Press release
23 April 2013

Results Q1 2013

Highlights

Group
- Important steps taken in EUR 4bn equity equivalent capital raise
- Revenues down 8.8% y-on-y due to sale Getronics Int'l (3.9%) and competitive mobile markets
- EBITDA EUR 137m lower y-on-y, partly due to higher commercial investments in Germany of EUR 63m
- Capex EUR 75m higher y-on-y related to customer equipment and Dutch 4G mobile network
- Free cash flow in Q1 reflects intrayear phasing, though increased y-on-y to EUR 85m
- On track to realize outlook, dividend outlook adjusted

The Netherlands
- Successful 4G first mover launch
- Revenue growth in Consumer Residential
- TV market share increased to 24%, leading to No.2 position in Dutch TV market
- Promising initial uptake quad play propositions
- Good progress FTE reduction program with ~1,100 reductions in Q1

Mobile International
- Record postpaid net adds of 265k in Germany driven by commercial investments
- Upgraded data network supporting data growth in Germany
- Competitive mobile market in Belgium, new propositions launched

Key figures

Group financials* *(in EUR m)*	**Q1 2013 reported**	**Q1 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	2,911	3,191	*-8.8%*	*-4.3%*
EBITDA	994	1,131	*-12%*	*-8.7%*
EBITDA margin	*34.1%*	*35.4%*		
EBITDA (excl. restructuring costs)	1,011	1,150	*-12%*	
Profit for the period (net profit)	140	306	*-54%*	
Earnings per share	0.10	0.22	*-55%*	
Capex	535	460	*16%*	
Free cash flow	85	37	*>100%*	

* All non-IFRS terms are explained in the safe harbour section at the end of the interim financial statements

Message from the CEO, Eelco Blok

"KPN's performance in the first quarter was on track with the updated strategic agenda we presented in February. We continued to invest in our market positions in The Netherlands and made good progress to expand in postpaid and data in Germany. We see the success of our strategy in The Netherlands in the continuing momentum in TV and broadband, and the launch of 4G services as first mover. Next to this, we have made meaningful progress with our restructuring program, and quality improvements are driving customer satisfaction upwards in the consumer markets.

In the last months, we have taken important steps to strengthen our financial position. Our EUR 2bn hybrid bond program has successfully been completed and on 10 April the AGM approved our announced EUR 3bn rights issue. We expect to launch the rights issue shortly."

Group financial review

Revenues

Group revenues and other income were 8.8% or EUR 280m lower y-on-y. This was mainly due to the sale of Getronics International (3.9%) and declining revenues at NetCo, Business, Germany and Consumer Mobile, partly offset by increased revenues at Consumer Residential. The impact on Group revenues from regulation in Q1 2013 was EUR 54m (1.7%) y-on-y. Group revenues were impacted by the net negative effect from M&A (including the sale of Getronics International) of EUR 88m and net negative effect from incidentals of EUR 11m. Underlying revenues and other income decreased by 4.3% y-on-y as a result of competitive mobile markets and the continued decline of traditional services.

Group revenues and other income *(in EUR m)*	**Q1 2013 reported**	**Q1 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
KPN Group revenues	**2,911**	**3,191**	***-8.8%***	***-4.3%***
- *Of which The Netherlands*	1,759	1,976	*-11%*	*-6.1%*
- *Of which Mobile International*	953	1,020	*-6.6%*	*-2.2%*

EBITDA and EBITDA margin

Group EBITDA decreased by 12% or EUR 137m y-on-y. EBITDA was impacted by regulation of EUR 33m (2.9%) and a net negative effect from incidentals of EUR 13m. The EBITDA margin for the Group was 34.1% (Q1 2012: 35.4%). Underlying EBITDA decreased by 8.7%, mainly due to higher commercial investments supporting growth in postpaid net adds and data revenues in Germany. This resulted in an underlying EBITDA margin for the Group of 34.1% (Q1 2012: 35.8%). In The Netherlands, the EBITDA growth at Consumer Mobile, supported by the handset lease model, was offset by higher commercial costs at Consumer Residential and lower revenues at NetCo and Business. The EBITDA margin in The Netherlands was 43.3% in Q1 2013 (Q1 2012: 39.7%).

In Q1 2013, good progress was made with the FTE reduction program in The Netherlands. Approximately 1,100 FTE reductions were realized this quarter, mainly at NetCo, Business and Consumer Residential, bringing the total FTE reductions to approximately 3,000 since the start of the program at the end of Q1 2011. The full program is expected to be finalized at the end of this year.

Group EBITDA* *(in EUR m)*	**Q1 2013 reported**	**Q1 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
KPN Group EBITDA	**994**	**1,131**	***-12%***	***-8.7%***
- *Of which The Netherlands*	762	785	*-2.9%*	*-0.1%*
- *Of which Mobile International*	238	359	*-34%*	*-30%*

* All non-IFRS terms are explained in the safe harbour section at the end of the interim financial statements

Group EBITDA margin *(in %)*	**Q1 2013 reported**	**Q1 2012 reported**	**Q1 2013 underlying**	**Q1 2012 underlying**
KPN Group EBITDA margin	**34.1%**	**35.4%**	**34.1%**	**35.8%**
- *The Netherlands*	43.3%	39.7%	43.8%	41.2%
- *Germany*	25.7%	38.2%	25.0%	37.3%
- *Belgium*	25.1%	31.4%	25.1%	29.4%

Profit for the period

Operating profit (EBIT) decreased by EUR 227m (-38%) y-on-y, resulting from lower EBITDA and increased depreciation due to the higher customer driven investments that have been made. Net profit decreased in Q1 2013 by EUR 166m (-54%) y-on-y, due to lower operating profit.

Group profit for the period *(in EUR m)*	**Q1 2013 reported**	**Q1 2012 reported**	**Δ y-on-y reported**
Operating profit (EBIT)	365	592	*-38%*
Profit for the period (net profit)	140	306	*-54%*
Earnings per share (in EUR)	0.10	0.22	*-55%*

Capex

Capex was EUR 75m higher in Q1 2013 compared to Q1 2012 due to increased customer driven and mobile network investments, including the 4G roll-out, in The Netherlands. Customer driven investments related mainly to handsets and customer premises equipment to activate new IPTV and FttH customers.

Group Capex *(in EUR m)*	**Q1 2013 reported**	**Q1 2012 reported**	**Δ y-on-y reported**
KPN Group Capex	**535**	**460**	***16%***
- *Of which The Netherlands*	401	325	*23%*
- *Of which Mobile International*	132	132	*flat*

Free cash flow

Cash flow from operating activities increased in Q1 2013 by EUR 183m y-on-y. This is explained by a positive change in working capital of EUR 27m in Q1 2013 compared to a negative change in working capital of EUR 270m in Q1 2012, mainly due to prepayments made in Q4 2012, partly offset by lower EBITDA (EUR 137m) and higher interest paid (EUR 47m) due to coupon payments of bonds issued in 2012. Capex was EUR 75m higher in Q1 2013 y-on-y, resulting in free cash flow of EUR 85m (Q1 2012: EUR 37m). Free cash flow in Q1 2013 reflects the usual intrayear phasing.

Group free cash flow *(in EUR m)*	**Q1 2013 reported**	**Q1 2012 reported**	**Δ y-on-y reported**
Cash flow from operating activities	581	398	*46%*
Capex	535	460	*16%*
Free cash flow	85	37	*>100%*

Pension fund coverage ratio

At the end of Q1 2013, the average coverage ratio of the KPN pension funds in The Netherlands was 107%. Since this is above the minimum requirement of 105%, no recovery payment is required in Q3 2013. The EUR 19m recovery payment due in Q1 2013, based on the coverage ratio at the end of Q3 2012, was pre-paid in Q4 2012. Based on the coverage ratio at the end of Q4 2012, a recovery payment of EUR 19m is required in Q2 2013.

Net debt to EBITDA ratio

Net debt[1] at the end of Q1 2013 amounted to EUR 12.5bn, an increase of EUR 444m compared to Q4 2012. The increase in net debt in Q1 2013 was mainly the result of the payment related to the Dutch spectrum auction (EUR 1,352m), which was paid in January 2013. This was largely offset by the issuance of EUR 2bn hybrid bonds in March, of which 50% is treated as equity and 50% as debt according to KPN's definition. Combined with a lower 12-month rolling EBITDA[2], this resulted in a net debt to EBITDA ratio of 2.8x by the end of Q1 2013 (Q4 2012: 2.7x).

KPN has a credit rating of Baa2 with a negative outlook by Moody's, BBB- with a stable outlook by Standard & Poor's and BBB- with a stable outlook by Fitch. Moody's and Standard & Poor's have updated their ratings or outlook on KPN in Q1 2013.

[1] Nominal debt repayment obligations in Euro at maturity, including 50% of hybrid capital instruments, less net cash and cash equivalents
[2] Based on 12 month rolling total EBITDA excluding book gains, release of provisions and restructuring costs, when over EUR 20m

Financial and operating review by segment

Consumer Residential

Underlying revenues and other income at Consumer Residential were 2.4% higher y-on-y, due to continued growth of the TV, FttH and broadband customer base, partly offset by a decline of traditional voice services. Underlying EBITDA decreased by 21% y-on-y as a result of increased distribution and marketing costs, higher content costs related to IPTV growth and a continued decline in higher margin traditional services. Consequently, the underlying EBITDA margin declined to 17.9% compared to 23.4% in Q1 2012.

The broadband customer base continued to grow organically for the third consecutive quarter and increased by 15k in Q1 2013. KPN's broadband market share remained stable q-on-q at 41% (Q1 2012: 39%). KPN's market leading IPTV proposition supported the accelerating growth of IPTV net adds, amounting to 116k in Q1 2013 (Q1 2012: 79k). KPN estimates that it now holds the number two position in the Dutch TV market with a TV market share of 24%, an increase of 6%-points y-on-y. Revenue Generating Units per customer continued to increase (Q1 2013: 2.10, Q1 2012: 1.94; increase of 8.3% y-on-y) due to the growing popularity of triple play packages. The FttH customer base grew further in Q1 2013 to 399k (Q1 2012: 125k), resulting in FttH penetration[3] of 30% and supporting net line gain of 10k in Q1 2013 (Q1 2012: -50k). Furthermore, ARPU per customer increased by 7.7% y-on-y to EUR 42 in Q1 2013 (Q1 2012: EUR 39).

KPN Compleet (KPN's quad play proposition) was introduced in January 2013 for customers with a KPN triple play package as well as a KPN mobile subscription. KPN Compleet offers these customers value added services by providing free additional TV channels, free unlimited calls within the family and a doubling of voice, SMS and data credits. The first results are promising with more than 30k activations by the end of Q1 2013, and the commercial roll-out will be upscaled in the coming period.

Consumer Residential *(in EUR m)*	**Q1 2013 reported**	**Q1 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	501	458	*9.4%*	*2.4%*
EBITDA	93	106	*-12%*	*-21%*

Consumer Mobile

Underlying revenues and other income at Consumer Mobile were down by 8.7% y-on-y in Q1 2013. Underlying service revenues remained under pressure and decreased by 5.7% y-on-y, impacted by lower traffic volumes partly offset by higher committed revenues. Underlying EBITDA margin was 35.5% (Q1 2012: 21.5%), supported by the handset lease model.

KPN estimates that its total Dutch mobile service revenue market share remained stable at around 45% in a competitive market environment. In Q1 2013, retail postpaid net adds were 7k driven by an increase in SIM-only subscriptions. As a result of the competitive market and the increasing share of SIM-only, postpaid retail ARPU was lower y-on-y at EUR 32 (Q1 2012: EUR 34). The percentage committed postpaid retail ARPU improved to ~70%, up 5%-points y-on-y.

Underpinning its leading network position, KPN was the first operator to launch 4G services in The Netherlands on 4 February 2013. KPN's 4G services have been integrated into the existing high value 3G propositions for both business customers and consumers. Focus is on creating value by upselling customers to premium data bundles. KPN's 4G roll-out is firmly on track, with currently ~30% of the

[3] FttH penetration is defined as KPN FttH HA divided by KPN areas HP

Dutch population covered[4], including the cities of Amsterdam and The Hague. The initial customer feedback is very positive, driven by an improved customer experience such as higher speeds and better coverage.

Consumer Mobile *(in EUR m)*	**Q1 2013 reported**	**Q1 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	393	427	*-8.0%*	*-8.7%*
EBITDA	141	94	*50%*	*51%*

Business

Underlying revenues and other income for the Business segment declined by 7.1% y-on-y due to lower traffic, decline in traditional services, continued price pressure and lower hardware sales. Difficult macroeconomic conditions resulted in a reduced order intake of corporate customer projects. Underlying EBITDA decreased by 11% in Q1 2013 compared to Q1 2012, as lower personnel costs (FTE reduction program) were offset by declining revenues. The underlying EBITDA margin in Q1 2013 was 25.8% (Q1 2012: 27.1%). Despite these challenging market circumstances, KPN estimates that its market positions in the Business segment remained stable in the quarter.

Wireless data revenues in Q1 2013 were supported by continued growth of the wireless customer base (14k) and growing data usage. However, total mobile service revenues continued to be under pressure, impacted by regulation and declining traffic volumes. As a result, the ARPU[5] was lower at EUR 48 (Q1 2012: EUR 51).

Traditional wireline services showed a continued decline in both access lines and traffic volumes. The negative impact of the continued rationalization was partly offset by growth of new services such as services focused on the health sector and the ongoing good performance of the Challenger brands. In the coming period KPN will continue to focus on data centric fixed-mobile propositions, including 4G-services which were introduced in February.

In Q1 2013 the sale of Infrastructure Services & Projects was announced. On 15 April 2013, the Dutch regulator (ACM) approved the transaction.

Business *(in EUR m)*	**Q1 2013 reported**	**Q1 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	701	746	*-6.0%*	*-7.1%*
EBITDA	181	193	*-6.2%*	*-11%*

NetCo

Underlying revenues and other income at NetCo declined by 6.8% y-on-y, driven by the revenue decline at Business and lower wholesale traffic revenues. Underlying EBITDA decreased by 5.8% y-on-y as a result of lower revenues and higher costs related to the uptake of FttH activations. The underlying EBITDA margin in Q1 2013 was 55.5% (Q1 2012: 54.9%).

The FttH roll-out continued and 81k homes passed were added in Q1 2013, making a total of 1,384k KPN homes passed at the end of the quarter.

[4] As per 8 April 2013
[5] Excluding M2M

NetCo *(in EUR m)*	**Q1 2013 reported**	**Q1 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	603	664	*-9.2%*	*-6.8%*
EBITDA	342	387	*-12%*	*-5.8%*

Germany

Underlying revenues and other income in Germany were flat y-on-y partly due to higher hardware sales to support the uptake of data propositions which offset a decline in underlying service revenue by 2.5% y-on-y. The decline in underlying service revenue is related to competition and lower usage in the prepaid segment and continued customer optimization. Underlying EBITDA decreased by 33%, mainly as a result of increased commercial investments. E-Plus increased its growth related costs (mainly customer acquisition and marketing costs) in Q1 2013 by EUR 63m y-on-y to support growth in postpaid net adds and data revenues and grow its presence in underpenetrated areas. Furthermore, the network costs increased y-on-y as the data network expanded. This resulted in an underlying EBITDA margin of 25.0% in Q1 2013 (Q1 2012: 37.3%).

The increased focus on postpaid and higher commercial investments resulted in continued strong growth of postpaid net adds, amounting to 265k in Q1 2013 (Q1 2012: 105k). Net adds in the prepaid segment were 282k in Q1 2013, compared to 240k in Q1 2012. Postpaid ARPU declined to EUR 20 (Q1 2012: EUR 21), mainly impacted by regulation. Prepaid ARPU of EUR 5 (Q1 2012: EUR 6) was impacted by customer optimization due to strong competition, lower usage of both voice and SMS, and regulation. E-Plus' market share in Q1 2013 is likely impacted by regulation and is estimated at ~15%.

The network quality in Germany has been further improved. The available speeds of up to 21 Mbps and increased network capacity lead to an improving customer experience and support the uptake of postpaid net adds and data revenues. This is evidenced by accelerating data revenue growth of more than 60% in Q1 2013, compared to 48% in Q4 2012.

Germany *(in EUR m)*	**Q1 2013 reported**	**Q1 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	760	794	*-4.3%*	*0.1%*
EBITDA	195	303	*-36%*	*-33%*

Belgium

Underlying revenues and other income in Belgium increased by 1.7% y-on-y, supported by underlying service revenue growth of 1.9%. Underlying service revenue growth slowed down as a result of increased competition in the Belgian mobile market. Underlying EBITDA declined by 13%, impacted by higher costs related to the launch of fixed line services and IT transformation costs.

The implementation of the new telecoms law providing for maximum contract terms of 6 months and increased competition in the mobile market has resulted in higher customer churn. Postpaid net adds were negative (8k), while prepaid net adds remained positive at 45k in Q1 2013. Postpaid ARPU was lower at EUR 35 in Q1 2013 (Q1 2012: EUR 40) impacted by regulation and increased competition. Market share in Q1 2013 is expected to have grown y-on-y to ~20%.

BASE Company (formerly KPN Group Belgium) has recently introduced a number of new customer propositions. On 7 February 2013, broadband and fixed line propositions were launched under the brand name SNOW, which showed a promising initial uptake. New mobile propositions were introduced on 17 April 2013, offering new tariff plans for both consumers and B2B customers, including unlimited voice and SMS, restoring the challenger positioning of BASE. Customer experience is improving by increasing the available speed through the introduction of 3G dual carrier, doubling the speed to up to 42 Mbps with more than 60% population coverage.

Belgium *(in EUR m)*	**Q1 2013 reported**	**Q1 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	183	191	*-4.2%*	*1.7%*
EBITDA	46	60	*-23%*	*-13%*

Outlook

KPN is on track to realize the outlook that was provided with the FY 2012 results on 5 February 2013, however the dividend outlook has been adjusted. Taking into account the expected launch of the rights issue shortly after the Q1 results publication and the fact that the rights issue will lead to a higher number of shares outstanding, KPN has decided to pay no dividend for the financial years 2013 and 2014.

- The Netherlands is expected to stabilize towards 2014
- Next phase in the German strategy is expected to lead to service revenue growth combined with lower EBITDA margin, especially in 2013
- Capex in 2013 below EUR 2.3bn and total planned Capex for the period 2013-2015 below EUR 7bn, including Reggefiber[6]
- No dividend for 2013 and 2014, thereafter resume dividend payments, subject to operational performance and financial position

[6] Reggefiber not expected to be consolidated before H2 2014

Analysis of underlying results Q1 2013

The following table shows the key items between reporting and underlying revenues.

Revenues and other income	Q1 2013 reported	M&A	Incidentals	Q1 2013 underlying	Q1 2012 reported	Regulation	M&A	Incidentals	Q1 2012 underlying	Δ y-on-y reported	Δ y-on-y underlying
Germany	760	-	-	760	794	-35	-	-	759	-4.3%	0.1%
Belgium	183	-	-	183	191	-11	-	-	180	-4.2%	1.7%
Rest of World	-	-	-	-	60	-	-	-	60	-100%	-100%
Other	10	-	-	10	-25	-	-	-	-25	n.m.	n.m.
Mobile International	**953**	**-**	**-**	**953**	**1,020**	**-46**	**-**	**-**	**974**	**-6.6%**	**-2.2%**
Consumer Mobile	393	-	7	386	427	-4	-	-	423	-8.0%	-8.7%
Consumer Residential	501	19	13	469	458	-	-	-	458	9.4%	2.4%
Business	701	11	-	690	746	-3	-	-	743	-6.0%	-7.1%
Netco	603	14	-	589	664	-1	-	31	632	-9.2%	-6.8%
Other	-533	-	-	-533	-532	-	-	-	-532	0.2%	0.2%
Dutch Telco	**1,665**	**44**	**20**	**1,601**	**1,763**	**-8**	**-**	**31**	**1,724**	**-5.6%**	**-7.1%**
IT Solutions	157	-	-	157	297	-	132	-	165	-47%	-4.8%
Other	-63	-	-	-63	-84	-	-		-84	-25%	-25%
The Netherlands	**1,759**	**44**	**20**	**1,695**	**1,976**	**-8**	**132**	**31**	**1,805**	**-11%**	**-6.1%**
iBasis	242	-	-	242	255	-	-	-	255	-5.1%	-5.1%
Other activities	21	-	-	21	19	-	-	-	19	11%	11%
Intercompany revenues	-64	-	-	-64	-79	-	-	-	-79	-19%	-19%
KPN Group	**2,911**	**44**	**20**	**2,847**	**3,191**	**-54**	**132**	**31**	**2,974**	**-8.8%**	**-4.3%**

The following table specifies the revenue incidentals in more detail.

Revenues incidentals *(in EUR m)*	**Segment**	**Q1 2013**	**Q1 2012**
Adjustment of deferred income	Consumer Mobile	7	-
Adjustment of deferred income	Consumer Residential	13	-
Book gain on sale of real estate	NetCo	-	31

The following table shows the key items between reporting and underlying EBITDA.

EBITDA	Q1 2013 reported	M&A	Incidentals	Restruct-uring	Q1 2013 underlying	Q1 2012 reported	Regulation	M&A	Incidentals	Restruct -uring	Q1 2012 underlying	Δ y-on-y reported	Δ y-on-y underlying
Germany	195	-	-	5	190	303	-20	-	-	-	283	-36%	-33%
Belgium	46	-	-	-	46	60	-7	-	-	-	53	-23%	-13%
Rest of World	-	-	-	-	-	-5	-	-	-	-	-5	-100%	-100%
Other	-3	-	-	-	-3	1	-	-	-	-	1	n.m.	n.m.
Mobile International	**238**	**-**	**-**	**5**	**233**	**359**	**-27**	**-**	**-**	**-**	**332**	**-34%**	**-30%**
Consumer Mobile	141	-	7	-3	137	94	-3	-	-	-	91	50%	51%
Consumer Residential	93	-2	13	-2	84	106	-	-	-	-1	107	-12%	-21%
Business	181	3	-	-	178	193	-3	-	-	-11	201	-6.2%	-11%
Netco	342	1	17	-3	327	387	-	-	40	-	347	-12%	-5.8%
Other	-4	-	-	-6	2	-3	-	-	-	-1	-2	33%	n.m.
Dutch Telco	**753**	**2**	**37**	**-14**	**728**	**777**	**-6**	**-**	**40**	**-13**	**744**	**-3.1%**	**-2.2%**
IT Solutions	9	-	-	-5	14	8	-	2	10	-3	-1	13%	n.m.
Other	-	-	-	-	-							n.m.	n.m.
The Netherlands	**762**	**2**	**37**	**-19**	**742**	**785**	**-6**	**2**	**50**	**-16**	**743**	**-2.9%**	**-0.1%**
iBasis	7	-	-	-	7	7	-	-	-	-	7	0.0%	0.0%
Other activities	-13	-	-	-3	-10	-20	-	-	-	-3	-17	-35%	-41%
KPN Group	**994**	**2**	**37**	**-17**	**972**	**1,131**	**-33**	**2**	**50**	**-19**	**1,065**	**-12%**	**-8.7%**

The following table specifies the EBITDA incidentals in more detail.

EBITDA incidentals *(in EUR m)*	**Segment**	**Q1 2013**	**Q1 2012**
Adjustment of deferred income	Consumer Mobile	7	-
Adjustment of deferred income	Consumer Residential	13	-
Release of provisions	NetCo	17	9
Book gain on sale of real estate	NetCo	-	31
Release of provisions	IT Solutions	-	10

Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2013

Unaudited Consolidated Statement of Income

(in EUR m, unless indicated otherwise)	For the three months ended 31 March	
	2013	**2012**
Revenues	2,902	3,158
Other income	9	33
Revenues and other income [1]	**2,911**	**3,191**
Own work capitalized	-30	-28
Cost of materials	174	264
Work contracted out and other expenses	1,125	1,143
Employee benefits	436	505
Depreciation, amortization and impairments	629	539
Other operating expenses	212	176
Total operating expenses	**2,546**	**2,599**
Operating profit [2]	**365**	**592**
Finance income	5	5
Finance costs	-190	-186
Other financial results	-2	-15
Finance income and expenses [3]	-187	-196
Share of the profit of associates and joint ventures, net of tax	-3	-6
Profit before income tax	**175**	**390**
Income taxes [4]	-35	-84
Profit for the period	**140**	**306**
Profit attributable to non-controlling interest	2	-
Profit attributable to equity holders	138	306
Earnings per ordinary share on a non-diluted basis (in EUR)	**0.10**	**0.22**
Earnings per ordinary share on a fully diluted basis (in EUR)	**0.10**	**0.22**
Weighted average number of shares on a non-diluted basis	1,419,366,091	1,418,721,237
Weighted average number of shares on a fully diluted basis	1,420,654,668	1,419,412,939

Unaudited Consolidated Statement of Comprehensive Income

(in EUR m, unless indicated otherwise)	**For the three months ending 31 March**	
	2013	**2012**
Profit for the period	**140**	**306**
Items of other comprehensive income that will not be reclassified subsequently to profit or loss:		
Actuarial result pensions and other post employment plans:		
Gains or (losses) arising during the period	-136	279
Tax	20	-45
	-116	234
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	11	-290
Tax	-2	72
	9	-218
Currency translation adjustments:		
Gains or (losses) arising during the period	4	4
Tax	-	-
	4	4
Fair value adjustment available for sale financial assets:		
Unrealized gains or (losses) arising during the period	7	3
Other comprehensive income for the period, net of taxes	**-96**	**23**
Total comprehensive income for the year, net of tax	**44**	**329**
Total comprehensive income attributable to:		
Equity holders	42	329
Non-controlling interest	2	-

Unaudited Consolidated Statement of Financial Position

	As at	
ASSETS *(in EUR m)*	**31 March 2013 (unaudited)**	**31 December 2012**
NON-CURRENT ASSETS		
Goodwill	5,151	5,157
Licenses	3,495	2,191
Software	800	838
Other intangibles	209	272
Total intangible assets	**9,655**	**8,458**
Land and buildings	668	671
Plant and equipment	6,651	6,573
Other tangible non current assets	89	94
Assets under construction	620	557
Total property, plant and equipment	**8,028**	**7,895**
Investments in associates and joint ventures	328	326
Loans to associates	239	227
Available-for-sale financial assets	43	35
Derivative financial instruments	203	233
Deferred income tax assets	1,772	1,847
Other financial non-current assets	176	154
Total non-current assets	**20,444**	**19,175**
CURRENT ASSETS		
Inventories	110	111
Trade and other receivables	1,777	1,696
Current income tax receivables	5	5
Cash	1,213	1,286
Total current assets	**3,105**	**3,098**
Non-current assets and disposal groups held for sale [5]	**34**	**28**
TOTAL ASSETS	**23,583**	**22,301**

	As at	
LIABILITIES *(in EUR m)*	**31 March 2013 (unaudited)**	**31 December 2012**
GROUP EQUITY		
Share capital	344	344
Share premium	6,717	6,717
Other reserves	-342	-361
Perpetual capital securities [6]	1,089	
Retained earnings	-5,394	-5,417
Equity attributable to equity holders	**2,414**	**1,283**
Non controlling interest	49	51
Total group equity	**2,463**	**1,334**
NON-CURRENT LIABILITIES		
Borrowings [6]	12,487	12,369
Derivative financial instruments	477	458
Deferred income tax liabilities	70	211
Provisions for retirement benefit obligations	1,702	1,557
Provisions for other liabilities and charges	385	387
Other payables and deferred income	138	122
Total non-current liabilities	**15,259**	**15,104**
CURRENT LIABILITIES		
Trade and other payables	3,778	3,858
Borrowings [6]	1,625	1,527
Derivative financial instruments	10	16
Current income tax liabilities	290	270
Provisions (current portion)	131	186
Total current liabilities	**5,834**	**5,857**
Liabilities directly associated with non-current assets and disposal groups classified as held for sale [5]	27	6
TOTAL EQUITY AND LIABILITIES	**23,583**	**22,301**

Unaudited Consolidated Statement of Cash Flows

(in EUR m)	For the three months ended 31 March	
	2013	**2012**
Profit before income tax	**175**	**390**
Adjustments for:		
- Net finance costs	187	196
- Share-based compensation	1	3
- Share of the profit of associated and joint ventures	3	6
- Depreciation ,amortization and impairments	629	539
- Other income	-7	-32
- Changes in provisions (excl. deferred taxes)	-69	-85
Changes in working capital relating to:		
- Inventories	2	-29
- Trade receivables	59	-7
- Prepayments and accrued income	-167	-183
- Other current assets	36	10
- Trade payables	187	-44
- Accruals and deferred income	-45	34
- Current liabilities (excl. short-term financing)	-45	-51
Change in working capital	**27**	**-270**
Dividends received	-	-
Taxes paid / received	-60	-91
Interest paid	-305	-258
Net cash flow from operations	**581**	**398**
Acquisition of subsidiaries, associates and joint ventures (net of acquired cash)	-19	-4
Disposal of subsidiaries, associates and joint ventures	-3	-
Investments in intangible assets (excl. software)	-1,352	-16
Investments in property, plant & equipment	-470	-398
Investments in software	-65	-62
Disposal in property, plant & equipment	8	3
Disposals of real estate	2	37
Other changes and disposals	-9	-36
Net cash flow used in investing activities	**-1,908**	**-476**
Share repurchase	-	-
Dividends paid	-4	-
Issuance of perpetual hybrid bond [6]	1,087	-
Proceeds from borrowings [6]	915	747
Repayments of borrowings and settlement of derivatives	-573	-410
Other changes in interest-bearing current liabilities	-27	-
Net cash flow used in financing activities	**1,398**	**337**
Changes in cash	**71**	**259**
Net cash at beginning of period	**947**	**950**
Changes in cash	71	259
Net cash at end of period	**1,018**	**1,209**
Bank overdrafts	199	90
Cash classified as held for sale	-4	-32
Cash at end of period	**1,213**	**1,267**

Unaudited Consolidated Statement of Changes in Group Equity

(in EUR m, except number of shares)	Number of subscribed shares	Share capital	Share premium	Perpetual capital securities	Other reserves	Retained earnings	Equity attribu-table to equity holders	Non controlling interests	Total Group equity
Balance as of 1 January 2012	**1,431,522,482**	**344**	**6,717**	**–**	**-127**	**-4,661**	**2,273**	**–**	**2,273**
Total comprehensive income for the period	–	–	–	–	-211	540	329	–	329
Balance as of 31 March 2012	**1,431,522,482**	**344**	**6,717**	**–**	**-338**	**-4,121**	**2,602**	**–**	**2,602**
Balance as of 1 January 2013	**1,431,522,482**	**344**	**6,717**	**–**	**-361**	**-5,417**	**1,283**	**51**	**1,334**
Issuance of perpetual hybrid bond [6]	–	–	–	1,089	–	–	1,089	–	1,089
Share based compensation	–	–	–	–	–	1	1	–	1
Exercise of options	–	–	–	–	-1	–	-1	–	-1
Dividends paid	–	–	–	–	–	–	–	-4	-4
Total comprehensive income for the period	–	–	–	–	20	22	42	2	44
Balance as of 31 March 2013	**1,431,522,482**	**344**	**6,717**	**1,089**	**-342**	**-5,394**	**2,414**	**49**	**2,463**

Notes to the Condensed Consolidated Financial Statements

Company profile

KPN is the leading telecommunications and ICT provider in The Netherlands offering wireline and wireless telephony, broadband and TV to consumers and end-to-end telecom and ICT services to business customers. In Germany and Belgium, KPN pursues a Challenger strategy in its wireless operations and offers mobile telephony products and services to retail customers through E-Plus and BASE Company (formerly KPN Group Belgium), respectively. KPN operates an efficient IP-based infrastructure with global scale in international wholesale through iBasis.

Accounting policies

Basis of presentation

The condensed consolidated financial statements do not include all of the information required for full annual financial statements. In addition, the notes to these consolidated financial statements are presented in a condensed format. The applied accounting principles are in line with those as described in KPN's 2012 Annual Report. The Q1 2013 condensed consolidated financial statements have been reviewed and are based on IAS 34 as adopted by the European Union, the Q1 2012 condensed consolidated financial statements have not been reviewed and are also based on IAS 34 as adopted by the European Union.

Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the period as well as the information disclosed. For KPN's critical accounting estimates and judgments, reference is made to the notes to the Consolidated Financial Statements contained in the 2012 Annual Report, including the determination of deferred tax assets for carry forward losses and the provision for tax contingencies, the determination of fair value less costs to sell and value in use of cash-generating units for goodwill impairment testing, the depreciation rates for the copper and fiber network, the assumptions used to determine the value of the call/put arrangements of Reggefiber Group, the assumptions used to determine the provision for retirement benefit obligations and pension and net interest costs (such as expected discount rates, return on plan assets 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 [29] 'Capital and Financial Risk Management' to the Consolidated Financial Statements contained in the 2012 Annual Report which discusses KPN's exposure to credit risk and financial market risks.

As of 1 January 2013, KPN changed the economic life of copper to 10 years compared to a fixed end term until 31 December 2022 applied in previous years. This change did not result in a change of depreciation charges. Furthermore KPN changed the assumption used for determination of certain accrued expenses at NetCo, resulting in a one-off gain of EUR 17m in Q1 2013.

Change in accounting policies

In June 2011, IAS 19 'Employee benefits' was amended (IAS 19R) and became effective on 1 January 2013. The impact on KPN's financial statements is as follows:

- Elimination of the corridor approach and recognition of all actuarial gains and losses in Other Comprehensive Income as they occur;
- Immediate recognition of all past service costs; and
- Replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

In addition, net interest costs are presented as other financial results as of 1 January 2013, because this provides a better view of the operating expenses related to KPN's pension plans. IAS 19R is applied to the (interim) financial statements 2013 with restatement of comparative 2012 numbers.

The impact of IAS 19R on equity attributable to equity holders in 2012 can be summarized as follows (in EUR m):

	31 December 2012	31 March 2012	1 January 2012
Equity attributable to equity holders as previously reported	**2,410**	**3,007**	**2,930**
IAS 19R impact (net of deferred tax)	-1,127	-405	-657
Adjusted equity attributable to equity holders	**1,283**	**2,602**	**2,273**

The movement in the IAS 19R impact on equity attributable to equity holders in the first three months of 2012 can be summarized as follows (in EUR m):

	Unrecognized actuarial losses/past service cost	Deferred tax	Net
Balance as at 1 January 2012	**783**	**-126**	**657**
Reversal amortization	-23	-	-23
Adjustment expected return plan assets	4	-	4
Higher tax expense	-	1	1
Actuarial gains in Q1 2012	-279	45	-234
Balance as at 31 March 2012	**485**	**-80**	**405**

The impact of IAS 19R on the net pension provision at 31 December 2012 is an increase of EUR 1,380m and at 31 March 2012 an increase of EUR 485m. The impact of IAS 19R on net deferred tax assets at 31 December 2012 is an increase of EUR 253m and at 31 March 2012 an increase of EUR 80m.

The impact of IAS 19R on the Consolidated Statement of Income in the first three months of 2012 can be summarized as follows (in EUR m):

	As reported	IAS 19R impact	Adjusted
Employee benefits	532	-28	504
Total operating expenses	2,627	-28	2,599
Operating profit	564	28	592
Finance income and expense	-187	-9	-196
Profit before income tax	**371**	**19**	**390**
Income taxes	-83	-1	-84
Profit for the period	**288**	**18**	**306**

The impact of IAS 19R on Other Comprehensive Income and Total Comprehensive Income in the first three months of 2012 is an increase of EUR 252m (consisting of actuarial gains of EUR 234m and profit for the period of EUR 18m).
For a more detailed explanation of the impact of IAS 19R on the Consolidated Statement of Income 2012 and the Consolidated Statement of Financial Position as at 31 December 2012, reference is made to page 99 of KPN's Annual Report 2012.

Changes to organizational structure

As per 1 January 2013 KPN Group's organizational structure and reporting format have been changed.

First of all, certain parts of Corporate Market have been integrated in the Business segment. The remaining part of Corporate Market has been renamed IT Solutions and will continue to focus on data centers, consulting services and workspace solutions. The 2012 comparative figures have been restated. For details on the restatements reference is made to the separate press release issued on 15 March 2013 (www.kpn.com/ir).

Secondly, as from 1 January 2013, Rest of World, consisting mainly of Ortel Mobile, ceased to report separately. The Ortel Mobile activities have been integrated in Germany, Belgium and Consumer Mobile, depending on geography. The remaining activities are included in other Mobile International. The financials have not been restated for this organizational change as the revenue of Ortel Mobile was already largely incorporated in the respective segments as intercompany revenues.

[1] Revenues and other income

For a description of the activities of the segments, reference is made to the 2012 Annual Report. For operating profit reference is made to note [2] and for other segment information reference is made to note [7] in these Condensed Consolidated Interim Financial Statements.

	For the three months ended 31 March 2013				For the three months ended 31 March 2012			
Revenues and other income	**External revenues**	**Other income**	**Inter segment revenues**	**Total Revenues And Other Income**	**External revenues**	**Other income**	**Inter segment revenues**	**Total revenues and other income**
Germany	754	2	4	760	773	1	20	794
Belgium	181	-	2	183	179	-	12	191
Rest of World	-	-	-	-	60	-	-	60
Other (incl. eliminations)	13	-1	-2	10	-	-	-25	-25
Mobile International	**948**	**1**	**4**	**953**	**1,012**	**1**	**7**	**1,020**
Consumer Mobile	374	-	19	393	405	-	22	427
Consumer Residential	470	-	31	501	427	-	31	458
Business	659	5	37	701	706	-	40	746
NetCo	130	3	470	603	147	32	485	664
Other (incl. eliminations)	-	-	-533	-533	-	-	-532	-532
Dutch Telco	**1,633**	**8**	**24**	**1,665**	**1,685**	**32**	**46**	**1,763**
IT Solutions	108	-	49	157	243	-	54	297
Other (incl. eliminations)	-	-	-63	-63	-	-	-84	-84
The Netherlands	**1,741**	**8**	**10**	**1,759**	**1,928**	**32**	**16**	**1,976**
iBasis	**192**	-	**50**	**242**	**199**	-	**56**	**255**
Other activities	21	-	-	21	19	-	-	19
Eliminations	-	-	-64	-64	-	-	-79	-79
KPN Group	**2,902**	**9**	**0**	**2,911**	**3,158**	**33**	**0**	**3,191**

KPN Group revenues and other income in Q1 2013 were 8.8% or EUR 280m lower y-on-y, mainly due to the sale of Getronics International (impact of EUR 132m) and a decline in NetCo, Business, Germany and Consumer Mobile, while Consumer Residential showed increased revenues. The negative impact on Group revenues from regulation in Q1 2013 was EUR 54m (1.7%). The Group revenues in Q1 2013 were positively impacted by adjustments of deferred income at Consumer Mobile (EUR 7m) and Consumer Residential (EUR 13m). Other income in Q1 2013 included a book gain from the sale of assets at the Business segment of EUR 5m, whereas other income in Q1 2012 had included a book gain on the sale of mobile towers in The Netherlands of EUR 31m. For more detailed information on revenues, reference is made to the Management Report.

[2] Operating profit

Operating profit, DA&I and EBITDA	For the three months ended 31 March 2013 Operating profit (EBIT)	Depreciation, Amortization & Impairments (DA&I)	EBITDA	For the three months ended 31 March 2012 Operating profit (EBIT)	Depreciation, Amortization & Impairments (DA&I)	EBITDA
Germany	8	187	195	149	154	303
Belgium	8	38	46	23	37	60
Rest of World	-	-	-	-8	3	-5
Other (incl. eliminations)	-4	1	-3	-	1	1
Mobile International	**12**	**226**	**238**	**164**	**195**	**359**
Consumer Mobile	88	53	141	75	19	94
Consumer Residential	19	74	93	47	59	106
Business	146	35	181	157	36	193
NetCo	128	214	342	180	207	387
Other (incl. eliminations)	-8	4	-4	-2	-1	-3
Dutch Telco business	**373**	**380**	**753**	**457**	**320**	**777**
IT Solutions	-11	20	9	-11	19	8
Other (incl. eliminations)	-	-	-	-	-	-
The Netherlands	**362**	**400**	**762**	**446**	**339**	**785**
iBasis	**4**	**3**	**7**	**2**	**5**	**7**
Other activities	-13	-	-13	-20	-	-20
KPN Group	**365**	**629**	**994**	**592**	**539**	**1,131**

KPN Group EBITDA in Q1 2013 decreased by 12% or EUR 137m y-on-y. EBITDA was impacted by regulation of EUR 33m and restructuring costs of EUR 17m (Q1 2012: EUR 19m). Furthermore, EBITDA in Q1 2013 was positively impacted by adjustments of deferred income at Consumer Mobile (EUR 7m) and Consumer Residential (EUR 13m), and release of accrued expenses at NetCo (EUR 17m), while in Q1 2012 EBITDA was positively impacted by release of provisions at NetCo (EUR 9m) and IT Solutions (EUR 10m) and a book gain on the sale of mobile towers at NetCo (EUR 31m).
Lower EBITDA for the Group was mainly driven by higher commercial investments supporting growth in postpaid and data in Germany. In The Netherlands the increased EBITDA at Consumer Mobile, supported by the handset lease model, was offset by higher commercial costs at Consumer Residential and the impact of lower revenues at NetCo and Business.

Operating profit decreased by EUR 227m (-38%) y-on-y, resulting from the EBITDA decrease (EUR 137m) and increased depreciation and amortization compared to the same quarter last year (EUR 90m). In Germany higher depreciation and amortization charges were recorded, most notably resulting from handset leases and due to a reclassification of assets under construction to plant and equipment in Q4 2012. In The Netherlands depreciation increased due to the handset lease model at Consumer Mobile and increased customer premises equipment at Consumer Residential related to TV and FttH activations.

[3] Finance income and expenses

Net finance costs decreased by EUR 9m y-on-y to EUR 187m in Q1 2013, mainly as a result of fair value movements on swaps.

[4] Income taxes

KPN benefits from an agreement with the Dutch tax authorities with regard to the application of innovation 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%. Due to the application of the innovation tax facilities, KPN's effective tax rate in The Netherlands is reduced from the statutory tax rate of 25% to approximately 20%.

The effective tax rate for the Group for Q1 2013 is 19.7% (Q1 2012: 21.2%) and is expected to be approximately 20%[7] in the 2013-2015 period. The decrease in effective tax rate is a consequence of a change of the mix of profits and losses in the various countries.

[5] Non-current assets, liabilities and disposal groups held for sale

On 19 March 2013, KPN reached an agreement to sell its Infrastructure Services & Projects BV business, which reported under KPN's Business segment. On 15 April 2013, the intended transaction was approved by the Dutch competition authority (ACM), and as per 31 March the business is classified as held for sale. As per 31 December 2012 Multiconnect and Ortel Spain were classified as held for sale. Both entities were sold in Q1 2013.

[6] Borrowings, bond issues and redemptions

On 14 March 2013, KPN issued a EUR 1.1bn hybrid bond with a 6.125% coupon and a GBP 400m hybrid bond with a 6.875% coupon (swapped to EUR 460m and a 6.78% coupon for a period of 7 years). On 28 March 2013, KPN issued a USD 600m hybrid bond with a 7% coupon (swapped to EUR 465m and a 6.34% coupon for a period of 10 years).

The EUR hybrid bond is a subordinated bond with a perpetual maturity, while the GBP and USD hybrid bonds are subordinated bonds with a 60-year maturity. The EUR, GBP and USD hybrid bonds can, at KPN's discretion, first be redeemed in September 2018, March 2020 and March 2023 respectively. KPN may, at its discretion and subject to certain conditions, elect to defer payments of interest on these hybrid bonds. The hybrid bonds are listed on NYSE Euronext Amsterdam. The ratings for the hybrid bonds are BB by S&P, Ba1 by Moody's and BB by Fitch. KPN expects that the rating agencies will recognize 50% of the hybrid bonds as equity following completion of the capital raise. The EUR hybrid bond is classified as equity on the balance sheet, while the GBP and USD hybrid bonds are classified as liabilities on the balance sheet. The hybrid bonds are for 50% treated as equity and 50% as debt in KPN's gross and net debt definitions. Please refer to the Safe Harbor statement for the definition.

The EUR 2bn net proceeds of the hybrid bonds were used to repay drawings under the revolving credit facility resulting from the payment in January related to the Dutch spectrum auction, to finance upcoming redemptions and the remainder was added as cash to the balance sheet. On 18 March 2013, KPN redeemed the 4.5% coupon Eurobond 2006-2013 with an outstanding amount of EUR 540m, in accordance with the regular redemption schedule.

As at the end of Q1 2013, the average maturity on the bond portfolio was 7.1 years (Q4 2012: 7.0 years). The average interest rate on the overall bond portfolio including hybrids increased to 5.3% (Q4 2012: 5.1%). Excluding the hybrid bonds, the average interest rate on the senior bond portfolio remained stable at 5.1%.

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[7] Excluding effects of, amongst others, impairments, revaluations of DTA Germany or Reggefiber options.

[7] Other segment information

Assets, liabilities and Capex	As at 31 March 2013 Total assets	Total liabilities	As at 31 December 2012 Total assets	Total liabilities	For the three months ended 31 March 2013 Capex	2012 Capex
Germany	10,422	26,330	10,520	26,398	102	111
Belgium	1,935	328	1,934	335	30	20
Rest of World	-	-	108	112	-	-
Other (incl. eliminations)	38	85	-44	-8	-	1
Mobile International	**12,395**	**26,743**	**12,518**	**26,837**	**132**	**132**
Consumer Mobile	1,133	783	1,646	1,381	86	30
Consumer Residential	1,547	1,457	1,817	1,746	86	76
Business	1,733	1,543	3,108	2,764	24	39
NetCo	7,295	7,167	9,069	9,071	195	173
Other (incl. eliminations)	-288	-278	-477	-346	3	
Dutch Telco	**11,420**	**10,672**	**15,163**	**14,616**	**394**	**318**
IT Solutions	1,293	1,631	1,253	1,355	7	8
Other (incl. eliminations)	-291	-291	-132	-262	-	-1
The Netherlands	**12,422**	**12,012**	**16,284**	**15,709**	**401**	**325**
iBasis	**455**	**351**	**458**	**358**	**1**	**2**
Other activities	-1,689	-17,986	-6,959	-21,937	1	1
KPN Group	**23,583**	**21,120**	**22,301**	**20,967**	**535**	**460**

Capex in Q1 2013 was EUR 75m higher y-on-y mainly due to increased customer driven investments and mobile network investments in The Netherlands.

[8] Fair value disclosures

The carrying value of total borrowings (current and non-current) was EUR 14,112m at 31 March 2013 and EUR 13,896m at 31 December 2012 and the fair value was EUR 15,071m at 31 March 2013 and EUR 14,773m at 31 December 2012. The carrying value of the other financial assets and liabilities approximated their fair value at 31 March 2013 and at 31 December 2012.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2013.

Assets and liabilities measured at fair value	Level 1	Level 2	Level 3	Total balance
		As at 31 March 2013		
Assets				
Financial assets at fair value through profit and loss:				
Derivatives (cross currency interest rate swap)	–	36	–	36
Derivatives (interest rate swap)	–	162	–	162
Other derivatives		-	5	5
Available for sale financial assets:				
Listed securities	9	–	–	9
Unlisted securities	–	–	34	34
Total assets	**9**	**198**	**39**	**246**
Liabilities				
Financial liabilities at fair value through profit and loss:				
Derivatives (cross currency interest rate swap)	–	189	–	189
Derivatives (interest rate swap)	–	20	–	20
Other derivatives	–	–	278	278
Total liabilities	**–**	**209**	**278**	**487**

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2012.

Assets and liabilities measured at fair value	Level 1	Level 2	Level 3	Total balance
		As at 31 December 2012		
Assets				
Financial assets at fair value through profit and loss:				
Derivatives (cross currency interest rate swap)	–	42	–	42
Derivatives (interest rate swap)	–	186	–	186
Other derivatives	–	–	5	5
Available for sale financial assets:				
Listed securities	9	–	–	9
Unlisted securities	–	–	26	26
Total assets	**9**	**228**	**31**	**268**
Liabilities				
Financial liabilities at fair value through profit and loss:				
Derivatives (cross currency interest rate swap)	–	166	–	166
Derivatives (interest rate swap)		30		30
Other derivatives	–	–	278	278
Total liabilities	**–**	**196**	**278**	**474**

The fair value of financial instruments traded in active markets is based on quoted market prices. If applicable, these instruments are included in Level 1.

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 equivalent to A2 or higher with Moody's at 31 March 2013.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3 and their 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.

Other derivatives under financial liabilities at fair value through profit and loss are the call/put arrangements of Reggefiber Group B.V. These options are valued using a binominal tree approach and depend on the business performance of Reggefiber under various scenarios with different probabilities (combination of penetration rates, price structure and approval of Dutch competition authority ACM), discount rates and the conditions of the call/put arrangement itself. Based on current business performance and management's best estimate of the likelihood of possible scenarios and expected business performance, the value of the call/put arrangements was EUR 278m (liability) as at 31 March 2013 and 31 December 2012 and EUR 203m (liability) at 31 March 2012 and 31 December 2011. There was no change in the value of the call/put arrangements in the first three months of 2013 and 2012 and therefore there was no impact on the Consolidated Statement of Income. In case of a 5%-point lower expected penetration rate, ceteris paribus, the value of the call/put arrangement would have been approximately EUR 62m higher as per 31 December 2012.

The increase in the value of the unlisted securities, under available for sale financial assets, in the first three months of 2013 of EUR 8m is recognized in Other Comprehensive Income (of which EUR 1m as currency translation adjustment). The increase in value in the first three months of 2012 was EUR 1m and was also recognized in Other Comprehensive Income (of which EUR 1m negative as currency translation adjustment).

[9] Off-balance sheet commitments

At the end of Q1 2013 off-balance sheet commitments decreased to EUR 5.1bn (Q4 2012: EUR 6.4bn). The off-balance sheet commitments in Q4 2012 included the commitment related to the obtained frequency licenses in the Dutch spectrum auction amounting to EUR 1,352m, which has been paid in January 2013.

[10] Related party transactions

For a description of the related parties of KPN and transactions with related parties, reference is made to Note 32 of the 2012 Annual Report, including major shareholders. In the three months ended 31 March 2013, there have been no changes in the type of related party transactions as described in the 2012 Annual Report that could have a material effect on the financial position or performance of KPN. Neither have any related party transactions taken place in the first three months of 2013 that have materially affected the financial position or the performance of KPN.

América Móvil, S.A.B. de C.V. ("AMX") has notified KPN that it directly or indirectly owns 29.52% of the shares and voting rights related to KPN's ordinary share capital. On 20 February 2013, KPN announced that agreement had been reached with AMX to support KPN in its intention to raise EUR 4bn equity equivalent capital. On the same date, KPN and AMX also signed a relationship agreement setting out the long-term relationship between the two parties.

To KPN's knowledge, no other shareholder owned 5% or more of KPN's outstanding shares as at 31 March 2013.

[11] Regulatory developments

The Netherlands: Update on MTA and FTA regulation
On 16 April 2013, the Dutch regulator ACM (a merger of OPTA, the Dutch competition authority NMa and the Consumer Authority) published a draft decision for new MTA and FTA rates in the Netherlands as of September 2013. ACM announced that it plans to regulate both MTA and FTA on the basis of a pure BULRIC cost model, resulting in an MTA rate of 1,017 EUR ct/min and an FTA rate of 0,108 EUR ct/min. The current rates (MTA: 2,40 EUR ct/min and FTA: 0,37 EUR ct/min) are based on a plus BULRIC cost model, since the relevant highest Dutch Court (CBb) ruled in 2011 that the pure BULRIC approach that OPTA used in 2010 was in violation with the Dutch Telecommunications Act. ACM may formally decide on the MTA and FTA rates after the national consultation (six weeks) and the notification to the European Commission (four weeks) have been finalised. The final decision will be open to appeal before the CBb.

[12] Subsequent events
On 10 April 2013, the Annual General Meeting of shareholders ("AGM") granted the requested approvals to execute a rights issue of up to EUR 3bn as well as a number of changes to the Supervisory Board. The rights issue is expected to be launched shortly after publication of KPN's Q1 2013 results. At the time of launch further details on the rights issue, including the issue price and the number of shares to be issued, will be published.

The approved changes to the Supervisory Board consist of the reappointment of Ms Van Lier Lels, Mr Routs and Mr Haank and the appointment of Mr García Moreno Elizondo, CFO of América Móvil and Mr Von Hauske, COO and board member of América Móvil, as members of the Supervisory Board.

On 10 April 2013, following notification to the AGM, the Supervisory Board of KPN formally appointed Mr Joost Farwerck to the company's Board of Management.

Risk management

KPN's risk categories and risk factors which could have a material impact on its financial position and results are extensively described in KPN's 2012 Annual Report. Those risk categories and factors are deemed incorporated and repeated in this report by this reference and KPN beliefs that these risks similarly apply for the first quarter of 2013.

With respect to regulatory risk, reference is made to note [11] regulatory developments and with regard to related parties reference is made to note [10] related parties.

Review report

To: the Supervisory Board and the Board of Management of Koninklijke KPN N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements for the three-month period ended 31 March 2013 as set out on pages 12 to 28 of Koninklijke KPN N.V., The Hague, which comprises the consolidated statement of financial position as at 31 March 2013, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in group equity, the consolidated statement of cash flows and the selected explanatory notes for the three-month period then ended. The Board of Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the company. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 31 March 2013 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

The Hague, 22 April 2013
PricewaterhouseCoopers Accountants N.V.

Originally signed by M. de Ridder RA

Safe harbor

This announcement does not constitute an offer to sell, or a solicitation of offers to purchase or subscribe for, securities in the United States. The securities referred herein have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered, exercised or sold in the United States absent registration or an applicable exemption from registration requirements.

An offer to acquire Securities pursuant to the proposed offering will be made, and any investor should make his investment, solely on the basis of information that will be contained in the prospectus to be made generally available in the Netherlands in connection with such offering. When made generally available, copies of the prospectus may be obtained at no cost from the Company or through the website of the Company.

Non-GAAP measures and management estimates

This financial report contains a number of non-GAAP figures, such as EBITDA and free cash flow. These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures.

*KPN defines **EBITDA** as operating result before depreciation and impairments of PP&E and amortization and 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. In the **net debt / EBITDA ratio**, KPN defines **Net Debt** as the nominal value of interest bearing financial liabilities excluding derivatives, representing the repayment obligations in Euro, taking into account 50% of the nominal value of the hybrid capital instruments, less net cash and cash equivalents (including cash classified as held for sale, net of bank overdrafts), and defines EBITDA as a 12 month rolling total excluding book gains, release of pension provisions and restructuring costs, when over EUR 20m. **Free cash flow** is defined as cash flow from operating activities plus proceeds from real estate, minus capital expenditures (Capex), being expenditures on PP&E and software and excluding tax recapture regarding E-Plus.*

***Underlying revenues and other income** and **underlying EBITDA** are derived from revenues and other income and EBITDA, respectively, and are adjusted for the impact of MTA and roaming (regulation), changes in the composition of the group (acquisitions and disposals), 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" 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 Annual Report 2012.