Press release
29 July 2015

Second Quarter 2015 Results

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)** *(in EUR m, unless stated otherwise)*	**Q2 2015**	**Q2 2014**	**Δ y-on-y**	**YTD 2015**	**YTD 2014**	**Δ y-on-y**
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

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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.

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

For further information:

Corporate Communications	**Investor Relations**
Media Relations	
Tel: +31 70 4466300	Tel: +31 70 4460986
Fax: +31 70 4466310	
E-mail: press@kpn.com	E-mail: ir@kpn.com

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 ir.kpn.com*

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 second quarter of 2015, KPN continued to grow its broadband and IPTV customer base. KPN is well positioned as the leading converged operator in the Dutch market and puts strong emphasis on growing its fixed-mobile customer base. KPN announced a next phase in its TV innovation roadmap by focusing on content aggregation through smart partnerships, thereby further differentiating its leading combination of interactive functionalities and content. KPN has expanded and entered into a number of partnerships with leading content providers, such as Endemol Shine, Eredivisie and Spotify, through which KPN customers can access a full range of content on all devices.

Consumer Residential *(in EUR m)*	**Q2 2015**	**Q2 2014**	**Δ y-on-y**	**YTD 2015**	**YTD 2014**	**Δ y-on-y**
Revenues	478	476	0.4%	961	959	0.2%
Adjusted revenues	**478**	**476**	**0.4%**	**961**	**959**	**0.2%**
EBITDA	104	103	1.0%	204	200	2.0%
Adjusted EBITDA	**105**	**106**	**-0.9%**	**206**	**206**	**0.0%**

Adjusted revenues increased by 0.4% y-on-y in Q2 2015, supported by continued customer base growth and the price increase implemented on 1 July 2014, partly offset by the ongoing decline of traditional services. Adjusted EBITDA decreased by 0.9% y-on-y, mainly due to higher operating expenses resulting from the large number of customer additions. This resulted in an adjusted EBITDA margin of 22.0% (Q2 2014: 22.3%).

KPN's broadband (+31k) and IPTV (+64k) net adds showed continued good growth in Q2 2015. Broadband market share remained stable at 40% and TV market share increased to 28% (Q2 2014: 25%). ARPU per customer increased by 2.4% y-on-y to EUR 43 in Q2 2015 (Q2 2014: EUR 42), driven by increased RGUs per customer and the price increase implemented last year. Triple play net adds were 61k, resulting in a 54% penetration of the broadband customer base (Q2 2014: 47%). KPN's fixed-mobile base grew to 608k representing 21% of the broadband customer base (Q2 2014: 10%). The successful uptake of fixed-mobile bundles continued to drive customer loyalty and churn reduction. In Q2 2015, total gross churn across the fixed customer base decreased to 9% (Q2 2014: 12%), whereas gross churn for quad play customers was only 5% in Q2 2015. Churn reduction is a key benefit of KPN's continuing focus on increasing the fixed-mobile penetration in its customer base.

Consumer Mobile

KPN has a strong competitive position in the Dutch mobile market with its nationwide 4G network, attractive data-centric propositions and unique fixed-mobile bundles. This led to continued strong base growth and lower churn across all brands in the second quarter. The rebranding of Hi to KPN was completed with a smooth transition of subscribers to the KPN brand. The exponential growth in mobile streaming services is driving continued data usage growth. Average data per user for the KPN brand was more than 1.1GB per month in Q2 2015, an increase of 2.4x compared to the same quarter last year. KPN's innovative services, such as TV Everywhere, and larger data bundles introduced earlier this year have led to increased upsell as approximately 45% of sales for the KPN brand consisted of data bundles larger than 1GB (Q2 2014: approximately 30%). This has also resulted in an improved bundle mix within KPN's customer base.

Consumer Mobile *(in EUR m)*	Q2 2015	Q2 2014	Δ y-on-y	YTD 2015	YTD 2014	Δ y-on-y
Revenues	374	354	5.6%	718	701	2.4%
Adjusted revenues	**374**	**354**	**5.6%**	**718**	**701**	**2.4%**
EBITDA	82	50	64%	140	105	33%
Adjusted EBITDA	**82**	**51**	**61%**	**143**	**106**	**35%**

Adjusted revenues at Consumer Mobile increased by 5.6% y-on-y in Q2 2015, driven by service revenue growth and higher hardware revenues. Service revenues increased 3.1% y-on-y (Q2 2014: -11% y-on-y) mainly driven by continued high postpaid net adds and a tax benefit. KPN's total Dutch mobile market share rose to 44% in Q2 2015 (Q2 2014: 42%). Adjusted EBITDA grew strongly by 61% y-on-y in Q2 2015 as a result of higher service revenues and lower subscriber retention and acquisition costs because of fewer handset transactions compared to the same period last year. Due to a successful focus on retention, postpaid customer churn for the KPN brand was 9% in Q2 2015, an improvement of 7%-points compared to the same period last year. This led to an adjusted EBITDA margin of 21.9% in Q2 2015 (Q2 2014: 14.4%).

In Q2 2015, KPN continued to show high retail postpaid net adds (+70k) driven by attractive data-centric propositions, 4G and uptake of fixed-mobile bundles. Retail postpaid ARPU (EUR 27) was slightly lower compared to the same quarter last year (Q2 2014: EUR 28). This was mainly due to lower out of bundle usage y-on-y, partly offset by continued high value postpaid net adds. Committed retail postpaid ARPU increased to approximately 78%, up 2%-points y-on-y. The number of retail postpaid customers in fixed-mobile bundles continued to grow, leading to 26% penetration of the retail postpaid base at the end of Q2 2015 (Q2 2014: 13%).

Business

The challenges of the Dutch business market environment continued to impact the financial performance of the Business segment. In this rapidly changing market KPN focuses on opportunities to retain customer value and stabilize revenues in the medium-term. Although the structural decline of traditional voice is expected to continue, single play wireless revenues are expected to stabilize and strong revenue growth opportunities exist in demand for multi play and new services, such as cloud services. In July 2015, KPN acquired IS Group, which positions KPN as the leader in the fast growing Dutch cloud computing market. IS Group will be consolidated as per the third quarter of 2015.

KPN is making progress in transforming the Business organization to address the changing market dynamics. This includes simplifying the organization, creating a standardized portfolio and focusing on bundled customer propositions to improve customer satisfaction and profitability. An agreement has been reached with the relevant works councils, which allows KPN to accelerate the FTE reduction program in the second half of the year. This will lower the fixed cost base and support profitability going forward.

Business *(in EUR m)*	Q2 2015	Q2 2014	Δ y-on-y	YTD 2015	YTD 2014	Δ y-on-y
Revenues	652	732	-11%	1,332	1,462	-8.9%
Adjusted revenues	**662**	**727**	**-8.9%**	**1,342**	**1,457**	**-7.9%**
EBITDA	88	142	-38%	208	291	-29%
Adjusted EBITDA	**123**	**153**	**-20%**	**250**	**299**	**-16%**

Adjusted revenues at Business declined by 8.9% y-on-y in Q2 2015 driven by lower revenues from traditional services and repricing of the mobile base, partly offset by growth in multi play and new services. This was also the main reason for the 20% decrease in adjusted EBITDA, partly offset by lower personnel expenses, although these were still higher than expected due to somewhat delayed FTE reductions. Consequently, the adjusted EBITDA margin declined to 18.6% (Q2 2014: 21.0%).

Multi play seats increased by 51k in Q2 2015 to 421k, equivalent to 19% of the wireless customer base. The wireless customer base showed net adds of 5k in Q2 2015. However, wireless single play ARPU remained under pressure in Q2 2015 and was lower y-on-y at EUR 35 (Q2 2014: EUR 38). Also, traditional wireline voice services were impacted by rationalization and the ongoing migration towards VoIP and multi play, and access lines fell to 776k (Q2 2014: 928k). Traditional voice ARPU remained stable y-on-y at EUR 51 (Q2 2014: EUR 51).

NetCo

KPN continued to invest in its high quality networks and IT infrastructure. Selective FttH roll-out is combined with upgrades of the copper network by rolling out fiber to the street cabinets, which in combination with vectoring and pair bonding increases the available copper speeds. This resulted in 57% FttC/FttH penetration at the end of the second quarter (Q2 2014: 47%) and 60% coverage of Dutch households with access to speeds of at least 100Mbps (Q2 2014: 35%). KPN also continued to increase capacity and download speeds for its mobile customers. Carrier aggregation, using 800MHz and two 10 MHz blocks of 1800MHz spectrum, has been activated in the seven largest cities in The Netherlands. This has been an important driver for the strong increase in average 4G download speed to 36Mbps (Q2 2014: 20Mbps), despite an increase in 4G data volume of more than 4 times.

NetCo *(in EUR m)*	**Q2 2015**	**Q2 2014**	**Δ y-on-y**	**YTD 2015**	**YTD 2014**	**Δ y-on-y**
Revenues	544	570	-4.6%	1,091	1,139	-4.2%
Adjusted revenues	**544**	**560**	**-2.9%**	**1,091**	**1,122**	**-2.8%**
EBITDA	315	314	0.3%	626	618	1.3%
Adjusted EBITDA	**314**	**305**	**3.0%**	**628**	**602**	**4.3%**

Adjusted revenues at NetCo declined by 2.9% y-on-y in Q2 2015 driven by the ongoing decline of traditional services. The adjusted EBITDA margin of 57.7% was higher compared to Q2 2014 (54.5%), 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)*	**Q2 2015**	**Q2 2014**	**Δ y-on-y**	**YTD 2015**	**YTD 2014**	**Δ y-on-y**
Revenues	234	231	1.3%	461	457	0.9%
Adjusted revenues	**234**	**231**	**1.3%**	**461**	**457**	**0.9%**
EBITDA	6	5	20%	11	10	10%
Adjusted EBITDA	**6**	**5**	**20%**	**11**	**10**	**10%**

Adjusted revenues at iBasis increased by 1.3% y-on-y in Q2 2015 driven by a favorable currency effect of 13%, which was partly offset by lower traffic. The adjusted EBITDA margin of 2.6% improved y-on-y in Q2 2015 (Q2 2014: 2.2%), driven by a strong cost focus. iBasis continued to expand the global reach of its LTE roaming service via peering partners and direct interconnections with mobile operators.

Belgium (discontinued operations)

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

In the second quarter of 2015, the Belgian market remained competitive as competitors continued their commercial activities mainly focusing on handsets. As a mobile specialist, BASE Company combines price and service leadership with a high network quality. In Q2 2015, BASE Company simplified its mobile portfolio and increased the data allowance for subscribers in its postpaid offers, further strengthening its price leadership in the Belgian mobile market. BASE Company's mobile network investments led to approximately 87% 4G coverage of the Belgian population at the end of Q2 2015.

Belgium *(in EUR m)*	**Q2 2015**	**Q2 2014**	**Δ y-on-y**	**YTD 2015**	**YTD 2014**	**Δ y-on-y**
Revenues	169	178	-5.1%	338	355	-4.8%
Adjusted revenues	**169**	**178**	**-5.1%**	**338**	**355**	**-4.8%**
EBITDA	46	36	28%	72	77	-6.5%
Adjusted EBITDA	**46**	**39**	**18%**	**72**	**80**	**-10%**

Adjusted revenues in Belgium decreased by 5.1% y-on-y in Q2 2015 and service revenues were 3.9% lower y-on-y in a competitive mobile market. Adjusted EBITDA increased 18% y-on-y supported by several smaller incidentals and no site tax expenses compared to the same period last year, resulting in an adjusted EBITDA margin of 27.2% (Q2 2014: 21.9%). BASE Company added 7k postpaid subscribers and postpaid ARPU remained stable y-on-y at EUR 31.

Analysis of adjusted results Q2 2015

The following table shows the key items between reported and adjusted revenues. BASE Company continues to be included in KPN's segment reporting until the sale is completed.

Revenues *(in EUR m)*	Q2 2015 reported	Incidentals	Q2 2015 adjusted	Q2 2014 reported	Incidentals	Q2 2014 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
Consumer Mobile	374	-	374	354	-	354	5.6%	5.6%
Consumer Residential	478	-	478	476	-	476	0.4%	0.4%
Business	652	-10	662	732	5	727	-11%	-8.9%
NetCo	544	-	544	570	10	560	-4.6%	-2.9%
Other	-513	-	-513	-529	-	-529	-3.0%	-3.0%
The Netherlands	**1,535**	**-10**	**1,545**	**1,603**	**15**	**1,588**	**-4.2%**	**-2.7%**
iBasis	234	-	234	231	-	231	1.3%	1.3%
Belgium (discontinued operations)	169	-	169	178	-	178	-5.1%	-5.1%
Other activities	4	-	4	48	-	48	-92%	-92%
Intercompany revenues	-40	-	-40	-56	-	-56	-29%	-29%
KPN Group	**1,902**	**-10**	**1,912**	**2,004**	**15**	**1,989**	**-5.1%**	**-3.9%**
Of which discontinued operations	*161*	-	*161*	*169*	-	*169*	*-4.7%*	*-4.7%*
KPN Group continuing operations	**1,741**	**-10**	**1,751**	**1,835**	**15**	**1,820**	**-5.1%**	**-3.8%**

The following table specifies the revenue incidentals in more detail.

Revenue incidentals *(in EUR m)*	**Segment**	**Q2 2015**	**Q2 2014**
Revenue related provision	Business	-10	-
Sale of fixed assets (hardware)	Business	-	5
Change in provision	NetCo	-	10
KPN Group		**-10**	**15**
Of which discontinued operations		-	-
KPN Group continuing operations		**-10**	**15**

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

EBITDA *(in EUR m)*	Q2 2015 reported	Incidentals	Restruc-turing	Q2 2015 adjusted	Q2 2014 reported	Incidentals	Restruc-turing	Q2 2014 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
Consumer Mobile	82	-	-	82	50	-	-1	51	64%	61%
Consumer Residential	104	-	-1	105	103	-	-3	106	1.0%	-0.9%
Business	88	-10	-25	123	142	5	-16	153	-38%	-20%
NetCo	315	6	-5	314	314	10	-1	305	0.3%	3.0%
Other	-5	-	3	-8	-19	-	-4	-15	-74%	-47%
The Netherlands	**584**	**-4**	**-28**	**616**	**590**	**15**	**-25**	**600**	**-1.0%**	**2.7%**
iBasis	6	-	-	6	5	-	-	5	20%	20%
Belgium (discontinued operations)	46	-	-	46	36	-	-3	39	28%	18%
Other activities	-23	5	-7	-21	436	451	-4	-11	n.m.	91%
KPN Group	**613**	**1**	**-35**	**647**	**1,067**	**466**	**-32**	**633**	**-43%**	**2.2%**
Of which discontinued operations	*45*	-	-	*45*	*37*	-	*-3*	*40*	*22%*	*13%*
KPN Group continuing operations	**568**	**1**	**-35**	**602**	**1,030**	**466**	**-29**	**593**	**-45%**	**1.5%**

The following table specifies the EBITDA incidentals in more detail.

EBITDA incidentals *(in EUR m)*	Segment	Q2 2015	Q2 2014
Revenue related provision	Business	-10	-
Sale of fixed assets (hardware)	Business	-	5
Release of asset retirement obligation	NetCo	6	-
Change in provision	NetCo	-	10
Release of provision	Other activities	5	-
Release of pension provision	Other activities	-	451
KPN Group		**1**	**466**
Of which discontinued operations		-	-
KPN Group continuing operations		**1**	**466**

Analysis of adjusted results YTD 2015

The following table shows the key items between reported and adjusted revenues. BASE Company continues to be included in KPN's segment reporting until the sale is completed.

Revenues *(in EUR m)*	YTD 2015 reported	Incidentals	YTD 2015 adjusted	YTD 2014 reported	Incidentals	YTD 2014 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
Consumer Mobile	718	-	718	701	-	701	2.4%	2.4%
Consumer Residential	961	-	961	959	-	959	0.2%	0.2%
Business	1,332	-10	1,342	1,462	5	1,457	-8.9%	-7.9%
NetCo	1,091	-	1,091	1,139	17	1,122	-4.2%	-2.8%
Other	-1,030	-	-1,030	-1,060	-	-1,060	-2.8%	-2.8%
The Netherlands	**3,072**	**-10**	**3,082**	**3,201**	**22**	**3,179**	**-4.0%**	**-3.1%**
iBasis	461	-	461	457	-	457	0.9%	0.9%
Belgium (discontinued operations)	338	-	338	355	-	355	-4.8%	-4.8%
Other activities	30	-	30	98	-	98	-69%	-69%
Intercompany revenues	-80	-	-80	-111	-	-111	-28%	-28%
KPN Group	**3,821**	**-10**	**3,831**	**4,000**	**22**	**3,978**	**-4.5%**	**-3.7%**
Of which discontinued operations	*322*	-	*322*	*335*	-	*335*	*-3.9%*	*-3.9%*
KPN Group continuing operations	**3,499**	**-10**	**3,509**	**3,665**	**22**	**3,643**	**-4.5%**	**-3.7%**

The following table specifies the revenue incidentals in more detail.

Revenue incidentals *(in EUR m)*	**Segment**	**YTD 2015**	**YTD 2014**
Revenue related provision	Business	-10	-
Sale of fixed assets (hardware)	Business	-	5
Change in provision	NetCo	-	17
KPN Group		**-10**	**22**
Of which discontinued operations		-	-
KPN Group continuing operations		**-10**	**22**

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

EBITDA *(in EUR m)*	**YTD 2015 reported**	**Incidentals**	**Restruc-turing**	**YTD 2015 adjusted**	**YTD 2014 reported**	**Incidentals**	**Restruc-turing**	**YTD 2014 adjusted**	**Δ y-on-y reported**	**Δ y-on-y adjusted**
Consumer Mobile	140	-	-3	143	105	-	-1	106	33%	35%
Consumer Residential	204	-	-2	206	200	-	-6	206	2.0%	0.0%
Business	208	-10	-32	250	291	5	-13	299	-29%	-16%
NetCo	626	6	-8	628	618	17	-1	602	1.3%	4.3%
Other	-11	-	2	-13	-27	-	-3	-24	-59%	-46%
The Netherlands	**1,167**	**-4**	**-43**	**1,214**	**1,187**	**22**	**-24**	**1,189**	**-1.7%**	**2.1%**
iBasis	11	-	-	11	10	-	-	10	10%	10%
Belgium (discontinued operations)	72	-	-	72	77	-	-3	80	-6.5%	-10%
Other activities	-34	5	-11	-28	417	451	-9	-25	n.m.	-12%
KPN Group	**1,216**	**1**	**-54**	**1,269**	**1,691**	**473**	**-36**	**1,254**	**-28%**	**1.2%**
Of which discontinued operations	*72*	-	-	*72*	*76*	-	*-3*	*79*	*-5.3%*	*-8.9%*
KPN Group continuing operations	**1,144**	**1**	**-54**	**1,197**	**1,615**	**473**	**-33**	**1,175**	**-29%**	**1.9%**

The following table specifies the EBITDA incidentals in more detail.

EBITDA incidentals *(in EUR m)*	**Segment**	**YTD 2015**	**YTD 2014**
Revenue related provision	Business	-10	-
Sale of fixed assets (hardware)	Business	-	5
Release of asset retirement obligation	NetCo	6	-
Change in provision	NetCo	-	17
Release of provision	Other activities	5	-
Release of pension provision	Other activities	-	451
KPN Group		**1**	**473**
Of which discontinued operations		-	-
KPN Group continuing operations		**1**	**473**

Group review and other developments

Group financial review (continuing operations)

Adjusted Group revenues were 3.8% lower y-on-y in Q2 2015. KPN continued to grow its customer base for nearly all main consumer and business services, however this was still offset by the impact of the ongoing decline of the business market size.

Adjusted Group EBITDA increased by 1.5% y-on-y in Q2 2015 as the revenue decline was offset by the positive impact of cost savings and lower SAC/SRC driven by lower churn. The adjusted EBITDA margin for Q2 2015 increased to 34.4% (Q2 2014: 32.6%). The adjusted EBITDA margin for The Netherlands in Q2 2015 was 39.9% (Q2 2014: 37.8%).

Group operating profit (EBIT) increased by EUR 12m y-on-y in Q2 2015, adjusted for the EUR 451m release of provision related to the pension plan agreement in The Netherlands in Q2 2014. Net profit amounted to EUR 160m in Q2 2015, EUR 169m higher y-on-y, adjusted for the EUR 361m release of pension provision (net of tax) in Q2 2014. The increase in net profit was mainly driven by lower net finance costs, which included EUR 146m dividend received from Telefónica Deutschland (EUR 110m net of tax).

Capex increased to EUR 640m in the first half of 2015 compared to EUR 574m in the first half of 2014. Capital intensity is still relatively high due to investment programs in network capacity and speed, and Simplification. In fixed, FttC/FttH investments will drive fiber penetration to approximately 80% of Dutch households at the end of 2016. In mobile, additional investments to increase available download speeds via carrier aggregation with 1800MHz are expected to be completed by the end of 2016. Finally, IT investments related to Simplification are higher in 2015; these will drive Capex savings in 2016 and beyond.

KPN made further progress with its Simplification program in Q2 2015 and has realized run-rate Capex and opex savings of approximately EUR 230m and approximately 1,150 FTE reductions since the end of 2013. KPN targets annual 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 half of 2015 was EUR 468m higher y-on-y at EUR 262m. Excluding the EUR 146m dividend received from Telefónica Deutschland, free cash flow for the first half of 2015 was EUR 116m, EUR 322m higher y-on-y. This was a result of EUR 154m lower interest paid, EUR 146m more cash from change in provisions[1] and EUR 100m more cash from change in working capital, partly offset by EUR 66m higher Capex. The lower gross debt level resulted in lower interest payments and the change in provisions was mainly driven by settlement of legal claims and an additional pension payment in the first half of 2014. The higher cash from change in working capital was driven by different intrayear phasing, but also due to some structural improvements.

Net debt to EBITDA

Net debt amounted to EUR 7.3bn at the end of Q2 2015 and remained stable versus the end of Q1 2015. Combined with a relatively stable 12 months rolling EBITDA, the net debt to EBITDA ratio remained stable at 2.8x at the end of Q2 2015. KPN has additional financial flexibility via the 20.5% stake in Telefónica Deutschland and expected cash proceeds of EUR 1,325m related to the sale of BASE Company.

[1] Excluding release of EUR 451m pension provision in Q2 2014

The EUR 1.0bn bond redemption in June 2015 was financed through KPN's existing net cash balance, lowering gross debt to EUR 8.6bn and net cash to EUR 1.3bn[2].

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 positive outlook by Fitch Ratings.

Other developments

For further details refer to KPN's Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2015.

[2] Including short-term investments