued operation as per Q2 2015. Therefore, KPN has adjusted the outlook for 2015 to exclude BASE Company. The Capex outlook has been adjusted from less than EUR 1.4bn to less than EUR 1.3bn. All other outlook items remain the same. The normalized 2014 free cash flow[1], which is the base level for the free cash flow outlook, remains approximately EUR 400m.

On 15 April 2015, the AGM approved a total dividend of EUR 0.07 per share for 2014. An interim dividend of EUR 0.02 per share was paid in October 2014. The final dividend over 2014 of EUR 0.05 per share was paid on 22 April 2015. KPN intends to pay a total dividend per share of EUR 0.08 in respect of 2015. 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 expects to benefit from dividend payments by Telefónica Deutschland and additional financial flexibility. KPN expects to receive a dividend over 2014 on its 20.5% stake in Telefónica Deutschland, and intends to distribute this to KPN shareholders as an additional interim cash dividend following KPN's Q2 2015 results.

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.

[1] To define the base for the 2015 outlook, the one-off pension payment, cash out related to reduced supplier payment terms and other large non-recurring items are excluded from the 2014 free cash flow (base level approximately EUR 400m)

# Press release
**30 April 2015**

**All related documents can be found on KPN's website:**
*http://www.kpn.com/ir*


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## Safe harbor

### Non-GAAP measures and management estimates

*This financial report contains a number of non-GAAP figures, such as EBITDA and Free Cash Flow ('FCF'). These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures. KPN defines* ***EBITDA*** *as operating result before depreciation (including impairments) of PP&E and amortization (including impairments) of intangible assets. Note that KPN's definition of EBITDA deviates from the literal definition of earnings before interest, taxes, depreciation and amortization 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. In the* ***Net Debt / EBITDA ratio****, KPN defines* ***Net Debt*** *as the nominal value of interest bearing financial liabilities excluding derivatives and related collateral, representing the net repayment obligations in Euro, taking into account 50% of the nominal value of the hybrid capital instruments, less net cash and short-term investments, and defines EBITDA as a 12 month rolling total excluding restructuring costs, incidentals and major changes in the composition of the Group (acquisitions and disposals).* ***Free Cash Flow*** *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.* ***Revenues*** *are defined as the total of revenues and other income unless indicated otherwise.* ***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. The term* ***service revenues*** *refers to wireless service revenues. 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 www.kpn.com/ir.*

### 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 2014.*

# Financial and operating review by segment

## Consumer Residential

In the first quarter of 2015 KPN continued its strong broadband and IPTV base growth. This was supported by good traction of KPN's fixed-mobile bundles and continued introduction of innovative IPTV features. The recent announcement of 'Play. by KPN', an innovative OTT TV application, proves KPN's strong innovation roadmap.

| **Consumer Residential** *(in EUR m)* | **Q1 2015** | **Q1 2014** | **Δ y-on-y** |
|---|---|---|---|
| Revenues | 483 | 483 | 0.0% |
| **Adjusted revenues** | **483** | **483** | **0.0%** |
| EBITDA | 100 | 97 | 3.1% |
| **Adjusted EBITDA** | **101** | **100** | **1.0%** |

Adjusted revenues were flat y-on-y in Q1 2015 as the ongoing decline of traditional services was fully offset by continued customer base growth and the price increase implemented on 1 July 2014. Adjusted EBITDA increased by 1.0% y-on-y mainly due to lower personnel expenses. This resulted in an adjusted EBITDA margin of 20.9% (Q1 2014: 20.7%).

KPN's broadband (+35k) and IPTV (+77k) net adds showed continued strong growth in Q1 2015. ARPU per customer[2] grew by 4.8% to EUR 44 in Q1 2015 (Q1 2014: EUR 42), driven by increased RGUs per customer. Triple play net adds increased by 86k, resulting in a 52% penetration of the broadband customer base (Q1 2014: 46%). KPN continued to see a good uptake of fixed-mobile bundles (including quad play), as the fixed-mobile base grew to 539k, representing 19% of the broadband customer base (Q1 2014: 9%). KPN's multi play strategy is delivering a large and growing increase in customer loyalty and a corresponding reduction in churn. KPN will continue to increase the penetration of multi play by focusing on additional value for customers rather than discounts.

## Consumer Mobile

KPN has a strong competitive position in the Dutch mobile market with its nationwide 4G network, unique fixed-mobile bundles and a leading family proposition. This led to lower churn across all brands and continued strong base growth in the first quarter. On 2 February 2015, KPN introduced larger data bundles to allow carefree usage for its customers. This has led to approximately 40% inflow of subscribers taking premium data bundles of more than 1GB (Q1 2014: approximately 20%). Furthermore, KPN announced that Hi will be rebranded to KPN as from May 2015. This is part of KPN's Simplification program and will result in lower marketing costs and approximately 20% fewer shops.

| **Consumer Mobile** *(in EUR m)* | **Q1 2015** | **Q1 2014** | **Δ y-on-y** |
|---|---|---|---|
| Revenues | 344 | 347 | -0.9% |
| **Adjusted revenues** | **344** | **347** | **-0.9%** |
| EBITDA | 58 | 55 | 5.5% |
| **Adjusted EBITDA** | **61** | **55** | **11%** |

[2] ARPU per customer figures have been restated

Adjusted revenues at Consumer Mobile were down 0.9% y-on-y in Q1 2015 as lower service revenues were only partly offset by higher hardware revenues. Service revenues decreased by 3.5% y-on-y, which is an improving trend (Q1 2014: -15% y-on-y), driven by continued high postpaid net adds. Service revenues were still down due to lower ARPU y-on-y. Adjusted EBITDA was 11% higher y-on-y in Q1 2015, mainly due to lower retention and subscriber acquisition costs as a result of fewer handset transactions compared to the same period last year. This led to an adjusted EBITDA margin of 17.7% in Q1 2015 (Q1 2014: 15.9%).

In Q1 2015, KPN continued to show high retail postpaid net adds (+59k) driven by new data bundles, 4G and uptake of fixed-mobile bundles. Retail postpaid ARPU (EUR 26) was lower compared to the same quarter last year (Q1 2014: EUR 28). This was mainly due to lower above bundle usage and lower out of bundle usage y-on-y, partly offset by continued high value postpaid net adds. Committed retail postpaid ARPU increased to approximately 83%, up 5%-points y-on-y. The number of retail postpaid customers in fixed-mobile bundles continued to grow, leading to 24% penetration of the retail postpaid base at the end of Q1 2015 (Q1 2014: 10%).

## Business

The challenging market environment continued to impact the financial performance of the Business segment. The total size of the business market continued to decline as a result of customer rationalization and optimization. KPN is making good progress in transforming the Business organization to address the changing market dynamics. In 2015, the Business segment will take further steps to simplify the organization, create a standardized portfolio and focus on bundled customer propositions to improve customer satisfaction and profitability. KPN ONE was already available for SME customers last year and with effect from 1 February 2015 KPN ONE was extended to large enterprises to further stimulate multi play growth.

| **Business** *(in EUR m)* | **Q1 2015** | **Q1 2014** | **Δ y-on-y** |
|---|---|---|---|
| Revenues | 680 | 730 | -6.8% |
| **Adjusted revenues** | **680** | **730** | **-6.8%** |
| EBITDA | 120 | 149 | -19% |
| **Adjusted EBITDA** | **127** | **146** | **-13%** |

Adjusted revenues at Business declined by 6.8% y-on-y in Q1 2015 driven by lower revenues from traditional services. This was also the main reason for the 13% decrease in adjusted EBITDA, partly offset by lower personnel expenses. Consequently, the adjusted EBITDA margin declined to 18.7% (Q1 2014: 20.0%).

Multi play seats increased by 69k in Q1 2015 to 370k, equivalent to 17% of the wireless customer base. The wireless customer base showed net adds of 61k in Q1 2015, supported by the acquisition of an MVNO (Mobile Service) in Q4 2014 which added 60k subscribers. However, wireless single play ARPU[3] remained under pressure in Q1 2015 and was lower y-on-y at EUR 34 (Q1 2014: EUR 39). Also, traditional wireline voice services were impacted by rationalization and the ongoing migration towards VoIP. Consequently, access lines fell to 804k[4] (Q1 2014: 960k) and traditional voice ARPU was somewhat lower y-on-y at EUR 52 (Q1 2014: EUR 53).

[3] Restated following a change in definition
[4] Including migration of 20k SoHo customers to Consumer Residential as of 1 January 2015 given high resemblance with retail customers

## NetCo

KPN continued to invest in its high quality network and IT infrastructure. The continued FttH roll-out was combined with the upgrades of the copper network by rolling out fiber to the street cabinets. This resulted in approximately 55% FttH/FttC penetration at the end of the first quarter and 57% coverage of Dutch households with access to speeds of at least 100Mbps. KPN has the best national 4G coverage in Europe, evidenced by the most time spent on LTE (90%) by its subscribers[5]. KPN will continue to increase capacity and download speeds for its customers. As the first operator in The Netherlands and third globally, KPN has triple carrier aggregation active in its network, which combines 800MHz, 1800MHZ and 2.6GHz frequencies, reaching download speeds of 297Mbps.

| **NetCo** *(in EUR m)* | **Q1 2015** | **Q1 2014** | **Δ y-on-y** |
|---|---|---|---|
| Revenues | 547 | 569 | -3.9% |
| **Adjusted revenues** | **547** | **562** | **-2.7%** |
| EBITDA | 311 | 304 | 2.3% |
| **Adjusted EBITDA** | **314** | **297** | **5.7%** |

Adjusted revenues at NetCo declined by 2.7% y-on-y in Q1 2015 driven by the ongoing decline of traditional services and lower revenues across segments. The adjusted EBITDA margin of 57.4% was higher compared to Q1 2014 (52.8%), mainly driven by the consolidation of Reggefiber and cost savings from the Simplification program, partly offset by the decline of high margin traditional services.

## iBasis

| **iBasis** *(in EUR m)* | **Q1 2015** | **Q1 2014** | **Δ y-on-y** |
|---|---|---|---|
| Revenues | 227 | 226 | 0.4% |
| **Adjusted revenues** | **227** | **226** | **0.4%** |
| EBITDA | 5 | 5 | 0.0% |
| **Adjusted EBITDA** | **5** | **5** | **0.0%** |

Adjusted revenues at iBasis increased by 0.4% y-on-y in Q1 2015, including a favorable currency effect of 11%. The adjusted EBITDA margin of 2.2% remained stable y-on-y in Q1 2015. iBasis continued to expand the global reach of its LTE roaming service via peering partners and direct interconnections with mobile operators.

## Belgium

On 20 April 2015, KPN announced the sale of BASE Company to Telenet. As per Q2 2015, BASE Company will be reported as a discontinued operation. BASE Company continues to be included in KPN's segment reporting until the sale is completed.

In the first quarter of 2015, the Belgian mobile market remained competitive as competitors continued handset promotions. As a mobile specialist, BASE Company continued executing its strategy, supported by price and service leadership, and a high network quality. BASE Company's mobile network investments led to approximately 85% 4G coverage of the Belgian population at the end of Q1 2015.

[5] OpenSignal; The state of LTE (March 2015)

| **Belgium** *(in EUR m)* | **Q1 2015** | **Q1 2014** | **Δ y-on-y** |
|---|---|---|---|
| Revenues | 169 | 177 | -4.5% |
| **Adjusted revenues** | **169** | **177** | **-4.5%** |
| EBITDA | 26 | 41 | -37% |
| **Adjusted EBITDA** | **26** | **41** | **-37%** |

Adjusted revenues in Belgium decreased by 4.5% y-on-y in Q1 2015. Despite the competitive mobile market, the service revenue trend improved to -2.0% y-on-y compared to -6.2% in the same quarter last year. Adjusted EBITDA declined by 37% y-on-y due to lower adjusted revenues and a change in accounting treatment of site taxes, resulting in an adjusted EBITDA margin of 15.4% (Q1 2014: 23.2%).

The change in accounting treatment of site taxes (IFRIC 21) resulted in recording an expense in Q1 2015 for the full amount for the year 2015 (EUR 16m), instead of being spread evenly over the quarters during 2015. The adjusted EBITDA margin for Q1 2015, excluding this change in accounting treatment, would have been 22.5%[6].

In Q1 2015, BASE Company recorded negative postpaid net adds of 3k. This was a result of the competitiveness in the Belgian mobile market. Postpaid ARPU remained stable y-on-y at EUR 31.

[6] Excluding EUR 12m site tax expense related to Q2-Q4 2015 period

# Analysis of adjusted results Q1 2015

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

| **Revenues** *(in EUR m)* | Q1 2015 reported | Incidentals | Q1 2015 adjusted | Q1 2014 reported | Incidentals | Q1 2014 adjusted | Δ y-on-y reported | Δ y-on-y adjusted |
|---|---|---|---|---|---|---|---|---|
| Consumer Mobile | 344 | - | 344 | 347 | - | 347 | -0.9% | -0.9% |
| Consumer Residential | 483 | - | 483 | 483 | - | 483 | 0.0% | 0.0% |
| Business | 680 | - | 680 | 730 | - | 730 | -6.8% | -6.8% |
| NetCo | 547 | - | 547 | 569 | 7 | 562 | -3.9% | -2.7% |
| Other | -517 | - | -517 | -531 | - | -531 | -2.6% | -2.6% |
| **The Netherlands** | **1,537** | **-** | **1,537** | **1,598** | **7** | **1,591** | **-3.8%** | **-3.4%** |
| Belgium | 169 | - | 169 | 177 | - | 177 | -4.5% | -4.5% |
| iBasis | 227 | - | 227 | 226 | - | 226 | 0.4% | 0.4% |
| Other activities | 26 | - | 26 | 50 | - | 50 | -48% | -48% |
| Intercompany revenues | -40 | - | -40 | -55 | - | -55 | -27% | -27% |
| **KPN Group** | **1,919** | **-** | **1,919** | **1,996** | **7** | **1,989** | **-3.9%** | **-3.5%** |

The following table specifies the revenue incidentals in more detail.

| **Revenue incidentals** *(in EUR m)* | **Segment** | **Q1 2015** | **Q1 2014** |
|---|---|---|---|
| Adjustment of contract revenues | NetCo | - | 7 |
| **KPN Group** | | **-** | **7** |

The following table shows the key items between reported and adjusted EBITDA.

| EBITDA *(in EUR m)* | Q1 2015 reported | Incidentals | Restruc-turing | Q1 2015 adjusted | Q1 2014 reported | Incidentals | Restruc-turing | Q1 2014 adjusted | Δ y-on-y reported | Δ y-on-y adjusted |
|---|---|---|---|---|---|---|---|---|---|---|
| Consumer Mobile | 58 | - | -3 | 61 | 55 | - | - | 55 | 5.5% | 11% |
| Consumer Residential | 100 | - | -1 | 101 | 97 | - | -3 | 100 | 3.1% | 1.0% |
| Business | 120 | - | -7 | 127 | 149 | - | 3 | 146 | -19% | -13% |
| NetCo | 311 | - | -3 | 314 | 304 | 7 | - | 297 | 2.3% | 5.7% |
| Other | -6 | - | -1 | -5 | -8 | - | 1 | -9 | -25% | -44% |
| **The Netherlands** | **583** | **-** | **-15** | **598** | **597** | **7** | **1** | **589** | **-2.3%** | **1.5%** |
| Belgium | 26 | - | - | 26 | 41 | - | - | 41 | -37% | -37% |
| iBasis | 5 | - | - | 5 | 5 | - | - | 5 | 0.0% | 0.0% |
| Other activities | -11 | - | -4 | -7 | -19 | - | -5 | -14 | -42% | -50% |
| **KPN Group** | **603** | **-** | **-19** | **622** | **624** | **7** | **-4** | **621** | **-3.4%** | **0.2%** |

The following table specifies the EBITDA incidentals in more detail.

| **EBITDA incidentals** *(in EUR m)* | **Segment** | **Q1 2015** | **Q1 2014** |
|---|---|---|---|
| Adjustment of contract revenues | NetCo | - | 7 |
| **KPN Group** | | **-** | **7** |

# Group review and other developments

## Group financial review

Adjusted Group revenues were 3.5% lower y-on-y in Q1 2015. KPN continued to grow its customer base for nearly all main consumer and business services, however this was offset by the impact of the ongoing decline of the business market size.

Adjusted Group EBITDA increased by 0.2% y-on-y in Q1 2015 as the revenue decline and Belgian site tax expenses were offset by the positive impact from cost savings. The adjusted EBITDA margin for Q1 2015 increased to 32.4% (Q1 2014: 31.2%). The adjusted EBITDA margin for The Netherlands in Q1 2015 was 38.9% (Q1 2014: 37.0%).

Group operating profit (EBIT) decreased by EUR 14m y-on-y in Q1 2015 due to EUR 21m lower reported EBITDA. Net profit amounted to EUR 15m in Q1 2015, EUR 12m higher y-on-y mainly driven by EUR 16m lower net finance costs.

Capex increased by 5.9% y-on-y to EUR 357m in Q1 2015 driven by frontloaded network investments (including Reggefiber) in 2015. Savings from the Simplification program will drive down Capex in The Netherlands.

KPN made further progress with its Simplification program in Q1 2015 and has realized run-rate Capex and opex savings of approximately EUR 170m and approximately 950 FTE reductions since the end of 2013. KPN targets run-rate savings related to the Simplification program of more than EUR 400m by 2016 versus 2013 as well as 2,000-2,500 FTE reductions by 2016 versus the level at the end of 2013.

Free cash flow for the first quarter of 2015 was EUR 326m higher y-on-y at EUR 34m. This was driven by EUR 156m more cash from change in working capital, mainly due to different intrayear phasing, but also due to some structural improvements. Furthermore, the lower gross debt level resulted in EUR 109m lower interest payments in Q1 2015. Finally, Q1 2014 free cash flow had been impacted by a settlement payment of EUR 50m related to KPNQwest and an additional pension payment of EUR 37m. The cash out related to FTE reductions in Q1 2015 was still limited at EUR 26m.

## Net debt to EBITDA

Net debt amounted to EUR 7.3bn at the end of Q1 2015 and was stable compared to the end of Q4 2014. Combined with a relatively stable 12 months rolling EBITDA, this led to a stable net debt to EBITDA ratio of 2.8x at the end of Q1 2015 (Q4 2014: 2.8x). KPN has additional financial flexibility via the 20.5% stake in Telefónica Deutschland.

The EUR 1.0bn bond redemption in June 2015 will be financed through KPN’s existing net cash balance (Q1 2015: EUR 2.3bn[7]).

KPN has credit ratings of Baa3 with a stable outlook by Moody’s, BBB- with a stable outlook by Standard & Poor's and BBB- with a stable outlook by Fitch Ratings.

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[7] Including short-term investments

## Subsequent event

**Sale of BASE Company to Telenet**
On 20 April 2015, KPN announced that it reached an agreement to sell BASE Company to Telenet for a cash consideration of EUR 1,325m. In addition, KPN retains a majority interest in any net proceeds of the claim against Belgacom, which BASE Company will continue to pursue. The sale of BASE Company is subject to merger clearance. In addition, the transaction is subject to other customary terms and conditions including a break-up fee of EUR 100m payable by Telenet in case the merger control authorities do not approve the transaction. KPN intends to use the proceeds of the sale to create maximum value for shareholders. A further announcement on the use of proceeds will be made on completion of the transaction.

KPN estimates the book gain on the transaction will exceed EUR 400m. The tax book gain will be exempt from corporate income tax, as this gain is a result of a divestment of a subsidiary to which the Dutch participation exemption ('*deelnemingsvrijstelling*') applies.