KPN Interim Financial Statements

For the year ended 31 December 2015

Condensed Consolidated Interim Financial Statements

for the year ended 31 December 2015

All related documents can be found on KPN's website, including the KPN Management Report Q4 2015: ir.kpn.com

Unaudited Consolidated Statement of Profit or Loss

(in EUR m, unless indicated otherwise)	For the six months ended 31 December 2015	2014 (Restated)	For the year ended 31 December 2015	2014 (Restated)
Revenues	3,508	3,670	7,006	7,328
Other income	1	74	2	81
Total [2]	**3,509**	**3,744**	**7,008**	**7,409**
Own work capitalized	-46	-42	-90	-81
Cost of materials	355	354	680	683
Work contracted out and other expenses	1,347	1,423	2,662	2,852
Employee benefits [3, 10]	517	578	1,107	731
Depreciation, amortization and impairments [3]	816	823	1,616	1,654
Other operating expenses	156	180	325	358
Total operating expenses	**3,145**	**3,316**	**6,300**	**6,197**
Operating profit [3]	**364**	**428**	**708**	**1,212**
Finance income	2	11	150	34
Finance costs	-239	-535	-507	-869
Other financial results	256	-57	252	-66
Finance income and expenses [4]	**19**	**-581**	**-105**	**-901**
Share of the profit of associates and joint ventures	2	-4	2	-5
Profit/Loss (-) before income tax from continuing operations	**385**	**-157**	**605**	**306**
Income taxes [5]	-44	66	-81	-45
Profit/Loss (-) for the period from continuing operations	**341**	**-91**	**524**	**261**
Profit/Loss (-) for the period from discontinued operations [1]	127	-329	135	-845
Profit/Loss (-) for the period	**468**	**-420**	**659**	**-584**
Profit attributable to non-controlling interest	12	8	21	14
Profit/Loss (-) attributable to equity holders	456	-428	638	-598
Earnings per ordinary share after taxes attributable to equity holders for the period (in EUR)				
- Basic (continuing operations)	0.07	-0.03	0.11	0.05
- Diluted (continuing operations)	0.07	-0.03	0.11	0.05
- Basic (discontinued operations)	0.03	-0.08	0.03	-0.20
- Diluted (discontinued operations)	0.03	-0.08	0.03	-0.20
- Basic (total, including discontinued operations)	0.10	-0.11	0.14	-0.15
- Diluted (total, including discontinued operations)	0.10	-0.11	0.14	-0.15
Weighted average number of ordinary shares				
- Non-diluted			4,258,608,802	4,258,098,273
- Diluted			4,262,744,065	4,262,222,123

Unaudited Consolidated Statement of Other Comprehensive Income

(in EUR m)	For the six months ended 31 December 2015	2014 (Restated)	For the year ended 31 December 2015	2014 (Restated)
Profit/Loss (-) for the period	**468**	**-420**	**659**	**-584**
Items of other comprehensive income that may not be reclassified subsequently to profit or loss:				
Remeasurement pensions and other post-employment plans:				
Gains or losses (-) arising during the period	-27	-16	45	-41
Income tax	5	-6	2	-9
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**-22**	**-22**	**47**	**-50**
Items of other comprehensive income that will be reclassified subsequently to profit or loss when specific conditions are met:				
Cash flow hedges:				
Gains or losses (-) arising during the period	25	120	166	-1
Income tax	-6	-28	-41	2
	19	92	125	1
Currency translation adjustments:				
Gains or losses (-) arising during the period	4	7	-2	2
Realized through profit or loss	-	4	-	4
	4	11	-2	6
Fair value adjustment available-for-sale financial assets:				
Unrealized gains or losses (-) arising during the period	-100	159	363	163
Income tax	25	-41	-91	-41
Realized gain through the income statement (net of tax)	-138	-	-138	-
	-213	118	134	122
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**-190**	**221**	**257**	**129**
Other comprehensive income for the period, net of income tax	**-212**	**199**	**304**	**79**
Total comprehensive income for the year, net of tax	**256**	**-221**	**963**	**-505**
Total comprehensive income attributable to:				
- Equity holders	244	-229	942	-519
- Non-controlling interest	12	8	21	14
Total comprehensive income attributable to equity holders arises from:				
- Continuing operations	117	100	807	326
- Discontinued operations	127	-329	135	-845

Unaudited Consolidated Statement of Financial Position

ASSETS *(in EUR m)*	As at 31 December 2015	 31 December 2014
NON-CURRENT ASSETS		
Goodwill	1,428	1,454
Licenses	1,180	1,564
Software	556	675
Other intangibles	286	299
Total intangible assets	**3,450**	**3,992**
Land and buildings	525	569
Plant and equipment	5,230	5,704
Other tangible non-current assets	38	58
Assets under construction	208	275
Total property, plant and equipment	**6,001**	**6,606**
Investments in associates and joint ventures	42	42
Loans to associates and joint ventures	20	19
Available-for-sale financial assets [12]	2,272	2,713
Derivative financial instruments [12]	530	328
Deferred income tax assets	1,069	1,323
Trade and other receivables	81	140
Total non-current assets	**13,465**	**15,163**
CURRENT ASSETS		
Inventories	65	61
Trade and other receivables	778	999
Income tax receivables	58	49
Derivative financial instruments [12]	102	-
Other current financial assets [6]	575	300
Cash and cash equivalents [7]	1,446	1,976
Total current assets	**3,024**	**3,385**
Non-current assets and disposal groups classified as held for sale [1]	**1,308**	**8**
TOTAL ASSETS	**17,797**	**18,556**

GROUP EQUITY AND LIABILITIES (in EUR m)	As at 31 December 2015	31 December 2014
GROUP EQUITY		
Share capital	171	171
Share premium	9,847	9,847
Other reserves	-125	-388
Retained earnings	-6,000	-6,146
Equity attributable to holders of perpetual capital securities	1,089	1,089
Equity attributable to equity holders of the company	**4,982**	**4,573**
Non-controlling interest	69	57
Total group equity [8]	**5,051**	**4,630**
NON-CURRENT LIABILITIES		
Borrowings [9]	8,853	9,397
Derivative financial instruments [12]	17	191
Deferred income tax liabilities	47	52
Provisions for retirement benefit obligations [10]	259	316
Provisions for other liabilities and charges	97	136
Other payables and deferred income	65	64
Total non-current liabilities	**9,338**	**10,156**
CURRENT LIABILITIES		
Trade and other payables	2,090	2,559
Borrowings [9]	847	1,044
Derivative financial instruments [12]	3	7
Income tax payables [5]	43	79
Provision for other liabilities and charges	59	68
Total current liabilities	**3,042**	**3,757**
Liabilities directly associated with non-current assets and disposal groups classified as held for sale [1]	**366**	**13**
TOTAL EQUITY AND LIABILITIES	**17,797**	**18,556**

Unaudited Consolidated Statement of Cash Flows

	For the year ended	
(in EUR m)	31 December 2015	31 December 2014 (Restated)
Profit before income tax from continuing operations	**605**	**306**
Adjustments for:		
- Net financial expenses [4]	105	901
- Share-based compensation	8	6
- Share of the profit of associated and joint ventures	-2	5
- Depreciation, amortization and impairments [3]	1,616	1,654
- Other income	-2	-2
- Changes in provisions (excl. deferred taxes) [10]	-44	-894
Changes in working capital relating to:		
- Inventories	-12	-2
- Trade receivables	63	216
- Prepayments and accrued income	53	-107
- Other current assets	18	18
- Trade payables	63	-312
- Accruals and deferred income	-145	-64
- Current liabilities (excl. short-term financing)	-10	27
Received dividends [4]	147	1
Taxes received / paid	18	38
Interest paid	-485	-704
Net cash flow from operating activities from continuing operations	**1,996**	**1,087**
Net cash flow from operating activities from discontinued operations	*222*	*467*
Net cash flow from operating activities	**2,218**	**1,554**
Disposal of available-for-sale financial assets [4, 12]	805	-
Acquisition of subsidiaries, associates and joint ventures (net of acquired cash)	-73	-745
Disposal of subsidiaries, associates and joint ventures	-1	-1
Disposal of intangible assets	-	2
Investments in intangibles assets (excl. software)	-4	-14
Investments in software	-288	-343
Investments in property, plant & equipment [11]	-1,012	-896
Loans to associates and joint ventures	-	-177
Disposal of property, plant & equipment [11]	3	3
Other financial assets [6]	-275	-300
Other	-1	-
Net cash flow used in investing activities from continuing operations	**-846**	**-2,471**
Net cash flow used in investing activities from discontinued operations	*-247*	*3,944*
Net cash flow used in investing activities	**-1,093**	**1,473**
Paid coupon hybrid bonds	-67	-67
Redemption Preference Shares B	-	-255
Dividends paid [8]	-495	-94
Repayments of borrowings and settlement of derivatives [9]	-929	-4,002
Other	-5	-35
Net cash flow used in financing activities from continuing operations	**-1,496**	**-4,453**
Net cash flow used in financing activities from discontinued operations	*-*	*-251*
Net cash flow used in financing activities	**-1,496**	**-4,704**

(in EUR m)	For the year ended 31 December 2015	31 December 2014 (Restated)
Continued from previous page		
Total net cash flow from continuing operations	***-346***	***-5,837***
Total net cash flow from discontinued operations	*-25*	*4,160*
Total net cash flow (changes in cash and cash equivalents)	**-371**	**-1,677**
Net cash and cash equivalents at beginning of period	**1,945**	**3,620**
Exchange rate difference	1	2
Changes in cash and cash equivalents	-371	-1,677
Net cash and cash equivalents at end of period	**1,575**	**1,945**
Bank overdrafts	4	31
Cash classified as held for sale (discontinued operations) [1]	-133	-
Cash and cash equivalents at end of period [7]	**1,446**	**1,976**

Unaudited Consolidated Statement of Changes in Group Equity

(in EUR m, except number of shares)	Number of subscribed shares	Share capital	Share premium	Other reserves	Retained earnings	Perpetual capital securities	Equity attributable to owners of the parent	Non-controlling interests	Total Group equity
Balance at 1 January 2014	**4,270,254,664**	**1,025**	**8,993**	**-517**	**-5,340**	**1,089**	**5,250**	**53**	**5,303**
Profit for the period	-	-	-	-	-598	-	-598	14	-584
Other comprehensive income for the period	-	-	-	129	-50	-	79	-	79
Total comprehensive income for the period	-	-	-	*129*	*-648*	-	*-519*	*14*	*-505*
Share based compensation	-	-	-	-	3	-	3	-	3
Reduction nominal value	-	-854	854	-	-	-	-	-	-
Paid coupon perpetual hybrid bond (net of tax)	-	-	-	-	-76	-	-76	-	-76
Dividends paid	-	-	-	-	-85	-	-85	-9	-94
Acquisition	-	-	-	-	-	-	-	-1	-1
Total transactions with owners, recognized directly in equity	-	*-854*	*854*	-	*-158*	-	*-158*	*-10*	*-168*
Balance at 31 December 2014	**4,270,254,664**	**171**	**9,847**	**-388**	**-6,146**	**1,089**	**4,573**	**57**	**4,630**
Balance at 1 January 2015	**4,270,254,664**	**171**	**9,847**	**-388**	**-6,146**	**1,089**	**4,573**	**57**	**4,630**
Profit for the period	-	-	-	-	638	-	638	21	659
Other comprehensive income for the period	-	-	-	257	47	-	304	-	304
Total comprehensive income for the period	-	-	-	*257*	*685*	-	*942*	*21*	*963*
Share based compensation	-	-	-	-	-3	-	-3	-	-3
Sold treasury shares	-	-	-	6	-	-	6	-	6
Paid coupon perpetual hybrid bond (net of tax)	-	-	-	-	-51	-	-51	-	-51
Dividends paid [8]	-	-	-	-	-485	-	-485	-9	-494
Total transactions with owners, recognized directly in equity	-	-	-	*6*	*-539*	-	*-533*	*-9*	*-542*
Balance at 31 December 2015	**4,270,254,664**	**171**	**9,847**	**-125**	**-6,000**	**1,089**	**4,982**	**69**	**5,051**

Notes to the Condensed Consolidated Interim Financial Statements

Company profile

KPN is the leading telecommunications and ICT provider in The Netherlands, offering fixed and mobile telephony, fixed and mobile broadband internet and TV to retail consumers. KPN is also market leader in The Netherlands in ICT services, infrastructure and network related ICT solutions to business customers, including other telecommunications operators. In Belgium (discontinued operations), KPN pursues a challenger strategy and offers mobile telephony products and services through BASE Company. KPN also provides wholesale network services to third parties and operates an IP-based infrastructure for international wholesale customers through iBasis.

Accounting policies

Basis of presentation

The applied accounting policies are in line with those as described in KPN's Integrated Annual Report 2014 except for the impact of new accounting standards as described below. These Condensed Consolidated Interim Financial Statements have not been audited or reviewed by KPN's external auditor. These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting.*

Significant accounting estimates and judgments

The preparation of these Interim Financial Statements required management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the period as well as the information disclosed and the contingent liabilities. Actual results may therefore deviate from the estimates applied. Estimates and judgments are evaluated continuously and are based on historic experience and other facts, including expectations of future events thought to be reasonable under the circumstances. Estimates are revised when material changes to the underlying assumptions occur. For KPN's significant accounting estimates, judgments and assumptions, reference is made to the Notes to the Consolidated Financial Statements of the Integrated Annual Report 2014, including:

- the determination of deferred tax assets for carry forward losses and provisions for tax contingencies;
- the determination of fair value less costs of disposal and value in use of cash-generating units for goodwill impairment testing;
- the determination of fair values of net assets acquired in business combinations;
- the depreciation rates of the copper and fiber network included in property, plant and equipment;
- the assumptions used to determine the fair value less costs of disposal of assets and liabilities held for sale, including disposal groups (see note [1]);
- the assumptions used to determine the provision for retirement benefit obligations and periodic pension costs, such as expected discount rates, mortality rates and benefit increases; and
- the 'more likely than not' assessment required to determine whether or not to recognize a provision for idle cables, which are part of a public electronic communications network.

Also reference is made to Note 30 'Capital and Financial Risk Management' of the Integrated Annual Report 2014 which discloses KPN's exposure to credit risk and financial market risks.

Change in accounting policies

KPN has not changed its accounting policies as described in the Integrated Annual Report 2014 other than by incorporating endorsed changes in and amendments to IFRS. A full description of new and amended IFRS standards will be incorporated in the Integrated Annual Report 2015 which will be published on 25 February 2016.

The following standards have been implemented as of 1 January 2015 due to their effective dates and the timing of their endorsement by the European Union:

- IFRIC 21 '*Levies*' provides guidance in addition to IAS 37 '*Provisions, Contingent Liabilities and Contingent Assets*' on how to account for levies posed by governments other than income taxes, specifically on when to account for the liability. This guidance impacts the phasing of specific levies throughout a financial year as the full year expense must be recorded at their levy date. In The Netherlands and at iBasis, the impact of IFRIC 21 was not material. In Belgium (discontinued operations), specific site taxes have a levy date of 1 January and therefore IFRIC 21 resulted in recognition of the full year 2015 charge in the first quarter of 2015. Up to 2014, these types of levies were recognized evenly throughout the year. For KPN, IFRIC 21 does not have an impact on the full year financial results of KPN. The comparative financial information has not been restated.
- IAS 19 '*Employee Benefits*' has been amended regarding treatment of employee contributions in defined benefit plans. The amendment aims to simplify the calculation of employee contributions and did not affect KPN.
- The Annual Improvements 2010-2012 and the Annual Improvements 2011-2013 cover amendments to several standards, none of which have a material impact on KPN.

The following new standards, interpretations and amendments to existing standards, which will become effective on or after 1 January 2016, are expected to have an impact on KPN's financial performance. These standards have not been applied in preparing these 2015 Condensed Consolidated Interim Financial Statements:

- IFRS 9 '*Financial Instruments*' as issued in July 2014 will replace IAS 39 '*Financial Instruments: Recognition and Measurement*' and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting of financial instruments. IFRS 9 is effective as of 1 January 2018 and must be applied retrospectively. However, the hedge accounting requirements are generally applied prospectively. Apart from some aspects of hedge accounting, restatement of comparative information is not mandatory and is permitted only if information is available without the use of hindsight. As the standard has not yet been endorsed by the European Commission, it is uncertain when it needs to be applied by KPN. IFRS 9 is expected to have an impact on the classification and measurement of KPN's financial assets and liabilities. KPN is currently reviewing the extent of the impact of this new standard.
- IFRS 15 '*Revenue from Contracts with Customers*' was issued in May 2014. In April 2015, the effective date of this standard has been postponed to 1 January 2018. Endorsement is expected in 2016. IFRS 15 introduces new guidance on the recognition and measurement requirements of revenues. The standard applies to revenue from contracts with customers and also provides a model for the sale of some non-financial assets that are not an output of a company's ordinary business activities (such as the sale of property, plant and equipment or intangibles). IFRS 15 provides more detailed requirements than the current standards. KPN is currently reviewing the extent of the impact of this new standard in anticipation of endorsement. KPN expects an impact on the timing of revenue recognition due to the removal of the cash restriction rule currently applied in revenue arrangements with multiple deliverables and on the accounting treatment of dealer commissions. Due to potential differences between timing of revenue recognition required by the new standard and receipt of corresponding cash flows, KPN's Consolidated Statement of Financial Position may also be impacted (recognition of contract assets and contract liabilities). Upon implementation of IFRS 15, the disclosures in KPN's IFRS Consolidated Financial Statements will be expanded to include required information such as movement schedules for recognized contract assets and contract liabilities, information about performance obligations and information on key judgments and estimates applied in recognition and measurement of revenues. KPN does not intend to early adopt this standard.

- IFRS 16 *'Leases'* was issued in January 2016. The standard has an effective date of 1 January 2019. Endorsement has not been scheduled yet. IFRS 16 will replace IAS 17 and introduces on balance sheet accounting for (almost) all leases. Therefore, assets in use under an operating lease contract, reported as off balance sheet obligation under IAS 17, will be recognized on the balance sheet. Paid lease fees will no longer be part of operating expenses but will become part of depreciation and interest expenses. The standard will have an impact on KPN's Consolidated Statement of Financial Position due to the recognition of the leased assets and corresponding financial liabilities. Also, an impact is expected on KPN's Consolidated Statement of Profit or Loss. EBITDA and Operating profit are expected to increase, but the impact on Profit before tax is not expected to be material. KPN is currently reviewing the extent of the impact of this new standard.

Changes to organizational structure
As of 1 January 2015, Mobile International's Other segment merged with Other Activities and the segment Belgium was presented separately. Comparative segment information was restated.

As of 15 April 2015, the segment Belgium, consisting of BASE Company and participations, has been classified as 'disposal group held for sale' ('discontinued operations') following the formal decision to sell KPN's interest in BASE Company. For further details on the restatements refer to note [1].

Reggefiber has been consolidated (in full) in the financial statements of KPN as per 1 November 2014. For information on the acquisition of Reggefiber and details on the purchase price allocation, refer to Note 31 of the 2014 Consolidated Financial Statements of KPN. The purchase price allocation was finalized at 1 November 2015, no changes were recorded.

[1] Disposal group held for sale
On 20 April 2015, KPN announced that it reached an agreement to sell BASE Company to Telenet. KPN will receive a cash consideration of EUR 1,325m.The sale of BASE Company is subject to merger clearance.

BASE Company was classified as 'disposal group held for sale' as of 15 April 2015. The classification as 'disposal group held for sale' did not result in an impairment as the fair value less costs to sell of the disposal group is higher than the carrying value.

All assets and liabilities of BASE Company have been presented separately on KPN's Consolidated Statement of Financial Position as of 15 April 2015 as 'non-current assets of disposal groups classified as held for sale' and 'liabilities directly associated with non-current assets and disposal group held for sale'. These assets and liabilities will continue to be accounted for in accordance with the relevant IFRS standards except that the non-current assets are no longer amortized or depreciated as of 15 April 2015 following guidance of IFRS 5.

Given the significance of BASE Company to KPN Group, IFRS classifies BASE Company as a 'discontinued operation'. As of 15 April 2015 BASE Company is presented as discontinued operations in the Consolidated Statement of Profit or Loss and in the Consolidated Statement of Cash Flows. Comparative financial information has been restated in accordance with relevant IFRS standards. Results from BASE Company are reported as 'profit for the period from discontinued operations' and cash flows as 'cash flows from discontinued operations'. Since the internal reporting of BASE Company as operating segment to KPN's Chief Operating Decision Maker remains unchanged, BASE Company is still included in KPN's segment reporting.

The following table presents the assets and liabilities of BASE Company, classified as held for sale:

(in EUR m)	As at 31 December 2015	As at 15 April 2015
Intangible assets	419	406
Property, plant and equipment	564	498
Other non-current assets	78	86
Current assets	247	408
Non-current liabilities	-105	-44
Current liabilities	-261	-332
Fair value adjustment of disposal group	-	-
Net assets and liabilities	**942**	**1,022**

The following table summarizes the results of BASE Company included in the Consolidated Statement of Profit or Loss as 'profit for the period from discontinued operations':

Summarized results of BASE Company	For the six months ended 31 December		For the twelve months ended 31 December	
(in EUR m)	2015	2014	2015	2014
Revenues and other income	394	339	716	674
Operating expenses	-202	-357	-500	-692
Finance income and expenses	-3	-1	-3	-2
Income taxes	-56	-3	-65	-2
Result for the period from discontinued operations before impairment and tax effects resulting from the transaction	**133**	**-22**	**148**	**-22**
Impairment disposal group	-	-	-	-
Profit (loss) for the period from discontinued operations related to BASE Company	**133**	**-22**	**148**	**-22**

Revenues and other income included an amount received (EUR 66m) as part of the settlement of all outstanding litigation between BASE Company, Mobistar and Proximus related to the practice of applying tariffs from the past for mobile telecommunication services that are differentiated between on-net and off-net voice communications. Operating expenses included a release of tax accruals (EUR 29m).

The sale of E-Plus has been completed at 1 October 2014. E-Plus has been eliminated from the segment disclosures but the 'profit for the period from discontinued operations' in the Consolidated Statement of Profit or Loss and 'cash flows from discontinued operations' included results related to E-Plus until 1 October 2014.

The following table summarizes the results of E-Plus included in the Consolidated Statement of Profit or Loss as 'profit for the period from discontinued operations':

Summarized results of E-Plus	For the six months ended 31 December		For the twelve months ended 31 December	
(in EUR m)	2015	2014	2015	2014
Revenues and other income	-	805	-	2,352
Operating expenses	-	-561	-	-1,621
Finance income and expenses	-	-8	-	-23
Share of the loss of associated and joint ventures	-	-1	-	-4
Income taxes	-	-71	-	-515
Result for the period from discontinued operations before impairment and tax effects resulting from the transaction	**-**	**164**	**-**	**189**
Impairment disposal group	-	-514	-	-1,265
Transaction costs	-6	-46	-6	-46
Call option	-	2	-	2
Tax adjustments	-	87	-7	297
Profit (loss) for the period from discontinued operations related to E-Plus	**-6**	**-307**	**-13**	**-823**

[2] Revenues and other income

For a description of the activities of the segments, reference is made to the Integrated Annual Report 2014. Changes to the organizational structure are described on page 12 of these Interim Financial Statements. For operating profit reference is made to note [3] and for other segment information reference is made to note [11] in these Interim Financial Statements.

	For the year ended 31 December 2015				For the year ended 31 December 2014			
Revenues and other income *(in EUR m)*	External revenues	Other income	Inter segment revenues	Total revenues	External revenues	Other income	Inter segment revenues	Total revenues
Consumer Mobile	1,397	1	63	1,461	1,346	2	59	1,407
Consumer Residential	1,816	-	122	1,938	1,800	-	116	1,916
Business	2,432	-	227	2,659	2,695	5	220	2,920
NetCo	480	-	1,706	2,186	494	-	1,768	2,262
Other (incl. eliminations)	4	1	-2,073	-2,068	2	76	-2,128	-2,050
The Netherlands	**6,129**	**2**	**45**	**6,176**	**6,337**	**83**	**35**	**6,455**
iBasis	**813**	**-**	**107**	**920**	**773**	**-**	**175**	**948**
Belgium (discontinued operations)	**677**	**66**	**5**	**748**	**701**	**2**	**8**	**711**
Other activities	37	-	-	37	188	-1	-1	186
Eliminations	-	-	-157	-157	-	-	-217	-217
KPN Group	**7,656**	**68**	**-**	**7,724**	**7,999**	**84**	**-**	**8,083**
Of which discontinued operations	*650*	*66*	*-*	*716*	*671*	*3*	*-*	*674*
KPN Continuing operations	**7,006**	**2**	**-**	**7,008**	**7,328**	**81**	**-**	**7,409**

Total external revenues (continuing operations) in 2015 were EUR 322m lower compared to 2014. The increase in revenues at Consumer Mobile and Consumer Residential was offset by lower revenues at Business and Other activities. The decrease in revenues at Other activities was mainly related to the sale of SNT Deutschland at the end of Q1 2015 (EUR 60m) and the winding down of Ortel France at the end of 2014 (EUR 38m).

Other income (continuing operations) in 2014 consisted mainly of the tax settlement in The Netherlands (EUR 74m) and the book gain on the sale of fixed assets (hardware) at Business of EUR 5m.

The negative impact of incidentals on external revenues (continuing operations) in 2015 was due to changes in revenue related provisions and deferred revenues at Business (EUR 10m). The positive impact of incidentals on external revenues (continuing operations) in 2014 related to the release of revenue related provisions at NetCo (EUR 17m) and an adjustment of deferred revenues at Business (EUR 5m).

For more detailed information on revenues and the incidentals, reference is made to the Analysis of adjusted results included in the separately published KPN Management Report Q4 2015.

[3] Operating profit, DA&I and EBITDA

	For the year ended 31 December 2015			For the year ended 31 December 2014		
Operating profit, DA&I and EBITDA *(in EUR m)*	**Operating profit**	**Depreciation, Amortization & Impairments (DA&I)**	**EBITDA**	**Operating profit**	**Depreciation, Amortization & Impairments (DA&I)**	**EBITDA**
Consumer Mobile	178	94	272	25	166	191
Consumer Residential	136	279	415	105	299	404
Business	264	175	439	384	206	590
NetCo	280	1,003	1,283	303	938	1,241
Other (incl. eliminations)	-87	45	-42	3	21	24
The Netherlands	**771**	**1,596**	**2,367**	**820**	**1,630**	**2,450**
iBasis	**12**	**11**	**23**	**14**	**9**	**23**
Belgium (discontinued operations)	**99**	**163**	**262**	**-17**	**166**	**149**
Other activities	-73	9	-64	378	15	393
KPN Group	**809**	**1,779**	**2,588**	**1,195**	**1,820**	**3,015**
Of which discontinued operations	*101*	*163*	*264*	*-17*	*166*	*149*
KPN Continuing operations	**708**	**1,616**	**2,324**	**1,212**	**1,654**	**2,866**

EBITDA (continuing operations) decreased by EUR 542m in 2015 compared to 2014 due to the positive impact of incidentals on 2014. The impact of restructuring costs on EBITDA (continuing operations) was EUR 100m (2014: EUR 80m). Adjusted for these effects, EBITDA (continuing operations) was flat. The increase in EBITDA at Consumer Mobile due to the growing customer base, and cost savings in The Netherlands were offset by lower EBITDA at Business.

The net positive impact of incidentals (continuing operations) on EBITDA in 2015 (EUR 5m) included:
- release of the asset retirement obligation at NetCo (EUR 6m);
- changes in provisions at Other activities (EUR 10m);

partly offset by
- changes to a revenue related provision and deferred revenues at Business (EUR 11m).

The positive impact of incidentals (continuing operations) in 2014 (EUR 529m) consisted mainly of:
- release of pension provisions (EUR 477m) as a result of the new CDC pension plans for KPN PF (EUR 451m), KPN OFP (EUR 16m) and adjustment due to amendments of the SVG pension plan (EUR 10m);
- tax settlement benefit in The Netherlands relating to 2013 (EUR 30m); and
- release of a revenue related provision at NetCo (EUR 17m).

Operating profit (EBIT) (continuing operations) decreased by EUR 504m in 2015, resulting from the EBITDA decrease (EUR 542m), of which EUR 477m related to the release of pension provisions, offset by decreased depreciation and amortization (EUR 38m). The decrease in DA&I at Consumer Mobile (following the decrease of leased handsets) was partly offset by increased DA&I expenses at NetCo (following the continuing network upgrades and an impairment of obsolete assets). The DA&I expenses included impairment expenses of EUR 57m (2014: EUR 34m).

[4] Finance income and expenses

Total finance income and expenses decreased by EUR 796m to EUR 105m (net finance results) in 2015, mainly caused by gains related to KPN's shareholding in Telefónica Deutschland in 2015, and expenses in 2014 related to a bond tender and Reggefiber.

Finance income in 2015 included a EUR 146m dividend received from the stake in Telefónica Deutschland (2014: nil).

Finance costs decreased by EUR 362m to EUR 507m in 2015 compared to 2014, mainly as a result of a lower gross debt position in 2015 (EUR 120m) and costs recorded in Q4 2014 relating to the bond tender (EUR 236m).

Other financial results increased by EUR 318m in 2015, mainly as a result of a realized book gain on the sale of shares of Telefónica Deutschland in 2015 (EUR 184m) and revaluation of the Reggefiber option liability in 2014.

[5] Income taxes

KPN calculates the income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The income tax charge from continuing operations for 2015 was EUR 81m compared to EUR 45m in 2014.

KPN benefits from an agreement with the Dutch tax authorities with regard to the application of innovation box tax facilities. Innovation tax facilities are facilities under Dutch corporate income tax law, whereby profits attributable to innovation are taxed at an effective rate of 5%. KPN expects that the effective tax rate will gradually increase to 22%[1] in 2017. This is due to a less favorable benefit of the innovation box facilities.

The effective tax rate (continuing operations) for 2015 is 13.4% (2014: 14.5%), mainly due to the recognition of liquidation losses in 2015 and settlements with the Dutch tax authorities related to previous years in 2014.

The effective tax rate is significantly influenced by one-off effects and a change of the mix of profits and losses in the various countries. Without one-off effects the effective tax rate would have been approximately 21% in 2015.

[6] Other current financial assets

Other current financial assets consist of held-to-maturity investments including bank deposits and repurchase agreements with initial maturities longer than 3 months, and investments in short-duration fixed income funds held at fair value through profit and loss. These funds have a low volatility, with an investment objective of preservation of principal. Both categories are classified as short-term investments in KPN's Net Debt definition.

Other current financial assets increased by EUR 275m in 2015, with the breakdown shown in the table below.

Other current financial assets *(in EUR m)*	**31 December 2015**	**31 December 2014**
Held-to-maturity investments with initial maturities longer than 3 months	350	300
Short-duration fixed income funds held at fair value through profit and loss	225	-
Total	**575**	**300**

[7] Cash and cash equivalents

At 31 December 2015, cash and cash equivalents amounted to EUR 1,446m, compared to EUR 1,976m at 31 December 2014. Cash and cash equivalents consist of highly liquid instruments, mainly deposits, interest-bearing bank accounts and AAA-rated money market funds.

Part of KPN's cash balances have been invested in deposits with maturities longer than 3 months and short-duration fixed income funds, which are classified as Other current financial assets rather than cash and cash equivalents. KPN's cash balances have been invested with a wide range of strong counterparties.

The decrease in KPN's cash and cash equivalents is mainly caused by the dividend payments in 2015 (EUR 485m) and a scheduled bond redemption in June 2015 (EUR 1.0bn), partly offset by KPN's free cash flow generated in 2015, the EUR 146m dividend received on the stake in Telefónica Deutschland and the proceeds from the sale of part of the stake in Telefónica Deutschland in November 2015 (EUR 805m).

[1] Excluding effects of, amongst others, impairments, revaluations

[8] Group equity

During 2015, the number of ordinary shares outstanding remained unchanged at 4,270,254,664.

On 22 April 2015, KPN paid a final dividend in respect of 2014 of EUR 5.0 cents per share, in total EUR 213m. The total dividend in respect of 2014 was EUR 7.0 cents.

On 18 September 2015, KPN paid an interim dividend per share of EUR 3.0 cents in respect of 2015, in total EUR 128m.

On 13 May 2015, KPN received a dividend of EUR 146m over 2014 in connection with its stake in Telefónica Deutschland. KPN distributed this dividend to KPN shareholders as an additional interim cash dividend per share of EUR 3.4 cents, in total EUR 145m. This dividend was paid on 5 August 2015.

[9] Borrowings, bond issues and redemptions

On 22 June 2015, KPN redeemed the 4% coupon Eurobond 2005-2015 with an outstanding amount of EUR 1.0bn, in line with the regular redemption schedule.

In May 2015, KPN changed the interest profile for part of its bond portfolio. For the bonds in scope, KPN swapped the floating rate exposure to a fixed rate for the remaining maturity.

At 31 December 2015, the average maturity of the senior bond portfolio was 6.9 years (31 December 2014: 7.0 years). The average interest rate on the overall bond portfolio, including hybrid bonds, was 5.4% at 31 December 2015 (31 December 2014: 5.3%). Excluding the hybrid bonds, the average interest rate on the senior bond portfolio was 5.1% at 31 December 2015 (31 December 2014: 5.0%).

[10] Provisions for retirement benefit obligations

The pension provision remaining at 31 December 2015 of EUR 259m includes the (closed) pension plans of Getronics UK and Getronics US as well as certain early retirement schemes in The Netherlands which are accounted for as defined benefit plans.

The implementation of a Collective Defined Contribution pension plan effective as of 1 January 2015 led to a release of a pension provision of EUR 477m in 2014. This release was recorded in KPN's Consolidated Statement of Profit or Loss as a reduction of the pension expenses. For more information, refer to Note 23 of KPN's 2014 Integrated Annual Report.

[11] Other segment information

Assets and liabilities *(in EUR m)*	As at 31 December 2015 Total assets	Total liabilities	As at 31 December 2014 Total assets	Total liabilities
Consumer Mobile	1,263	1,311	1,261	1,387
Consumer Residential	2,102	2,104	1,941	1,841
Business	3,161	2,752	3,478	3,127
NetCo	10,920	10,922	11,505	11,494
Other (incl. eliminations)	-714	-713	-460	-447
The Netherlands	**16,732**	**16,376**	**17,725**	**17,402**
iBasis	**390**	**218**	**386**	**232**
Belgium (discontinued operations)	**1,195**	**332**	**1,406**	**370**
Other activities	-635	-4,219	-961	-4,078
KPN Group	**17,682**	**12,707**	**18,556**	**13,926**
Other adjustments	*-115*	*-39*	-	-
KPN Continuing operations	**17,797**	**12,746**	**18,556**	**13,926**

The decrease in the total assets and total liabilities of the segments in The Netherlands is mainly the result of settlement of intercompany balances. The decrease of the total assets in Belgium is mainly due to the settlement of intercompany positions. Other adjustments include the effects of discontinued operations on the balance sheet including reversal of BASE Company depreciation and amortization (EUR 76m, net of tax). Refer also to note [1].

Capex *(in EUR m)*	For the year ended 31 December 2015	2014
Consumer Mobile	9	17
Consumer Residential	212	185
Business	82	68
NetCo	789	668
Other (incl. eliminations)	193	288
The Netherlands	**1,285**	**1,226**
iBasis	**11**	**8**
Belgium (discontinued operations)	**98**	**173**
Other activities	4	5
KPN Group	**1,398**	**1,412**
Of which discontinued operations	*98*	*173*
KPN Continuing operations	**1,300**	**1,239**

Capex in 2015 increased due to the consolidation effect of Reggefiber and higher customer driven investments at Consumer Residential partly offset by savings from the Simplification program. In Belgium, Capex was at less elevated levels following high mobile network investments in 2013 and 2014.

[12] Fair value disclosures

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015 and 2014:

Assets and liabilities measured at fair value *(in EUR m)*	As at 31 December 2015				As at 31 December 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets at fair value through profit or loss:								
Derivatives (cross currency interest rate swap)	-	349	-	349	-	74	-	74
Derivatives (interest rate swap)	-	207	-	207	-	238	-	238
Other derivatives	-	1	75	76	-	1	15	16
Short-duration fixed income funds	225	-	-	225	-	-	-	-
Available-for-sale financial assets:								
Listed securities	2,259	-	-	2,259	2,703	-	-	2,703
Unlisted securities	-	-	13	13	-	-	10	10
Total assets	**2,484**	**557**	**88**	**3,129**	**2,703**	**313**	**25**	**3,041**
Liabilities								
Financial liabilities at fair value through profit or loss:								
Derivatives (cross currency interest rate swap)	-	-	-	-	-	182	-	182
Derivatives (interest rate swap)	-	20	-	20	-	13	-	13
Other derivatives	-	-	-	-	-	3	-	3
Total liabilities	**-**	**20**	**-**	**20**	**-**	**198**	**-**	**198**

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices.

Level 2: An instrument is included in Level 2 if the financial instrument is not traded in an active market and if the fair value is determined by using valuation techniques based on maximum use of observable market data for all significant inputs. For the derivatives used for hedging purposes, KPN uses the estimated fair value of financial instruments determined by using available market information and appropriate valuation methods, including relevant credit risks. The estimated fair value approximates the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. KPN has its derivative instruments outstanding with financial institutions that had a credit rating of A3/BBB+ or higher at 31 December 2015.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3 and its fair value is estimated using models and other valuation methods. To the extent possible, the assumptions and inputs used take into account market pricing information and expectations. However, such information is by its nature subject to uncertainty. Changes arising as new information becomes available, could impact income or other comprehensive income.

The valuation of available-for-sale unlisted securities is based upon a discounted cash flow model.

The decrease of the value of the available-for-sale financial assets is due to the sale of part of the stake in Telefónica Deutschland which was reduced from 20.5% to 15.5% during 2015. The fair value of KPN's stake in Telefónica Deutschland was EUR 2,249m at 31 December 2015 (31 December 2014: EUR 2,692m).

KPN reports its derivatives positions on the balance sheet on a gross basis. Part of the derivatives portfolio is subject to master netting agreements that allow netting under certain circumstances. If netting would be applied at 31 December 2015, the total derivatives asset position would be EUR 612m (31 December 2014: EUR 161m) and the total derivatives liability position would be nil (31 December 2014: EUR 30m).

[13] Off-balance sheet commitments

At the end of Q4 2015 off-balance sheet commitments decreased to EUR 2.3bn (of which discontinued operations: EUR 0.2bn). The off-balance sheet commitments at 31 December 2014 were EUR 2.9bn (of which discontinued operations: EUR 0.2bn). The decrease was mainly related to the decrease of purchase commitments related to handsets (EUR 0.3bn).

[14] Related party transactions

For a description of the related parties of KPN and transactions with related parties, including major shareholders, reference is made to Note 33 of the Integrated Annual Report 2014. In 2015 there have been no changes in the type of related party transactions as described in the Integrated Annual Report 2014 that could have a material effect on the financial position or performance of KPN.

Pursuant to the Dutch Financial Supervision Act ('Wet op het financieel toezicht' or 'Wft'), legal entities as well as natural persons must immediately notify the Dutch Authority of Financial Markets (AFM) when a shareholding equals or exceeds 3% of the issued capital.

On 19 October 2015, América Móvil, S.A.B. de C.V. ('AMX') published that it held 21.1% of the shares and voting rights related to KPN's ordinary share capital as at 30 September 2015.

On 21 March 2014, Discovery Capital Management, LLC notified that it held 3.77% of the voting rights related to KPN's ordinary share capital. On 1 October 2014, Franklin Mutual Series Fund, Inc. notified that it held 3.63% of the shares and voting rights related to KPN's ordinary share capital. On 30 April 2015, BlackRock, Inc. notified that it held 5.01% of the shares and 5.87% of the voting rights related to KPN's ordinary share capital.

To KPN's knowledge, no other shareholder owned 3% or more of KPN's issued share capital as at 31 December 2015.

[15] Risk management

KPN's risk categories and risk factors that could have material impact on its financial position and results are described in KPN's 2014 Integrated Annual Report (page 72-75). Those risk categories and factors are deemed incorporated and repeated in this report by this reference and KPN believes that these risks similarly apply for 2015.

KPN will publish its Integrated Annual Report 2015 on 25 February 2016, with a detailed update of KPN's principal risks.

Regarding regulatory risk, refer to note [16], related party transactions are discussed in note [14] and for more information on discontinued operations, reference is made to note [1].

[16] Regulatory developments

The Netherlands: review of regulation fixed markets by ACM

ACM is conducting its fourth round of market analysis. On 17 December 2015, ACM published a decision concerning 'the market for unbundled access'. ACM concluded that KPN still has significant market power on the wholesale local access markets. As a remedy, ACM imposed obligations upon KPN to offer (virtual) unbundled access to its copper and fiber network at wholesale level. Initially, the European Commission (EC) raised serious doubts to an earlier draft of the decision, which was thereby postponed, but after some amendments in the reasoning behind the decision were included by ACM, the EC did no longer block the decision. In July 2015, KPN already concluded voluntary wholesale agreements on virtual unbundled access to its copper network with Tele2, M7 and Vodafone. Draft decisions for other fixed markets (fixed telephony and business services market) are expected in 2016.

EU Regulation on open internet and roaming

On 29 November 2015, the EU Regulation on open internet access and amendment of the Roaming Regulation entered into force, effective as of 30 April 2016. Thereby roaming surcharges will be limited as of 30 April 2016 and in principle prohibited as of 15 June 2017. The regulated wholesale roaming rates that operators may charge will be reviewed prior to the prohibition of roaming surcharges. The new EU net neutrality rules will replace national regulation. The European NRA is preparing Guidelines on the application of the new rules.

[17] Subsequent events

There are no material subsequent events.

The Hague, 3 February 2016

E. Blok	Chairman of the Board of Management and Chief Executive Officer
J.C. de Jager	Member of the Board of Management and Chief Financial Officer
J.F.E. Farwerck	Member of the Board of Management and Chief Operating Officer
F.H.M. van der Post	Member of the Board of Management and Chief Commercial Officer

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.