Press release
30 July 2014

Second Quarter 2014 results

KPN shows another quarter of good strategic progress. The outlook is maintained.

- Continued operational progress in The Netherlands
  - High postpaid net adds in Consumer Mobile (retail: +53k) and Business (+16k)
  - 1.4 million 4G customers in consumer and business market
  - 43k IPTV net adds leading to triple play penetration of 47%
  - Consumer fixed-mobile bundles increased by 50k to 285k
  - Business multi play seats increased by 39k to 220k
- First results of Simplification program coming through, program accelerated in Business segment
- Good postpaid net adds (+16k) and market outperformance in Belgium

- Conditional approval for sale of E-Plus to Telefónica Deutschland
  - Impairment of EUR 744m leading to EUR 210m increase of deferred tax asset to EUR 1.1bn, limiting tax cash out in The Netherlands in the coming years
- Dutch pension plan agreement resulted in a EUR 451m release of provision, EUR 361m net of tax

Key figures (from continuing operations)

Group financials* (unaudited)	**Q2 2014**	**Q2 2013**	**Δ y-on-y**	**YTD 2014**	**YTD 2013**	**Δ y-on-y**
(in EUR m, unless stated otherwise)						
Revenues	2,004	2,156	-7.1%	4,000	4,331	-7.6%
Adjusted revenues**	**1,989**	**2,139**	**-7.0%**	**3,978**	**4,294**	**-7.4%**
EBITDA	1,067	759	41%	1,691	1,559	8.5%
Adjusted EBITDA**	**633**	**785**	**-19%**	**1,254**	**1,570**	**-20%**
EBITDA margin	*53.2%*	*35.2%*		*42.3%*	*36.0%*	
Adjusted EBITDA margin	***31.8%***	***36.7%***		***31.5%***	***36.6%***	
Operating profit (EBIT)	605	292	>100%	784	647	21%
Profit for the period (net profit)	349	162	>100%	352	314	12%
Capex	**310**	**415**	**-25%**	**647**	**848**	**-24%**
Free cash flow	**72**	**52**	**38%**	**-220**	**162**	**n.m.**

* All non-IFRS terms are explained in the safe harbor section
** Adjusted revenues and adjusted EBITDA are derived from revenues (including other income) and EBITDA respectively, and are adjusted for the impact of restructuring costs and incidentals. Reconciliations to be found on page 9 to 12

Financial performance

- Adjusted revenues 7.0% lower y-on-y due to competitive mobile markets and ongoing decline of the business market size
- Adjusted EBITDA decreased by 19% y-on-y as a result of declining revenues and phasing out of handset lease. Adjusted EBITDA excluding phasing out of handset lease was down 13% y-on-y
- Net profit decreased to EUR -12m, adjusted for the EUR 361m release of pension provision (net of tax), driven by lower EBITDA and higher tax expenses
- Capex for the first half of 2014 was 24% lower y-on-y driven by lower customer driven investments (incl. phasing out handset lease), lower network investments and Simplification program
- Free cash flow for the first half of 2014 reflects intrayear phasing, lower EBITDA excluding pension release, less cash from change in working capital, partly offset by lower Capex

Message from the CEO, Eelco Blok

"In the second quarter of 2014, we continued to make good progress with the execution of our strategy. The strong focus on high quality services through best-in-class networks and market leading products, such as 4G, IPTV and cloud services, supported the uptake of multi play propositions by consumers as well as businesses, which leads to lower churn.

We have achieved a number of quality improvements driven by our Simplification program. In the Business segment, we decided to accelerate the implementation of the Simplification program in order to offset the impact of the ongoing contraction of the overall market.

Driven by the good strategic progress, including high customer additions in mobile and IPTV, and the execution of the Simplification program, we are witnessing a quarter-on-quarter financial improvement and remain on track for stabilizing financial performance towards the end of this year.

The E-Plus sale has been conditionally approved by the European Commission and we are confident that the sale will complete in the third quarter this year. The sale of E-Plus will lead to a solid financial profile, providing a strong platform to execute our strategy in The Netherlands and Belgium. Following the sale of E-Plus, we will recommence dividend payments over 2014, which we intend to grow in 2015. We will also own an attractive 20.5% stake in Telefónica Deutschland and will benefit from substantial synergies."

Outlook and shareholder remuneration[1]

The outlook below was announced on 4 February 2014 and is based on the continuing operations of KPN.

2014

- Financial performance stabilizing towards the end of 2014
- Capex less than EUR 1.4bn[2]

2015

- Capex less than EUR 1.5bn, including Reggefiber[2]
- Free cash flow (excl. TEFD dividend)[3] growth expected in 2015
  - Limited tax cash out in The Netherlands in coming years due to tax loss on sale of E-Plus
  - Interest payments trending down due to reduction of gross debt in coming years
- Additional excess cash via potential dividend from 20.5% stake Telefónica Deutschland

KPN will recommence sustainable dividend payments with a dividend per share of EUR 0.07 in respect of 2014, subject to closing of the E-Plus sale. The dividend pay-out structure will consist of 1/3 interim dividend planned to be paid following closing of the sale of E-Plus, which is expected in the third quarter of 2014, and 2/3 final dividend in April 2015. The dividend per share in respect of 2015 is expected to grow.

KPN remains committed to an investment grade credit profile and expects to utilize excess cash for operational and financial flexibility, (small) in-country M&A and/or shareholder remuneration.

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[1] The release of the pension provision and related one-off lump-sum payment are seen as incidentals and therefore excluded from the outlook
[2] Assuming Reggefiber consolidation per 31 December 2014
[3] Free cash flow outlook defined as cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding potential Telefónica Deutschland dividend

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

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Safe harbor

Non-GAAP measures and management estimates

This financial report contains a number of non-GAAP figures, such as EBITDA and Free Cash Flow ('FCF'). These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures. KPN defines ***EBITDA*** *as operating result before depreciation 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 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 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.* ***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.* ***Underlying service revenues*** *are derived from service revenues adjusted for the impact of MTA and roaming (regulation) and incidentals. All market share information in this financial report is based on management estimates based on externally available information, unless indicated otherwise. For a full overview on KPN's non-financial information, reference is made to KPN's quarterly factsheets available on www.kpn.com/ir.*

Forward-looking statements

Certain statements contained in this financial report constitute forward-looking statements. These statements may include, without limitation, statements concerning future results of operations, the impact of regulatory initiatives on KPN's operations, KPN's and its joint ventures' share of new and existing markets, general industry and macro-economic trends and KPN's performance relative thereto and statements preceded by, followed by or including the words "believes", "expects", "anticipates", "will", "may", "could", "should", "intends", "estimate", "plan", "goal", "target", "aim" or similar expressions. These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside KPN's control that could cause actual results to differ materially from such statements. A number of these factors are described (not exhaustively) in the Integrated Annual Report 2013.

Financial and operating review by segment

Consumer Residential

Consumer Residential continued to face an increased level of promotional activities by competition. KPN focused on executing its strategy, resulting in further growth of the IPTV and multi play[4] customer base, leading to lower churn especially for fixed-mobile bundles. Profitability increased due to a strong cost focus.

Consumer Residential *(in EUR m)*	**Q2 2014**	**Q2 2013**	**Δ y-on-y**	**YTD 2014**	**YTD 2013**	**Δ y-on-y**
Revenues	476	480	-0.8%	959	981	-2.2%
Adjusted revenues	**476**	**480**	**-0.8%**	**959**	**968**	**-0.9%**
EBITDA	103	79	30%	200	172	16%
Adjusted EBITDA	**106**	**89**	**19%**	**206**	**171**	**20%**

Adjusted revenues decreased by 0.8% y-on-y due to the ongoing decline of traditional voice services and continued promotional activities by competition, partly offset by higher FttH revenues. Adjusted EBITDA increased by 19% y-on-y supported by lower personnel costs. This resulted in an adjusted EBITDA margin of 22.3% (Q2 2013: 18.5%).

KPN's broadband customer base decreased slightly by 7k in Q2 2014. However, driven by its market leading IPTV proposition, KPN reached 2 million TV customers leading to a TV market share of 26% (Q2 2013: 24%). ARPU per customer grew by 4.8% y-on-y to EUR 44 in Q2 2014 (Q2 2013: EUR 42) driven by price increases and increased RGUs per customer. Triple play penetration continued to increase, reaching 47%, 5%-points higher compared to Q2 2013. The number of fixed-mobile bundles also continued to increase to 285k at the end of Q2 2014 (Q1 2014: 235k), of which 273k are quad play customers.

Recently, KPN has implemented a number of initiatives to support the IPTV and broadband customer base growth and to simplify the organization in the second half of 2014. KPN will accelerate the roll-out of vectoring which will lead to ~50% coverage of households with speeds of 100Mbps by the end of this year. KPN also introduced a new integrated FttH/copper line-up consisting of only four broadband propositions. Telfort introduced fixed-mobile bundles ("Telfort Combivoordeel") offering benefits to customers combining IPTV with mobile. The KPN brand introduced new fixed-mobile bundles combining single and dual play fixed subscriptions with mobile. Furthermore, KPN is continuously introducing new IPTV innovations to support its market leading IPTV proposition. KPN has announced a partnership with the Dutch football league ("Eredivisie") enabling the introduction of unique features.

Consumer Mobile

KPN's leading position in 4G, multi play and the improved positioning of its brands resulted in a strongly growing retail postpaid customer base in a competitive mobile market. The shift to SIM-only, lower above bundle usage and lower pricing levels compared to last year were the main reasons for lower service revenues.

[4] Multi play relates to bundling of services, including fixed dual and triple play and fixed-mobile bundles

Consumer Mobile *(in EUR m)*	Q2 2014	Q2 2013	Δ y-on-y	YTD 2014	YTD 2013	Δ y-on-y
Revenues	354	389	-9.0%	701	782	-10%
Adjusted revenues	**354**	**389**	**-9.0%**	**701**	**775**	**-9.5%**
EBITDA	50	135	-63%	105	276	-62%
Adjusted EBITDA	**51**	**137**	**-63%**	**106**	**274**	**-61%**

Adjusted revenues at Consumer Mobile were down by 9.0% y-on-y driven by lower service revenues. Underlying service revenues decreased by 9.3% y-on-y, although the trend improved driven by the customer additions (Q1 2014: -12%). KPN's service revenues market share was 43%[5] in Q2. The adjusted EBITDA margin was significantly lower at 14.4% compared to 35.2% in Q2 2013, mainly due to the phasing out of handset lease for the KPN, Hi and Telfort (as per May 2014) brands (~EUR 48m), the impact of lower service revenues and higher retention and subscriber acquisition costs which supported the positive retail postpaid net adds.

In Q2 2014, KPN reached high retail postpaid net adds (+53k), driven by an improving performance at the KPN and Telfort brands as a result of more competitive propositions, the good uptake of multi play and 4G. KPN continues to put a strong focus on existing customers and multi play as that has proven to reduce churn in mobile. Retail postpaid ARPU is stabilizing compared to the last two quarters at EUR 28. Committed retail postpaid ARPU improved to approximately 76%, up 4%-points y-on-y.

Consumer 4G subscriptions increased significantly in Q2 2014 to 845k, up from 610k at Q1 2014, further increasing average data usage per customer. Per 1 July 2014, KPN increased the speed and size of data bundles for its 4G subscribers. Driven by the unique multi play proposition, the total number of postpaid customers in fixed-mobile bundles increased to 399k (Q1 2014: 323k), representing 11% of the postpaid customer base.

Business

The total size of the business market continued to decline in Q2 2014 as a result of ongoing customer rationalization and optimization. This, in turn, was driven by a continued difficult macro-economic environment and a competitive market. KPN made good progress with de-risking its revenues, growing multi play and new services, and cost reductions. KPN is actively changing its operating model by accelerating the Simplification program in order to support profitability in a declining overall market.

Business *(in EUR m)*	Q2 2014	Q2 2013	Δ y-on-y	YTD 2014	YTD 2013	Δ y-on-y
Revenues	732	836	-12%	1,462	1,660	-12%
Adjusted revenues	**727**	**813**	**-11%**	**1,457**	**1,637**	**-11%**
EBITDA	142	194	-27%	291	384	-24%
Adjusted EBITDA	**153**	**185**	**-17%**	**299**	**380**	**-21%**

[5] Total Dutch (Consumer and Business) mobile service revenue market share

Adjusted revenues at Business declined by 11% driven by the declining total market size. This was the main reason as well for the 17% decrease in adjusted EBITDA. Variable costs as a percentage of revenues were higher y-on-y to support KPN's market positions. Consequently, the adjusted EBITDA margin declined to 21.0% (Q2 2013: 22.8%).

KPN is accelerating the implementation of the Simplification program in the Business segment. The segment is moving towards a leaner operating model by optimizing end-to-end chains, actively reducing the total number of propositions by more than 40% at the end of 2014 and optimizing supplier contracts. The Business segment already realized a reduction of approximately 150 FTEs in the first half of 2014 and expects a reduction of 400-500 FTEs for the full year 2014.

KPN's market positions remained relatively stable in Q2 2014. The wireless customer base increased by 16k in Q2 2014 to 1,710k customers[6]. The 4G Business customer base increased to 525k in Q2 2014 (Q1 2014: 412k); as a result 31% of the wireless customer base is now on 4G. Wireless ARPU was somewhat lower q-on-q at EUR 43, while the percentage committed ARPU increased by 11%-points y-on-y to ~61%, further de-risking the revenue profile. The ongoing decline of traditional voice services led to less access lines (Q2 2014: 928k, Q2 2013: 1,056k) due to rationalization and an ongoing migration towards VoIP. Traditional voice ARPU was somewhat lower at EUR 51. Multi play seats increased by 39k in Q2 2014 to 220k, leading to multi play revenues of EUR 12m in Q2 2014.

NetCo

The operational performance of NetCo improved in the second quarter of 2014, driven by investments in networks and IT infrastructure, and a strong focus on quality improvements. This drives a further reduction in inbound calls resulting in lower operating expenses. KPN will continue to execute its hybrid access network strategy and has accelerated vectoring to further increase the available speeds on copper. In mobile, KPN will start to utilize 1800MHz frequency licenses to further increase the capacity of its 4G network and will activate LTE Advanced.

NetCo *(in EUR m)*	**Q2 2014**	**Q2 2013**	**Δ y-on-y**	**YTD 2014**	**YTD 2013**	**Δ y-on-y**
Revenues	570	587	-2.9%	1,139	1,190	-4.3%
Adjusted revenues	**560**	**593**	**-5.6%**	**1,122**	**1,196**	**-6.2%**
EBITDA	314	325	-3.4%	618	667	-7.3%
Adjusted EBITDA	**305**	**328**	**-7.0%**	**602**	**656**	**-8.2%**

Adjusted revenues at NetCo declined by 5.6% in Q2 2014 mainly driven by the ongoing decline of traditional services, lower revenues across segments and lower wholesale traffic revenues. Adjusted EBITDA margin was somewhat lower at 54.5% as the loss of high margin traditional services was partly offset by cost savings from the Simplification program.

[6] Total wireless customer base, include single play mobile customers and customers in multi play packages

iBasis

iBasis *(in EUR m)*	Q2 2014	Q2 2013	Δ y-on-y	YTD 2014	YTD 2013	Δ y-on-y
Revenues	231	247	-6.5%	457	489	-6.5%
Adjusted revenues	**231**	**247**	**-6.5%**	**457**	**489**	**-6.5%**
EBITDA	5	7	-29%	10	14	-29%
Adjusted EBITDA	**5**	**7**	**-29%**	**10**	**14**	**-29%**

Adjusted revenues at iBasis decreased by 6.5% y-on-y, due to less traffic and a negative currency effect of 1.8%. The adjusted EBITDA margin declined to 2.2% mainly due to the revenue decline, which was only partly offset by cost savings. During Q2 2014, iBasis expanded the global reach of its LTE roaming service via peering partners and direct interconnections with mobile operators.

Germany (discontinued operation[7])

On 23 July 2013, KPN announced the sale of E-Plus to Telefónica Deutschland, which resulted in E-Plus being recorded as held for sale ('discontinued operation'). On 2 July 2014, the European Commission conditionally approved the sale of E-Plus. Completion of the transaction is expected in the third quarter of 2014. E-Plus continues to be included in KPN's segment reporting until the sale is completed.

Germany *(in EUR m)*	Q2 2014	Q2 2013	Δ y-on-y	YTD 2014	YTD 2013	Δ y-on-y
Revenues	812	803	1.1%	1,591	1,563	1.8%
Adjusted revenues	**812**	**774**	**4.9%**	**1,591**	**1,534**	**3.7%**
EBITDA	265	275	-3.6%	488	470	3.8%
Adjusted EBITDA	**263**	**209**	**26%**	**486**	**399**	**22%**

Adjusted revenues in Germany increased by 4.9% y-on-y in Q2 2014. Underlying service revenues increased by 5.3% in Q2 2014 y-on-y driven by strong postpaid growth. As a result, E-Plus' service revenue market share is estimated to have increased to more than 16% in Q2 2014. Adjusted EBITDA increased by 26% y-on-y due to growing revenues and a strong cost focus. This resulted in an adjusted EBITDA margin of 32.4% in Q2 2014.

In Q2 2014, 89k postpaid net adds were generated, mainly from underpenetrated regions. Postpaid ARPU in Q2 2014 of EUR 19 was impacted by continued customer optimization, but supported by a high inflow ARPU. Prepaid net adds amounted to 303k in Q2 2014.

As the conditional decision by the European Commission regarding the sale of E-Plus has been announced on 2 July 2014, KPN's best estimate of the fair value of the 20.5% stake in Telefónica Deutschland per 30 June 2014 should now be based on the share price of Telefónica Deutschland after the announcement of the conditional decision, instead of the implied value at announcement of the transaction. This led to an impairment of EUR 744m in Q2 2014. The tax book loss related to the sale of E-Plus increased to EUR 4.6bn, resulting in a total deferred tax asset of EUR 1,142m, an increase of EUR 210m. This deferred tax asset will limit the tax cash out in The Netherlands in the coming years.

[7] Some small operations will not be sold and remain reported in continuing operations

For further details related to the results from discontinued operation refer to KPN's Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2014.

Belgium

In Belgium, the mobile market remained competitive with a number of new propositions launched by competitors, including handset subsidies. BASE Company continued its successful postpaid and data strategy based on a high quality network combined with price leadership.

In Q2 2014, BASE Company continued the roll-out of its 4G network which now covers approximately 55% of the Belgian population. Furthermore, BASE Company launched 4G in the Brussels metropolitan area.

Belgium *(in EUR m)*	**Q2 2014**	**Q2 2013**	**Δ y-on-y**	**YTD 2014**	**YTD 2013**	**Δ y-on-y**
Revenues	178	183	-2.7%	355	366	-3.0%
Adjusted revenues	**178**	**183**	**-2.7%**	**355**	**366**	**-3.0%**
EBITDA	36	49	-27%	77	95	-19%
Adjusted EBITDA	**39**	**49**	**-20%**	**80**	**95**	**-16%**

Adjusted revenues in Belgium decreased by 2.7% y-on-y in Q2 2014. Underlying mobile service revenues decreased by 1.9% due to continued customer optimization in a competitive mobile market. Adjusted EBITDA declined by 20% y-on-y due to lower revenues, higher traffic costs as a result of flat fee propositions and a provision for site taxes in the Walloon region of EUR 2m, resulting in an adjusted EBITDA margin of 21.9% (Q2 2013: 26.8%).

BASE Company's market share increased y-on-y to ~21% in Q2 2014. The BASE postpaid portfolio continued to deliver good results, leading to 16k postpaid net adds in Q2 2014. Postpaid ARPU was lower y-on-y driven by continued tariff optimization by customers. Prepaid net adds were -58k in Q2 2014, adjusted for a technical correction related to previous quarters.

Analysis of adjusted results Q2 2014

The following table shows the key items between reported and adjusted revenues. E-Plus continues to be included in KPN's segment reporting until the sale is completed[8].

Revenues *(in EUR m)*	Q2 2014 reported	Incidentals	Q2 2014 adjusted	Q2 2013 reported	Incidentals	Q2 2013 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
Germany (incl. discontinued operations)	812	-	812	803	29	774	1.1%	4.9%
Belgium	178	-	178	183	-	183	-2.7%	-2.7%
Other	8	-	8	11	-	11	-27%	-27%
Mobile International	**998**	**-**	**998**	**997**	**29**	**968**	**0.1%**	**3.1%**
Consumer Mobile	354	-	354	389	-	389	-9.0%	-9.0%
Consumer Residential	476	-	476	480	-	480	-0.8%	-0.8%
Business	732	5	727	836	23	813	-12%	-11%
NetCo	570	10	560	587	-6	593	-2.9%	-5.6%
Other	-529	-	-529	-557	-	-557	-5.0%	-5.0%
The Netherlands	**1,603**	**15**	**1,588**	**1,735**	**17**	**1,718**	**-7.6%**	**-7.6%**
iBasis	231	-	231	247	-	247	-6.5%	-6.5%
Other activities	17	-	17	18	-	18	-5.6%	-5.6%
Intercompany revenues	-56	-	-56	-62	-	-62	-9.7%	-9.7%
KPN Group	**2,793**	**15**	**2,778**	**2,935**	**46**	**2,889**	**-4.8%**	**-3.8%**
Of which discontinued operations	*789*	-	*789*	*779*	*29*	*750*	*1.3%*	*5.2%*
KPN Group continuing operations	**2,004**	**15**	**1,989**	**2,156**	**17**	**2,139**	**-7.1%**	**-7.0%**

The following table specifies the revenue incidentals in more detail.

Revenue incidentals *(in EUR m)*	**Segment**	**Q2 2014**	**Q2 2013**
Sale of fixed assets (hardware)	Business	5	-
Change in provision	NetCo	10	-6
Adjustment deferred revenues	Germany	-	29
Book gain sale IS&P	Business	-	23
KPN Group		**15**	**46**
Of which discontinued operations		-	*29*
KPN Group continuing operations		**15**	**17**

[8] For further information on this transaction and the impact on KPN's financial information refer to KPN's Integrated Annual Report 2013 and KPN's Condensed Consolidated Interim financial statements for the six months ended 30 June 2014

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

EBITDA *(in EUR m)*	Q2 2014 reported	Incidentals	Restruct-uring	Q2 2014 adjusted	Q2 2013 reported	Incidentals	Restruct -uring	Q2 2013 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
Germany (incl. discontinued operations)	265	8	-6	263	275	66	-	209	-3.6%	26%
Belgium	36	-	-3	39	49	-	-	49	-27%	-20%
Other	-1	-	-	-1	-2	-	-	-2	-50%	-50%
Mobile International	**300**	**8**	**-9**	**301**	**322**	**66**	**-**	**256**	**-6.8%**	**18%**
Consumer Mobile	50	-	-1	51	135	-	-2	137	-63%	-63%
Consumer Residential	103	-	-3	106	79	-	-10	89	30%	19%
Business	142	5	-16	153	194	23	-14	185	-27%	-17%
NetCo	314	10	-1	305	325	-1	-2	328	-3.4%	-7.0%
Other	-19	-	-4	-15	-16	-	-19	3	19%	n.m.
The Netherlands	**590**	**15**	**-25**	**600**	**717**	**22**	**-47**	**742**	**-18%**	**-19%**
iBasis	5	-	-	5	7	-	-	7	-29%	-29%
Other activities	437	451	-4	-10	-12	-	-1	-11	n.m.	-9.1%
KPN Group	**1,332**	**474**	**-38**	**896**	**1,034**	**88**	**-48**	**994**	**29%**	**-9.9%**
Of which discontinued operations	*265*	*8*	*-6*	*263*	*275*	*66*	-	*209*	*-3.6%*	*26%*
KPN Group continuing operations	**1,067**	**466**	**-32**	**633**	**759**	**22**	**-48**	**785**	**41%**	**-19%**

The following table specifies the EBITDA incidentals in more detail.

EBITDA incidentals *(in EUR m)*	**Segment**	**Q2 2014**	**Q2 2013**
Volume discount hardware	Germany	8	-
Adjustment deferred revenues	Germany	-	29
Release of asset retirement obligation	Germany	-	37
Sale of fixed assets (hardware)	Business	5	-
Change in provision	NetCo	10	-6
Book gain sale IS&P	Business	-	23
Release of asset retirement obligation	NetCo	-	5
Release of pension provision	Other	451	-
KPN Group		**474**	**88**
Of which discontinued operations		*8*	*66*
KPN Group continuing operations		**466**	**22**

Analysis of adjusted results YTD 2014

The following table shows the key items between reported and adjusted revenues. E-Plus continues to be included in KPN's segment reporting until the sale is completed[9].

Revenues *(in EUR m)*	YTD 2014 reported	Incidentals	YTD 2014 adjusted	YTD 2013 reported	Incidentals	YTD 2013 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
Germany (incl. discontinued operations)	1,591	-	1,591	1,563	29	1,534	1.8%	3.7%
Belgium	355	-	355	366	-	366	-3.0%	-3.0%
Other	18	-	18	21	-	21	-14%	-14%
Mobile International	**1,964**	**-**	**1,964**	**1,950**	**29**	**1,921**	**0.7%**	**2.2%**
Consumer Mobile	701	-	701	782	7	775	-10%	-9.5%
Consumer Residential	959	-	959	981	13	968	-2.2%	-0.9%
Business	1,462	5	1,457	1,660	23	1,637	-12%	-11%
NetCo	1,139	17	1,122	1,190	-6	1,196	-4.3%	-6.2%
Other	-1,060	-	-1,060	-1,119	-	-1,119	-5.3%	-5.3%
The Netherlands	**3,201**	**22**	**3,179**	**3,494**	**37**	**3,457**	**-8.4%**	**-8.0%**
iBasis	457	-	457	489	-	489	-6.5%	-6.5%
Other activities	38	-	38	39	-	39	-2.6%	-2.6%
Intercompany revenues	-113	-	-113	-126	-	-126	-10%	-10%
KPN Group	**5,547**	**22**	**5,525**	**5,846**	**66**	**5,780**	**-5.1%**	**-4.4%**
Of which discontinued operations	*1,547*	-	*1,547*	*1,515*	*29*	*1,486*	*2.1%*	*4.1%*
KPN Group continuing operations	**4,000**	**22**	**3,978**	**4,331**	**37**	**4,294**	**-7.6%**	**-7.4%**

The following table specifies the revenue incidentals in more detail.

Revenue incidentals *(in EUR m)*	**Segment**	**YTD 2014**	**YTD 2013**
Sale of fixed assets (hardware)	Business	5	-
Change in provision	NetCo	17	-6
Book gain sale IS&P	Business	-	23
Adjustment deferred revenues	Germany, Consumer Residential, Mobile	-	49
KPN Group		**22**	**66**
Of which discontinued operations		-	*29*
KPN Group continuing operations		**22**	**37**

[9] For further information on this transaction and the impact on KPN's financial information refer to KPN's Integrated Annual Report 2013 and KPN's Condensed Consolidated Interim financial statements for the six months ended 30 June 2014

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

EBITDA *(in EUR m)*	YTD 2014 reported	Incidentals	Restruct-uring	YTD 2014 adjusted	YTD 2013 reported	Incidentals	Restruct -uring	YTD 2013 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
Germany (incl. discontinued operations)	488	8	-6	486	470	66	5	399	3.8%	22%
Belgium	77	-	-3	80	95	-	-	95	-19%	-16%
Other	-4	-	-	-4	-5	-	-	-5	-20%	-20%
Mobile International	**561**	**8**	**-9**	**562**	**560**	**66**	**5**	**489**	**0.2%**	**15%**
Consumer Mobile	105	-	-1	106	276	7	-5	274	-62%	-61%
Consumer Residential	200	-	-6	206	172	13	-12	171	16%	20%
Business	291	5	-13	299	384	23	-19	380	-24%	-21%
NetCo	618	17	-1	602	667	16	-5	656	-7.3%	-8.2%
Other	-27	-	-3	-24	-20	-	-25	5	35%	n.m.
The Netherlands	**1,187**	**22**	**-24**	**1,189**	**1,479**	**59**	**-66**	**1,486**	**-20%**	**-20%**
iBasis	10	-	-	10	14	-	-	14	-29%	-29%
Other activities	420	451	-9	-22	-25	-	-4	-21	n.m.	4.8%
KPN Group	**2,178**	**481**	**-42**	**1,739**	**2,028**	**125**	**-65**	**1,968**	**7.4%**	**-12%**
Of which discontinued operations	*487*	*8*	*-6*	*485*	*469*	*66*	*5*	*398*	*3.8%*	*22%*
KPN Group continuing operations	**1,691**	**473**	**-36**	**1,254**	**1,559**	**59**	**-70**	**1,570**	**8.5%**	**-20%**

The following table specifies the EBITDA incidentals in more detail.

EBITDA incidentals *(in EUR m)*	**Segment**	**YTD 2014**	**YTD 2013**
Volume discount hardware	Germany	8	-
Change in provision	NetCo	17	4
Sale of fixed assets (hardware)	Business	5	-
Release of pension provision	Other	451	-
Adjustment deferred revenues	Germany, Consumer Residential, Mobile	-	49
Book gain sale IS&P	Business	-	23
Release of asset retirement obligation	NetCo, Germany	-	42
Release accruals	NetCo	-	7
KPN Group		**481**	**125**
Of which discontinued operations		*8*	*66*
KPN Group continuing operations		**473**	**59**

Group review and other developments

Group financial review (continuing operations)

Adjusted Group revenues were 7.0% lower y-on-y in Q2 2014 as a result of the competitive environment in all mobile markets resulting in lower price levels compared to last year and a declining Business market size.

Adjusted Group EBITDA decreased by 19% y-on-y in Q2 2014 as a result of declining revenues and the phasing out of handset lease at all brands in The Netherlands, partly offset by lower personnel costs in The Netherlands. Adjusted EBITDA excluding the phasing out of handset lease in Q2 2014 was down 13% y-on-y. The adjusted EBITDA margin for Q2 2014 decreased to 31.8% (Q2 2013: 36.7%).

Group operating profit (EBIT) increased by 107% y-on-y in Q2 2014 driven by a EUR 451m release of provision related to the pension plan agreement in The Netherlands, whereby the KPN main pension plan will move to a Collective Defined Contribution plan per 1 January 2015. Net profit from continuing operations increased in Q2 2014 by EUR 187m y-on-y due to the higher operating profit, partly offset by EUR 125m higher income tax expenses y-on-y. Net profit excluding the release of provision related to the pension plan agreement was EUR -12m and impacted by lower EBITDA and higher income tax expenses y-on-y.

Capex decreased to EUR 647m in the first half of 2014 compared to EUR 848m in the first half of 2013 mainly due to lower customer driven investments (incl. phasing out of handset lease), lower network investments and the Simplification program.

KPN made good progress with its Simplification program in the first half of 2014, reaching Capex and operating expenses savings of approximately EUR 75m y-on-y and approximately 350 FTE reductions. The product portfolio was further simplified in all Dutch segments. Client processes were improved supporting a ~10% reduction of inbound service calls and a more than 20% increase in NPS related to customer service and delivery in the first half of 2014 compared to the same period last year. Investments in network quality and quality of service led to a ~30% reduction in downtime and ~50% reduction in call ratio related to IPTV. The Simplification program will support a further reduction in operating expenses and Capex in the coming years leading to more than EUR 300m lower costs per annum by 2016.

Free cash flow in the first half of 2014 reflects intrayear phasing and was EUR 382m lower y-on-y. This was mainly driven by EUR 319m lower EBITDA, excluding the EUR 451m pension release, EUR 220m less cash from change in working capital, a EUR 50m cash payment related to the settlement with the bankruptcy trustees of KPNQwest and EUR 39m higher interest paid. This was only partly offset by EUR 201m lower Capex and EUR 30m lower tax paid.

At the end of Q2 2014, the average coverage ratio of the KPN pension funds in The Netherlands was 112% (Q1 2014: 111%). No recovery payments are expected in the third and fourth quarter of 2014 based on the coverage ratios at the end of Q1 2014 and Q2 2014.

Net debt to EBITDA

Pro forma net debt, including the sale of E-Plus and expected consolidation impact of Reggefiber, amounted to EUR 6.3bn at the end of Q2 2014, a relatively stable level compared to Q1 2014 (EUR 6.2bn). Combined with a lower 12 months rolling EBITDA, this resulted in a pro forma net debt to EBITDA ratio of approximately 2.2x by the end of Q2 2014 (Q1 2014: ~2.1x).

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

Other developments

For further details refer to KPN's Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2014.