Press release
23 July 2013

Half year results 2013

Highlights

- Continued good operational performance, on track to realize outlook
- Strengthened financial position, provides sound platform to continue to execute strategy
- Revenues down due to challenging market circumstances; encouraging operational progress
  - 4G roll-out in The Netherlands accelerated, currently ~50% coverage
  - Triple play penetration at 42%, +12%-points y-on-y
  - Continued good postpaid net adds (H1 2013: 475k vs. H1 2012: 284k) and data growth (H1 2013: ~60%) in Germany
  - Strong postpaid net adds (Q2 2013: 53k) following new propositions launched in Q2 2013 in Belgium
- EBITDA reflecting higher commercial investments, mainly in Germany
  - Continued improvements underlying cost structure across the Group
  - ~3,900 FTE reductions in The Netherlands since start of program
- Free cash flow reflects lower revenues and higher investments
  - Majority of free cash flow to be generated in H2 2013 due to intrayear phasing

Key figures

Group financials*	**Q2 2013**	**Q2 2012**	**Δ y-on-y**	**Δ y-on-y**	**YTD 2013**	**YTD 2012**	**Δ y-on-y**	**Δ y-on-y**
(in EUR m, unless stated otherwise)	**reported**	**reported**	**reported**	**underlying**	**reported**	**reported**	**reported**	**underlying**
Revenues and other income	2,935	3,192	-8.1%	-6.1%	5,846	6,383	-8.4%	-5.2%
EBITDA	1,034	1,167	-11%	-14%	2,028	2,298	-12%	-11%
EBITDA margin	*35.2%*	*36.6%*			*34.7%*	*36.0%*		
EBITDA (excl. restructuring costs)	1,082	1,218	-11%		2,093	2,368	-12%	
Profit for the period (net profit)	108	334	-68%		248	640	-61%	
Earnings per share non-diluted (in EUR)**	0.02	0.14	-86%		0.08	0.27	-70%	
Capex	548	507	8.1%		1,083	967	12%	
Free cash flow	139	534	-74%		224	571	-61%	

* All non-IFRS terms are explained in the safe harbor section at the end of the interim financial statements
** Historic EPS restated following rights issue based on the adjustment of the historical share price (adjustment factor of 0.60628)

Message from the CEO, Eelco Blok

“Conditions remained challenging in the first half of 2013, however we have further strengthened our market positions. We continue to improve our networks, especially with the accelerated 4G rollout in The Netherlands. Our customer-centric propositions are increasingly yielding operational results demonstrated by growing triple play in The Netherlands and strong postpaid net additions and data growth in Germany and Belgium. And we are driving ahead with simplifying our processes and improving our underlying cost structure.”

Group financial review

Revenues

Group revenues and other income were 8.1% or EUR 257m lower y-on-y in Q2 2013. This was mainly due to declining revenues at Consumer Mobile, Business, NetCo and Germany, partly offset by increasing revenues at Consumer Residential. The impact on Group revenues from regulation in Q2 2013 was EUR 61m (1.9%) y-on-y. Furthermore, revenues and other income were impacted by a net negative effect from M&A of EUR 25m and net positive effect from incidentals of EUR 15m. Underlying revenues and other income decreased by 6.1% y-on-y as a result of the competitive environment in all three mobile markets and continued decline of traditional fixed services impacting Business and NetCo.

Group revenues and other income *(in EUR m)*	**Q2 2013 reported**	**Q2 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**	**YTD 2013 reported**	**YTD 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
KPN Group revenues	**2,935**	**3,192**	***-8.1%***	***-6.1%***	**5,846**	**6,383**	***-8.4%***	***-5.2%***
- *Of which The Netherlands*	1,735	1,907	*-9.0%*	*-7.6%*	3,494	3,883	*-10%*	*-6.9%*
- *Of which Mobile International*	997	1,082	*-7.9%*	*-4.6%*	1,950	2,102	*-7.2%*	*-3.4%*

EBITDA and EBITDA margin

Group EBITDA decreased by 11% or EUR 133m y-on-y in Q2 2013. EBITDA was impacted by regulation of EUR 32m (2.7%) and supported by a net positive effect from incidentals of EUR 52m. The EBITDA margin for the Group was 35.2% (Q2 2012: 36.6%). Underlying EBITDA decreased by 14% y-on-y, as a result of lower revenues and higher commercial investments, mainly in Germany (EUR 50m) supporting growth in postpaid net adds and data revenues. This resulted in an underlying EBITDA margin for the Group of 34.7% (Q2 2012: 37.7%). In The Netherlands, EBITDA was supported by the handset lease model in Consumer Mobile and 16% lower costs for employee benefits y-on-y mainly due to FTE reductions (of which 10% structurally lower expenses). This was offset by higher commercial costs at Consumer Residential and lower revenues at NetCo and Business. The underlying EBITDA margin in The Netherlands was 43.8% in Q2 2013 (Q2 2012: 43.5%).

In Q2 2013, further significant progress was made with reducing FTEs in The Netherlands. Approximately 900 FTE reductions were realized this quarter, mainly at Business, bringing the total FTE reductions to approximately 3,900 since the start of the program in 2011. The full program will result in 4,500 – 5,000 FTE reductions, to be finalized by the end of this year.

Group EBITDA* *(in EUR m)*	**Q2 2013 reported**	**Q2 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**	**YTD 2013 reported**	**YTD 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
KPN Group EBITDA	**1,034**	**1,167**	***-11%***	***-14%***	**2,028**	**2,298**	***-12%***	***-11%***
- *Of which The Netherlands*	717	778	*-7.8%*	*-7.0%*	1,479	1,563	*-5.4%*	*-3.7%*
- *Of which Mobile International*	322	402	*-20%*	*-28%*	560	761	*-26%*	*-29%*

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

Group EBITDA margin *(in %)*	**Q2 2013 reported**	**Q2 2012 reported**	**Q2 2013 underlying**	**Q2 2012 underlying**	**YTD 2013 reported**	**YTD 2012 reported**	**YTD 2013 underlying**	**YTD 2012 underlying**
KPN Group EBITDA margin	**35.2%**	**36.6%**	**34.7%**	**37.7%**	**34.7%**	**36.0%**	**34.4%**	**36.8%**
- *The Netherlands*	41.3%	40.8%	43.8%	43.5%	42.3%	40.3%	43.8%	42.4%
- *Germany*	34.2%	39.8%	27.0%	37.7%	30.1%	39.0%	26.0%	37.5%
- *Belgium*	26.8%	35.7%	26.8%	34.0%	26.0%	33.7%	26.0%	31.8%

EBIT and profit for the period

Group operating profit (EBIT) decreased by EUR 365m (-59%) y-on-y, due to EUR 133m lower EBITDA and EUR 232m higher depreciation and amortization. Depreciation increased in Q2 2013 by EUR 168m (50%) y-on-y due to impairments of EUR 75m in Germany and higher customer driven investments across the Group, while amortization was EUR 64m (30%) higher y-on-y mainly due to an impairment of assets of EUR 44m in Germany. Net profit decreased in Q2 2013 by EUR 226m (-68%) y-on-y, as lower operating profit was partly offset by positive income tax (Q2 2013: EUR 30m, Q2 2012: EUR -91m), which was supported by two positive one-offs totaling EUR 44m.

Group EBIT and profit for the period *(in EUR m, unless stated otherwise)*	**Q2 2013 reported**	**Q2 2012 reported**	**Δ y-on-y reported**	**YTD 2013 reported**	**YTD 2012 reported**	**Δ y-on-y reported**
Operating profit (EBIT)	253	618	*-59%*	618	1,210	*-49%*
Profit for the period (net profit)	108	334	*-68%*	248	640	*-61%*
Earnings per share non-diluted (in EUR)*	0.02	0.14	*-86%*	0.08	0.27	*-70%*
Earnings per share fully diluted (in EUR)*	0.02	0.14	*-86%*	0.08	0.27	*-70%*

* Historic EPS restated following rights issue based on the adjustment of the historical share price (adjustment factor of 0.60628)

Capex

Capex for the first half of 2013 was EUR 1,083m (H1 2012: EUR 967m). Increased customer driven and mobile network investments, including the 4G roll-out in The Netherlands, were the main drivers for the EUR 116m increase in Capex compared to H1 2012. Customer driven investments related mainly to handsets and customer premises equipment to activate new IPTV and FttH customers.

Group Capex *(in EUR m)*	**Q2 2013 reported**	**Q2 2012 reported**	**Δ y-on-y reported**	**YTD 2013 reported**	**YTD 2012 reported**	**Δ y-on-y reported**
KPN Group Capex	**548**	**507**	***8.1%***	**1,083**	**967**	***12%***
- *Of which The Netherlands*	369	333	*11%*	770	658	*17%*
- *Of which Mobile International*	177	171	*3.5%*	309	303	*2.0%*

Free cash flow

Cash flow from operating activities in the first half of 2013 was EUR 134m (-10%) lower y-on-y. EUR 270m lower EBITDA, EUR 45m higher interest paid and EUR 72m higher cash out related to changes in provisions (mainly related to FTE reductions) were partly offset by a EUR 149m positive effect from change in working capital and by EUR 73m less tax paid. Capex was EUR 116m higher in the first half of 2013 compared to the first half of 2012 and the tax recapture was EUR 61m lower, resulting in free cash flow of EUR 224m in H1 2013. Free cash flow reflects intrayear phasing, which implies that the majority of free cash flow is to be generated in the second half of the year.

Group free cash flow *(in EUR m)*	**Q2 2013 reported**	**Q2 2012 reported**	**Δ y-on-y reported**	**YTD 2013 reported**	**YTD 2012 reported**	**Δ y-on-y reported**
Cash flow from operating activities	631	948	*-33%*	1,212	1,346	*-10%*
Capex	548	507	*8.1%*	1,083	967	*12%*
Free cash flow	139	534	*-74%*	224	571	*-61%*

Pension fund coverage ratio

At the end of Q2 2013 the average coverage ratio of the KPN pension funds in The Netherlands was 102% compared to 107% at the end of Q1 2013. The average coverage ratio decreased due to an increase in interest rates late in Q2 2013. This negatively impacted the value of some of the plan assets but did not lead to an increase in the three months' average interest rate with which the pension funds' obligations are discounted. Since the coverage ratio at the end of Q2 2013 was below the minimum requirement of 105%, a recovery payment of EUR 19m is required in Q4 2013. The agreement with the pension funds prescribes that the same amount (EUR 19m) also becomes payable in Q3 2013. In Q2 2013 a recovery payment of EUR 19m was made, which related to the coverage ratio at the end of Q4 2012.

Net debt to EBITDA

Net debt[1] at the end of Q2 2013 amounted to EUR 9.5bn, compared to EUR 12.5bn at the end of Q1 2013. The reduction resulted from a stable gross debt position and an increase of net cash & cash equivalents from EUR 1.0bn at the end of Q1 2013 to EUR 4.0bn at the end of Q2 2013. The increase in net cash & cash equivalents in Q2 2013 resulted from the EUR 3bn rights issue which was successfully completed in May 2013. Combined with a lower 12-month rolling EBITDA[2], this resulted in a net debt to EBITDA ratio of 2.2x by the end of Q2 2013 (Q1 2013: 2.8x).

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 Ratings.

[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 0.7% higher y-on-y in Q2 2013 due to continued growth in triple play revenues as a result of the good performance of IPTV and FttH, partly offset by the continued decline of traditional voice services. Underlying EBITDA decreased 10% 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, resulting in an underlying EBITDA margin of 19.6% (Q2 2012: 21.9%). Several actions have been initiated to improve profitability, such as price increases as of 1 July 2013, increasing efficiencies through FTE reductions and quality programs, and continued reduction of churn by bundling services and FttH uptake.

The broadband customer base grew organically for the fourth consecutive quarter in Q2 2013, up by 12k. KPN's broadband market share (Q2 2013: 41%) was 2%-points higher compared to the same period last year. Net line loss in Q2 2013 was 15k due to decline of traditional services. KPN's market leading IPTV proposition resulted in another quarter of strong IPTV net adds (82k) leading to a TV market share of 24%, an increase of 5%-points y-on-y. ARPU per customer increased by 7.7% y-on-y to EUR 42 in Q2 2013. IPTV and FttH drove growth of triple play packages which resulted in 8.2% growth of Revenue Generating Units per customer to 2.13 (Q2 2012: 1.97). Triple play packages increased by 54k this quarter to a total of 1,131k (Q2 2012: 753k), resulting in a 42% triple play penetration level, 12%-points higher compared to the same quarter last year. FttH activations continued to grow by 30k net adds in Q2 2013, resulting in 429k homes activated.

Following the introduction of the KPN Compleet quad play proposition for existing customers at the beginning of this year, KPN Compleet was also made available to new customers in Q2 2013. At the end of Q2 2013 there were 55k KPN Compleet activations (Q1 2013: 29k).

Consumer Residential *(in EUR m)*	**Q2 2013 reported**	**Q2 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**	**YTD 2013 reported**	**YTD 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	480	457	*5.0%*	*0.7%*	981	915	*7.2%*	*1.5%*
EBITDA	79	80	*-1.3%*	*-10%*	172	186	*-7.5%*	*-16%*

Consumer Mobile

Underlying revenues and other income at Consumer Mobile were down by 9.7% y-on-y in Q2 2013. The revenue decrease was driven by lower service revenues and lower hardware sales. Underlying service revenues decreased by 7.2% y-on-y, driven by lower traffic, partly offset by higher committed revenues. Underlying EBITDA margin was 35.2% (Q2 2012: 29.5%), supported by the handset lease model and phasing of marketing spend.

KPN estimates that its total Dutch mobile market share remained relatively stable around 45%. In Q2 2013, the retail postpaid net adds were 7k[3] and the retail postpaid ARPU declined y-on-y to EUR 32 (Q2 2012: EUR 36), due to a competitive market and an increasing share of SIM-only subscriptions. Committed postpaid retail ARPU improved to 72%, up 9%-points y-on-y.

KPN is the first mover in the Dutch market with 4G and has announced the acceleration of the 4G roll-out to reach nationwide coverage by the end of Q1 2014. The 4G roll-out is firmly on track with currently approximately 50% of the Dutch population covered. On 1 July 2013, new simplified propositions were launched for the KPN brand with 4G included in the All-in-One propositions. These

[3] Including a 13k positive one-off adjustment to customer base

simpler tariffs differentiate in data allowance and speed and include a flat fee for unlimited voice and SMS and handset ownership instead of handset lease.

Consumer Mobile *(in EUR m)*	**Q2 2013 reported**	**Q2 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y Underlying**	**YTD 2013 reported**	**YTD 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	389	444	*-12%*	*-9.7%*	782	871	*-10%*	*-9.3%*
EBITDA	135	134	*0.7%*	*7.9%*	276	228	*21%*	*26%*

Business

Underlying revenues and other income for the Business segment declined by 8.6% y-on-y due to lower hardware sales, decline in traditional services and continued price pressure. Continued difficult macro-economic conditions resulted in a reduced order intake of corporate customer projects. Underlying EBITDA decreased by 16% in Q2 2013 y-on-y. The decline in high margin revenues was partly offset by lower personnel costs as a result of the FTE reduction program. The underlying EBITDA margin in Q2 2013 was 24.9% (Q2 2012: 26.9%). KPN is performing relatively well in a challenging business market and has maintained its stable market positions.

Wireless data revenues in Q2 2013 were supported by growing data usage. However, total service revenues (-1.6% y-on-y) continued to be under pressure impacted by regulation and declining traffic volumes. As a result, the ARPU was lower at EUR 49 (Q2 2012: EUR 51). To further mitigate the effect of traffic declines KPN aims to support the uptake of flat fee propositions in the business market.

Traditional wireline services showed a continued decline in both access lines and traffic volumes. This was partly mitigated by further migration of the customer base to flat fee propositions. In June 2013, KPN introduced KPN ÉÉN, providing integrated fixed, mobile and ICT solutions for Business customers, underpinning the strategy to bundle services.

The sale of Infrastructure Services & Projects, announced in Q1 2013, was completed subsequent to the approval of ACM in April. The transaction resulted in a book gain of EUR 23m in Q2 2013.

Business *(in EUR m)*	**Q2 2013 reported**	**Q2 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**	**YTD 2013 reported**	**YTD 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	706	752	*-6.1%*	*-8.6%*	1,407	1,498	*-6.1%*	*-7.8%*
EBITDA	185	201	*-8.0%*	*-16%*	366	394	*-7.1%*	*-14%*

NetCo

Underlying revenues and other income at NetCo declined by 6.5% in Q2 2013 driven mainly by FTA regulation impacting wholesale traffic revenues. Underlying EBITDA decreased by 8.1% y-on-y as a result of a continued decline of traditional services and higher FttH access costs, partly offset by lower personnel costs due to the FTE reduction program. The underlying EBITDA margin was 55.3% in Q2 2013 (Q2 2012: 56.3%).

The FttH roll-out continued and 128k homes passed were added in Q2 2013, making a total of 1,455k homes passed at the end of the quarter (Q2 2012: 986k).

NetCo (in EUR m)	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	Δ y-on-y underlying	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
Revenues and other income	587	635	-7.6%	-6.5%	1,190	1,299	-8.4%	-6.6%
EBITDA	325	345	-5.8%	-8.1%	667	732	-8.9%	-7.0%

IT Solutions

Underlying revenues and other income at IT Solutions decreased by 9.4% y-on-y in Q2 2013, as a result of continued price pressure due to overcapacity in the market and postponement of (large) investments by clients. Underlying EBITDA decreased by 18% y-on-y, mainly as a result of lower margin contract renewals, partly offset by lower personnel costs due to the FTE reduction program. Consequently, the underlying EBITDA margin declined to 8.5% (Q2 2012: 9.4%).

IT Solutions (in EUR m)	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	Δ y-on-y underlying	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
Revenues and other income	164	231	-29%	-9.4%	321	528	-39%	-7.2%
EBITDA	9	24	-63%	-18%	18	32	-44%	75%

iBasis

Underlying revenues and other income at iBasis decreased by 5.4% y-on-y, due to price pressure in the market and an unfavorable currency effect of 0.7%. The underlying EBITDA margin was relatively stable at 2.8% as margin pressure was offset by good cost control.

iBasis (in EUR m)	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	Δ y-on-y underlying	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
Revenues and other income	247	261	-5.4%	-5.4%	489	516	-5.2%	-5.2%
EBITDA	7	7	0.0%	0.0%	14	14	0.0%	0.0%

Germany

Underlying revenues and other income in Germany declined by 1.8% y-on-y in Q2 2013 as strong performance in postpaid was offset by the negative impact of a decrease in SMS and voice usage in the prepaid segment. Hardware sales continued to increase supporting the uptake of data propositions, which partly offset a decline in underlying service revenue. The underlying service revenue decline is stabilizing and was 2.4% y-on-y in Q2 2013. Underlying EBITDA decreased by EUR 88m (30%) y-on-y, mainly as a result of increased growth related investments (EUR 50m), the impact of lower revenues (EUR 22m) and higher network and other costs (EUR 16m) related to a larger scale data network. The growth related investments such as customer acquisition and marketing costs support growth in postpaid net adds and data revenues, mainly in underpenetrated regions. As a result of these investments, the underlying EBITDA margin was 27.0% in Q2 2013 (Q2 2012: 37.7%). E-Plus' market share in Q2 2013 is estimated to be stable at ~15% in a competitive environment.

The data network in Germany has been further improved in terms of coverage, capacity and quality. E-Plus more than doubled its data speed compared to Q2 2012 supported by the dual carrier roll-out and the average throughput is now 4.1Mbps, ranking as the third network in Germany[4]. Increased speeds and increased network capacity have improved customer experience and supported the take-

[4] Source: NetCheck network quality benchmark

up of postpaid net adds and data revenues. This is evidenced by the accelerating data revenue growth of approximately 60% in the first half of 2013, compared to the first half of 2012.

An increased focus on postpaid, especially in underpenetrated regions, resulted in continued strong postpaid net adds of 210k in Q2 2013 (Q2 2012: 179k). Postpaid ARPU in Q2 2013 (EUR 20) was stable compared to Q1 2013 but declined somewhat compared to Q2 2012 (EUR 21), mainly impacted by regulation. Prepaid ARPU remained stable at EUR 6, as the declining voice and SMS usage was offset by a one-off adjustment of deferred revenues. E-Plus will continue to focus on growing postpaid and stabilizing prepaid, and is making good progress.

Germany *(in EUR m)*	**Q2 2013 reported**	**Q2 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**	**YTD 2013 reported**	**YTD 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	803	842	*-4.6%*	*-1.8%*	1,563	1,636	*-4.5%*	*-0.8%*
EBITDA	275	335	*-18%*	*-30%*	470	638	*-26%*	*-31%*

Belgium

Underlying revenues in Belgium decreased by 5.7% y-on-y in Q2 2013 as a result of declining underlying service revenue (3.6%) and lower other revenues. Underlying service revenue declined as a result of price pressure caused by continued competition in the Belgian mobile market. Underlying EBITDA declined by 26% y-on-y due to lower revenues and higher commercial costs related to the launch of a new mobile and fixed portfolio.

Although the size of the Belgian mobile market is under pressure due to continued competition and the implemented change to the telecoms law, which allows for increased tariff optimization, BASE Company continued to outperform the market and has grown its market share to approximately 21% in Q2 2013. The successful introduction of the new mobile propositions in April 2013 resulted in 53k postpaid net adds (Q2 2012: 4k), the highest number of net adds since Q4 2005. Prepaid net adds of negative 54k[5] in Q2 2013 were impacted by the annualizing effect of last year's campaign. Postpaid ARPU was lower y-on-y at EUR 35 (Q2 2012: EUR 41) impacted by regulation and increased competition.

The significant investments made during recent years in the network infrastructure have resulted in a leading network position[6] for BASE Company, with the number one position in voice quality and joint number one position in data quality. BASE Company aims to have the majority of the Belgian population covered by LTE at the end of 2014.

Belgium *(in EUR m)*	**Q2 2013 reported**	**Q2 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**	**YTD 2013 reported**	**YTD 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	183	207	*-12%*	*-5.7%*	366	398	*-8.0%*	*-2.1%*
EBITDA	49	74	*-34%*	*-26%*	95	134	*-29%*	*-20%*

[5] Excluding clean-up of 108k
[6] Source: NetCheck network quality benchmark

Outlook[7]

KPN is on track to realize its outlook.

- 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[8]
- No dividend for 2013 and 2014. Thereafter resume dividend payments, subject to operational performance and financial position

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 (page 134). 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 second quarter of 2013.

With respect to regulatory risk, reference is made to note [13] regulatory developments and with regard to related parties reference is made to note [12] related parties.

[7] Excluding sale of E-Plus
[8] Reggefiber not expected to be consolidated before H2 2014

Analysis of underlying results Q2 2013

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

Revenues and other income *(in EUR m)*	**Q2 2013 reported**	**M&A**	**Incidentals**	**Q2 2013 underlying**	**Q2 2012 reported**	**Regulation***	**M&A**	**Incidentals**	**Q2 2012 underlying**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Germany	803		29	774	842	-38		16	788	-4.6%	-1.8%
Belgium	183			183	207	-13			194	-12%	-5.7%
Rest of World					61				61	-100%	-100%
Other	11			11	-28				-28	n.m.	n.m.
Mobile International	**997**		**29**	**968**	**1,082**	**-51**		**16**	**1,015**	**-7.9%**	**-4.6%**
Consumer Mobile	389			389	444	-6		7	431	-12%	-9.7%
Consumer Residential	480	20		460	457				457	5.0%	0.7%
Business	706	11	23	672	752	-3	14		735	-6.1%	-8.6%
NetCo	587		-6	593	635	-1			634	-7.6%	-6.5%
Other	-526			-526	-530				-530	-0.8%	-0.8%
Dutch Telco	**1,636**	**31**	**17**	**1,588**	**1,758**	**-10**	**14**	**7**	**1,727**	**-6.9%**	**-8.0%**
IT Solutions	164			164	231		42	8	181	-29%	-9.4%
Other	-65			-65	-82				-82	-21%	-21%
The Netherlands	**1,735**	**31**	**17**	**1,687**	**1,907**	**-10**	**56**	**15**	**1,826**	**-9.0%**	**-7.6%**
iBasis	247			247	261				261	-5.4%	-5.4%
Other activities	18			18	18				18	0.0%	0.0%
Intercompany revenues	-62			-62	-76				-76	-18%	-18%
KPN Group	**2,935**	**31**	**46**	**2,858**	**3,192**	**-61**	**56**	**31**	**3,044**	**-8.1%**	**-6.1%**

* To calculate regulatory impact the revenues for the same period last year are adjusted using last year's volumes and this year's tariffs

The following table specifies the revenue incidentals in more detail.

Revenues incidentals *(in EUR m)*	**Segment**	**Q2 2013**	**Q2 2012**
Adjustment deferred revenue	Germany	29	
Book gain sale SNT	Germany		16
Adjustment deferred revenue	Consumer Mobile		7
Book gain sale IS&P	Business	23	
Additional provision	NetCo	-6	
Book gain sale Getronics International	IT Solutions		8

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

EBITDA *(in EUR m)*	Q2 2013 reported	M&A	Incidentals	Restruct-uring	Q2 2013 underlying	Q2 2012 reported	Regulation*	M&A	Incidentals	Restruct-uring	Q2 2012 underlying	Δ y-on-y reported	Δ y-on-y underlying
Germany	275		66		209	335	-22		16		297	-18%	-30%
Belgium	49				49	74	-8				66	-34%	-26%
Rest of World						-5					-5	-100%	-100%
Other	-2				-2	-2					-2	0.0%	0.0%
Mobile International	**322**		**66**		**256**	**402**	**-30**		**16**		**356**	**-20%**	**-28%**
Consumer Mobile	135			-2	137	134	-1		7	-1	127	0.7%	7.9%
Consumer Residential	79	-1		-10	90	80				-20	100	-1.3%	-10%
Business	185	4	23	-9	167	201	-1	3		-1	198	-8.0%	-16%
NetCo	325		-1	-2	328	345			5	-17	357	-5.8%	-8.1%
Other	-16			-19	3	-6				-2	-4	>100%	n.m.
Dutch Telco	**708**	**3**	**22**	**-42**	**725**	**754**	**-2**	**3**	**12**	**-41**	**778**	**-6.1%**	**-6.8%**
IT Solutions	9			-5	14	24			8	-1	17	-63%	-18%
Other												n.m.	n.m.
The Netherlands	**717**	**3**	**22**	**-47**	**739**	**778**	**-2**	**3**	**20**	**-42**	**795**	**-7.8%**	**-7.0%**
iBasis	7				7	7					7	0.0%	0.0%
Other activities	-12			-1	-11	-20				-9	-11	-40%	0.0%
KPN Group	**1,034**	**3**	**88**	**-48**	**991**	**1,167**	**-32**	**3**	**36**	**-51**	**1,147**	**-11%**	**-14%**

* To calculate regulatory impact the revenues for the same period last year are adjusted using last year's volumes and this year's tariffs

The following table specifies the EBITDA incidentals in more detail.

EBITDA incidentals *(in EUR m)*	**Segment**	**Q2 2013**	**Q2 2012**
Adjustment deferred revenue	Germany	29	
Book gain sale SNT	Germany		16
Adjustment deferred revenue	Consumer Mobile		7
Book gain sale IS&P	Business	23	
Additional provision	NetCo	-6	
Book gain sale Getronics International	IT Solutions		8
Release of asset retirement obligation	NetCo	5	
Release of asset retirement obligation	Germany	37	
Release of provision	NetCo		5

Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2013

Unaudited Consolidated Statement of Income

(in EUR m, unless indicated otherwise)	For the three months ended 30 June 2013	2012	For the six months ended 30 June 2013	2012
Revenues	2,914	3,154	5,816	6,312
Other income	21	38	30	71
Revenues and other income [1]	**2,935**	**3,192**	**5,846**	**6,383**
Own work capitalized	-29	-29	-59	-57
Cost of materials	190	236	364	500
Work contracted out and other expenses	1,160	1,142	2,285	2,285
Employee benefits	390	452	826	957
Depreciation, amortization and impairments	781	549	1,410	1,088
Other operating expenses	190	224	402	400
Total operating expenses	**2,682**	**2,574**	**5,228**	**5,173**
Operating profit [2]	**253**	**618**	**618**	**1,210**
Finance income	6	8	11	13
Finance costs	-196	-191	-386	-377
Other financial results	24	-3	22	-18
Finance income and expenses [3]	**-166**	**-186**	**-353**	**-382**
Share of the profit of associates and joint ventures	-9	-7	-12	-13
Profit before income tax	**78**	**425**	**253**	**815**
Income taxes [4]	30	-91	-5	-175
Profit for the period	**108**	**334**	**248**	**640**
Profit attributable to non-controlling interest	1	-	3	-
Profit attributable to equity holders	107	334	245	640
Earnings per ordinary share on non-diluted basis (in EUR)*	**0.02**	**0.14**	**0.08**	**0.27**
Earnings per ordinary share on fully diluted basis (in EUR)*	**0.02**	**0.14**	**0.08**	**0.27**
Weighted average number of shares on a non-diluted basis*			2,802,543,420	2,348,443,311
Weighted average number of shares on a fully diluted basis*			2,805,077,037	2,349,299,697

* Historic EPS and number of weighted average number of shares (non-diluted and fully diluted) restated following rights issue based on the adjustment of the historical share price (adjustment factor of 0.60628)

Unaudited Consolidated Statement of Comprehensive Income

(in EUR m, unless indicated otherwise)	For the three months ended 30 June 2013	2012	For the six months ended 30 June 2013	2012
Profit for the period	**108**	**334**	**248**	**640**
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	234	-673	98	-394
Income tax	-36	125	-16	80
	198	-548	82	-314
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	-158	68	-147	-222
Income tax	39	-18	37	54
	-119	50	-110	-168
Currency translation adjustments:				
Gains or (losses) arising during the period	1	-	5	4
Income tax	-	-	-	-
	1	-	5	4
Fair value adjustment available for sale financial assets:				
Unrealized gains or (losses) arising during the period	-	-2	7	1
Realized gains through the income statement	-8	-	-8	-
	-8	-2	-1	1
Other comprehensive income for the period, net of tax	**72**	**-500**	**-24**	**-477**
Total comprehensive income for the year, net of tax	**180**	**-166**	**224**	**163**
Total comprehensive income attributable to:				
Equity holders	179	-166	221	163
Non-controlling interest	1	-	3	-

Unaudited Consolidated Statement of Financial Position

	As at	
ASSETS	**30 June 2013**	**31 December 2012**
(in EUR m)		
NON-CURRENT ASSETS		
Goodwill	5,158	5,157
Licenses	3,395	2,191
Software	722	838
Other intangibles	189	272
Total intangible assets	**9,464**	**8,458**
Land and buildings	660	671
Plant and equipment	6,616	6,573
Other tangible non-current assets	91	94
Assets under construction	688	557
Total property, plant and equipment	**8,055**	**7,895**
Investments in associates and joint ventures	321	326
Loans to associates and joint ventures	256	227
Available-for-sale financial assets	19	35
Derivative financial instruments	118	233
Deferred income tax assets	1,890	1,847
Trade and other receivables	169	154
Total non-current assets	**20,292**	**19,175**
CURRENT ASSETS		
Inventories	118	111
Trade and other receivables	1,721	1,696
Income tax receivables	7	5
Cash and cash equivalents [5]	4,345	1,286
Total current assets	**6,191**	**3,098**
Non-current assets and disposal groups classified as held for sale [6]	**-**	**28**
TOTAL ASSETS	**26,483**	**22,301**

EQUITY AND LIABILITIES *(in EUR m)*	As at 30 June 2013	As at 31 December 2012
GROUP EQUITY		
Share capital	1,025	344
Share premium	8,993	6,717
Other reserves	-467	-361
Perpetual capital securities [8]	1,089	-
Retained earnings	-5,089	-5,417
Equity attributable to equity holders	**5,551**	**1,283**
Non-controlling interest	50	51
Total group equity [7]	**5,601**	**1,334**
NON-CURRENT LIABILITIES		
Borrowings [8]	11,720	12,369
Derivative financial instruments	668	458
Deferred income tax liabilities	93	211
Provisions for retirement benefit obligations	1,423	1,557
Provisions for other liabilities and charges	323	387
Other payables and deferred income	87	122
Total non-current liabilities	**14,314**	**15,104**
CURRENT LIABILITIES		
Trade and other payables	3,732	3,858
Borrowings [8]	2,428	1,527
Derivative financial instruments	6	16
Income tax payables	267	270
Provision for other liabilities and charges	135	186
Total current liabilities	**6,568**	**5,857**
Liabilities directly associated with non-current assets and disposal groups classified as held for sale	**-**	**6**
TOTAL EQUITY AND LIABILITIES	**26,483**	**22,301**

Unaudited Consolidated Statement of Cash Flows

(in EUR m)	For the six months ended 30 June	
	2013	**2012**
Profit before income tax	**253**	**815**
Adjustments for:		
- Net finance costs	353	382
- Share-based compensation	1	1
- Share of the profit of associated and joint ventures	12	13
- Depreciation, amortization and impairments	1,410	1,088
- Other income	-27	-58
- Changes in provisions (excl. deferred taxes)	-180	-108
Changes in working capital relating to:		
- Inventories	-9	-3
- Trade receivables	80	-14
- Prepayments and accrued income	-108	-140
- Other current assets	22	28
- Trade payables	99	41
- Accruals and deferred income	-59	-52
- Current liabilities (excl. short-term financing)	-75	-59
Change in working capital	**-50**	**-199**
Dividends received	1	1
Taxes paid / received	-137	-210
Interest paid	-424	-379
Net cash flow from operations	**1,212**	**1,346**
Acquisition of subsidiaries, associates and joint ventures (net of acquired cash)	-33	-161
Disposal of subsidiaries, associates and joint ventures	53	-2
Investments in intangible assets (excl. software)	-1,358	-16
Investments in property, plant & equipment	-939	-822
Investments in software	-144	-145
Disposal in property, plant & equipment	8	5
Disposals of real estate	2	38
Other changes and disposals	-20	-43
Net cash flow from investing activities	**-2,431**	**-1,146**
Rights issue [7]	2,948	-
Dividends paid	-4	-809
Exercised options	-	2
Issuance of perpetual hybrid bond [8]	1,085	-
Proceeds from borrowings [8]	915	847
Repayments from borrowings and settlement of derivatives	-613	-425
Other changes in interest-bearing current liabilities	-25	-4
Net cash flow used in financing activities	**4,306**	**-389**
Changes in cash and cash equivalents	**3,087**	**-189**
Net cash and cash equivalents at beginning of period	**947**	**950**
Exchange rate difference	-	1
Changes in cash and cash equivalents	3,087	-189
Net cash and cash equivalents at end of period	**4,034**	**762**
Bank overdrafts	311	116
Cash classified as held for sale	-	-
Cash and cash equivalents at end of period [5]	**4,345**	**878**

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 owners of the parent	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**
Share based compensation	-	-	-	-	-	1	1	-	1
Exercise of options	-	-	-	-	2	-	2	-	2
Dividends paid [10]	-	-	-	-	-	-809	-809	-	-809
Comprehensive income for the period	-	-	-	-	-163	326	163	-	163
Balance as of 30 June 2012	**1,431,522,482**	**344**	**6,717**	**-**	**-288**	**-5,143**	**1,630**	**-**	**1,630**
Balance as of 1 January 2013	**1,431,522,482**	**344**	**6,717**	**-**	**-361**	**-5,417**	**1,283**	**51**	**1,334**
Rights issue [7]	2,838,732,182	681	2,276	-	-	-	2,957	-	2,957
Issuance of perpetual hybrid bond [8]	-	-	-	1,089	-	-	1,089	-	1,089
Share based compensation	-	-	-	-	-	1	1	-	1
Exercise of options	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-4	-4
Comprehensive income for the period	-	-	-	-	-106	327	221	3	224
Balance as of 30 June 2013	**4,270,254,664**	**1,025**	**8,993**	**1,089**	**-467**	**-5,089**	**5,551**	**50**	**5,601**

Notes to the Condensed Consolidated Interim 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, respectively. In Belgium, BASE Company also offers fixed line services, via the incumbent's VDSL network. KPN operates an efficient IP-based infrastructure with global scale in international wholesale through iBasis.

Accounting policies

Basis of presentation

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union. As permitted by IAS 34, the condensed consolidated interim 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 policies are in line with those as described in KPN's 2012 Annual Report except for the impact of new accounting standards (described below). These condensed consolidated interim financial statements have not been audited or reviewed by the KPN's external auditor.

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 ten 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 determining certain accrued expenses at NetCo, resulting in a one-off gain of EUR 17m in Q1 2013. As of 1 April 2013, KPN changed the assumptions used for determining asset retirement obligations for mobile sites, based on historical information.

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**	**30 June 2012**	**1 January 2012**
Equity attributable to equity holders as previously reported	**2,410**	**2,564**	**2,930**
IAS 19R impact (net of deferred tax)	-1,127	-934	-657
Adjusted equity attributable to equity holders	**1,283**	**1,630**	**2,273**

The movement in IAS 19R impact on equity attributable to equity holders in the first six 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	-45	-	-45
Adjustment expected return plan assets	7	-	7
Higher tax expense	-	1	1
Actuarial losses	394	-80	314
Balance as at 30 June 2012	**1,139**	**-205**	**934**

The impact of IAS 19R on the net pension provision at 31 December 2012 is an increase of EUR 1,380m and at 30 June 2012 an increase of EUR 1,140m. The impact of IAS 19R on net deferred tax assets at 31 December 2012 is an increase of EUR 253m and at 30 June 2012 an increase of EUR 206m.

The impact of IAS 19R on the Consolidated Statement of Income in the first six months of 2012 can be summarized as follows:

(in EUR m)	**As reported**	**IAS 19R impact**	**Adjusted**
Employee benefits	1,012	-55	957
Total operating expenses	5,228	-55	5,173
Operating profit	1,155	55	1,210
Finance income and expense	-364	-17	-381
Profit before income tax	**778**	**38**	**816**
Income taxes	-175	-1	-176
Profit for the period	**603**	**37**	**640**

The impact of IAS 19R on Total Comprehensive Income in the first six months of 2012 is a decrease of EUR 277m (consisting of net actuarial losses of EUR 314m and profit for the period of EUR 37m).

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 has been changed.

First of all, certain parts of KPN Corporate Market have been integrated in the Business segment. The remaining part of KPN 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 exist as a separate reporting entity. 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 revenue.

[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 [9] in these Condensed Consolidated Interim Financial Statements.

	For the six months ended 30 June 2013				For the six months ended 30 June 2012			
Revenues and other income *(in EUR m)*	**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	1,552	3	8	1,563	1,568	27	41	1,636
Belgium	362	-	4	366	369	1	28	398
Rest of World	-	-	-	-	122	-	-1	121
Other (incl. eliminations)	25	-1	-3	21	-	-	-53	-53
Mobile International	**1,939**	**2**	**9**	**1,950**	**2,059**	**28**	**15**	**2,102**
Consumer Mobile	744	-	38	782	825	-	46	871
Consumer Residential	921	-	60	981	854	-	61	915
Business	1,307	28	72	1,407	1,419	-	79	1,498
NetCo	249	3	938	1,190	296	34	969	1,299
Other (incl. eliminations)	1	-	-1,060	- 1,059	-	-	-1,062	-1,062
Dutch Telco	**3,222**	**31**	**48**	**3,301**	**3,394**	**34**	**93**	**3,521**
IT Solutions	225	-3	99	321	415	8	105	528
Other (incl. eliminations)	-	-	-128	-128	-	-	-166	-166
The Netherlands	**3,447**	**28**	**19**	**3,494**	**3,809**	**42**	**32**	**3,883**
iBasis	**390**	**-**	**99**	**489**	**409**	**-**	**107**	**516**
Other activities	40	-	-1	39	35	1	1	37
Eliminations	-	-	-126	-126	-	-	-155	-155
KPN Group	**5,816**	**30**	**-**	**5,846**	**6,312**	**71**	**-**	**6,383**

KPN Group revenues and other income were 8.4% or EUR 537m lower y-on-y in H1 2013, mainly due to the sale of Getronics International (EUR 174m) and lower revenues at NetCo, Business, Consumer Mobile and Germany. The negative impact on Group revenues from regulation was EUR 115m (1.8%). The net negative impact of incidentals and the effect from M&A on Group revenues was EUR 109m. Other income in H1 2012 included a book gain on the sale of mobile towers in The Netherlands of EUR 31m, the sale of SNT Inkasso of EUR 16m and a book profit on the sale of Getronics International of EUR 8m. Other income in H1 2013 included a book gain related to the sale of IS&P of EUR 23m. For more detailed information on revenues, reference is made to the Management Report.

[2] Operating profit

Operating profit, DA&I and EBITDA *(in EUR m)*	For the six months ended 30 June 2013 Operating profit	Depreciation, Amortization & Impairments (DA&I)	EBITDA	For the six months ended 30 June 2012 Operating profit	Depreciation, Amortization & Impairments (DA&I)	EBITDA
Germany	-34	504	470	325	313	638
Belgium	20	75	95	59	75	134
Rest of World	-	-	-	-14	4	-10
Other (incl. eliminations)	-5	-	-5	-	-1	-1
Mobile International	**-19**	**579**	**560**	**370**	**391**	**761**
Consumer Mobile	158	118	276	187	41	228
Consumer Residential	23	149	172	66	120	186
Business	295	71	366	323	71	394
NetCo	226	441	667	320	412	732
Other (incl. eliminations)	-25	5	-20	-10	1	-9
Dutch Telco	**677**	**784**	**1,461**	**886**	**645**	**1,531**
IT Solutions	-21	39	18	-8	40	32
Other (incl. eliminations)	-	-	-	-	-	-
The Netherlands	**656**	**823**	**1,479**	**878**	**685**	**1,563**
iBasis	**8**	**6**	**14**	**4**	**10**	**14**
Other activities	-27	2	-25	-42	2	-40
Eliminations	-	-	-	-	-	-
KPN Group	**618**	**1,410**	**2,028**	**1,210**	**1,088**	**2,298**

KPN Group EBITDA decreased by 12% or EUR 270m y-on-y in H1 2013. EBITDA was impacted by regulation of EUR 65m (-2.8%) and restructuring costs of EUR 65m (H1 2012: EUR 70m). Furthermore, the net positive impact of incidentals on EBITDA amounted to EUR 39m, including releases of asset retirement obligations related to mobile sites (EUR 42m) in Q2 2013. Lower EBITDA for the Group was driven by lower revenues and higher commercial investments mainly in Germany supporting growth in postpaid and data. In The Netherlands EBITDA was supported by FTE reductions, and the handset lease at Consumer Mobile. This was offset by higher commercial costs at Consumer Residential and the impact of lower revenues at NetCo and Business.

Operating profit (EBIT) decreased by 49% or EUR 592m y-on-y, resulting from the EBITDA decrease (EUR 270m) and increased depreciation and amortization compared to the same period last year (EUR 322m). In Germany higher depreciation was recorded, resulting from impairments (EUR 75m) mainly related to obsolete technology as a result of network upgrades, a reclassification of assets under construction to plant and equipment in Q4 2012 and handset leases. The higher amortization in Germany was most notably related to an impairment of a mobile service platform (EUR 44m). In The Netherlands depreciation increased as a result of the handset lease model at Consumer Mobile and increased customer premises equipment related to TV and FttH activations at Consumer Residential and amortization increased due to investments in spectrum licenses in 2012.

[3] Finance income and expenses

Net finance costs decreased by EUR 29m y-on-y to EUR 353m in H1 2013, mainly as a result of fair value movements on swaps. Other financial results includes the net result of the sale of available for sale financial assets (11% stake in Compucom) for the amount of EUR 21m, realized in May 2013, partly offset by several smaller items.

[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 Q2 2013 tax expense includes a positive one-off impact of the innovation tax facilities for previous years (EUR 22m) and in addition, a EUR 22m tax benefit for a future deductible liquidation loss of a subsidiary.

The effective tax rate for the Group for Q2 2013 is -34.6% (Q2 2012: 21.3%). The decrease in effective tax rate is a consequence of one-off effects and a change of the mix of profits and losses in the various countries. Without one-off effects the effective tax rate would have been approximately 18% in Q2 2013. The effective tax rate is expected to be approximately 20%[9] in the 2013-2015 period.

[5] Cash and cash equivalents

At 30 June 2013 cash and cash equivalents amounted to EUR 4,345m, compared to EUR 1,286m at 31 December 2012. The increase in cash and cash equivalents is related to the successfully concluded capital raise consisting of EUR 2bn hybrid bonds and a EUR 3bn rights issue. Part of the EUR 2bn proceeds of the hybrid bonds were used to repay drawings under the credit facility and to finance a bond redemption in March 2013. The remaining proceeds of the capital raise have been used to strengthen KPN's capital structure and to continue to invest in KPN's operations.

Net cash and cash equivalents, including EUR 311m bank overdrafts related to cash pooling arrangements, amounted to EUR 4,034m at 30 June 2013, as shown in the cash flow statement. Cash and cash equivalents consist of highly liquid instruments, mainly deposits, interest-bearing bank accounts and money market funds. KPN's cash balances have been invested with a wide range of strong counterparties.

[6] 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 was part of KPN's Business segment. As per 31 March 2013 the business was classified as held for sale. On 15 April 2013, the transaction was approved by the Dutch competition authority (ACM).

As per 31 December 2012 Multiconnect and Ortel Spain were classified as held for sale. Both entities were sold in Q1 2013.

[7] Group equity

On 17 May 2013 KPN successfully concluded its EUR 4bn equity equivalent capital raise, consisting of EUR 1bn equity equivalent hybrid bonds (see note [8]) and a EUR 3bn rights issue.

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

On 25 April 2013 KPN set the terms of its EUR 3bn rights issue, which was announced on 20 February 2013 and approved by the Annual General Meeting on 10 April 2013. KPN announced a 2 for 1 rights issue of 2,838,732,182 new ordinary shares with a nominal value of EUR 0.24 ('Offer Shares') at an issue price of EUR 1.06 through the granting of transferable subscription entitlements to holders of ordinary shares in KPN's issued and outstanding share capital pro rata to their shareholdings. The issue price represented a discount of 35.1% to the theoretical ex-rights price ('TERP'), based on the closing price of EUR 2.78 per ordinary share on 24 April 2013.

At the end of the subscription period the take-up amounted to 97.4% of the Offer Shares. The remaining Offer Shares were placed at institutional investors through a rump placement. Payment, delivery and start of trading of the Offer Shares occurred on 17 May 2013. The net proceeds from the rights issue amounted to EUR 2,957m. Upon closing the number of KPN ordinary shares outstanding totaled 4,270,254,664.

[8] 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 1.1bn hybrid bond is a subordinated bond with a perpetual maturity, while the GBP 400m and USD 600m 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 Ratings. The rating agencies recognize 50% of the hybrid bonds as equity following completion of the capital raise. The hybrid bonds are for 50% treated as equity and 50% as debt in KPN's gross and net debt definitions. 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.

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 Q2 2013, the average maturity on the bond portfolio was 6.8 years (Q1 2013: 7.1 years). The average interest rate on the overall bond portfolio, including hybrid bonds, is 5.3%. Excluding the hybrid bonds, the average interest rate on the senior bond portfolio remained stable at 5.1%.

In June 2013, KPN used an extension option for its EUR 2bn revolving credit facility. All fourteen relationship banks agreed to a one year extension, which extends the maturity of the revolving credit facility to July 2018.

[9] Other segment information

Assets, liabilities and Capex *(in EUR m)*	As at 30 June 2013 Total assets	Total liabilities	As at 31 December 2012 Total assets	Total liabilities	For the six months ended 30 June 2013 Capex	2012 Capex
Germany	10,336	26,299	10,520	26,398	235	261
Belgium	1,959	341	1,934	335	74	41
Rest of World	39	60	108	112	-	-
Other (incl. eliminations)	-6	23	-44	-8	-	1
Mobile International	**12,328**	**26,723**	**12,518**	**26,837**	**309**	**303**
Consumer Mobile	1,287	864	1,646	1,381	166	97
Consumer Residential	1,590	1,500	1,817	1,746	158	142
Business	2,025	1,696	3,108	2,764	52	69
NetCo	7,706	7,478	9,069	9,071	371	331
Other (incl. eliminations)	-287	-252	-477	-477	6	-
Dutch Telco	**12,321**	**11,286**	**15,163**	**14,485**	**753**	**639**
IT Solutions	1,298	1,585	1,253	1,355	17	19
Other (incl. eliminations)	-301	-302	-132	-131	-	-
The Netherlands	**13,318**	**12,569**	**16,284**	**15,709**	**770**	**658**
iBasis	**416**	**309**	**458**	**358**	**3**	**3**
Other activities	421	-18,719	-6,959	-21,937	1	3
KPN Group	**26,483**	**20,882**	**22,301**	**20,967**	**1,083**	**967**

The increase in the total assets is mainly the result of the cash impact of the issued equity instruments (EUR 3.0bn) and the investments in licenses by NetCo (EUR 1.4bn). Capex was EUR 116m higher y-on-y in H1 2013 mainly due to increased customer driven investments and 4G mobile network investments in The Netherlands.

[10] Fair value disclosures

The following table presents the Group’s assets and liabilities that are measured at fair value at 30 June 2013.

Assets and liabilities measured at fair value *(in EUR m)*	As at 30 June 2013 Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit and loss:				
Derivatives (cross currency interest rate swap)	-	7	–	7
Derivatives (interest rate swap)	-	106	–	106
Other derivatives		1	5	6
Available for sale financial assets:				-
Listed securities	9	-	–	9
Unlisted securities	-	-	10	10
Total assets	**9**	**114**	**15**	**138**
Liabilities				
Financial liabilities at fair value through profit and loss:				
Derivatives (cross currency interest rate swap)	-	380	-	380
Derivatives (interest rate swap)	-	15	-	15
Other derivatives	-	-	278	278
Total liabilities	**-**	**395**	**278**	**673**

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 *(in EUR m)*	As at 31 December 2012 Level 1	Level 2	Level 3	Total balance
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 30 June 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) at 30 June 2013 and 31 December 2012 and EUR 203m (liability) at 30 June 2012 and 31 December 2011.

There was no change in the value of the call/put arrangements in the first six 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 liability position related to the call/put arrangement would have been approximately EUR 62m higher as per 31 December 2012.

The decrease in the value of the unlisted securities, included in available for sale financial assets, in the first six months of 2013 was due to the sale of assets (predominantly shares in Compucom). The increase in value in the first six months of 2012 was EUR 2m and was also recognized in Other Comprehensive Income (of which EUR 1m positive as currency translation adjustment).

KPN reports its derivatives positions on the balance sheet on a gross basis. Part of the derivatives portfolio is subject to master netting agreements that allow netting under certain circumstances. If netting would be applied, the total derivatives asset position would be EUR 16m and the total derivatives liability position would be EUR 570m at 30 June 2013.

[11] Off-balance sheet commitments

At the end of Q2 2013 off-balance sheet commitments decreased to EUR 4.8bn. The off-balance sheet commitments at 31 December 2012 (EUR 6.4bn) 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.

[12] 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 six months ended 30 June 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, except for the rights issue which was concluded on 17 May 2013 (see Note [7]).

Following completion of the rights issue, América Móvil, S.A.B. de C.V. (“AMX”) has notified KPN that it directly or indirectly owns 29.8% of the shares and voting rights related to KPN’s ordinary share capital.

To KPN’s knowledge, no other shareholder owned 5% or more of KPN’s outstanding shares as at 30 June 2013.

[13] Regulatory developments

The Netherlands: Update on MTA and FTA regulation

On 16 April 2013, the Dutch regulator ACM published a draft decision for new MTA and FTA rates in the Netherlands as of September 2013, for national consultation. This draft has been notified to the European Commission on 2 July 2013. ACM announced that it plans to regulate both MTA and FTA on the basis of a pure BULRIC cost model, (slightly amended after the national consultation) resulting in an MTA rate of 1.019 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 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 notification to the European Commission (four weeks after 2 July 2013) have been finalized. The final decision will be open to appeal at the CBb.

[14] Subsequent events

On 23 July 2013, KPN announced it had reached an agreement with Telefónica Deutschland on the sale of E-plus. The transaction is subject to shareholders' approval as well as regulatory approval. The consideration on a cash and debt free basis consists of an amount in cash of EUR 5.0bn and a 17.6% stake in the combination of E-Plus and Telefónica Deutschland ('the combined entity'). This represents a total estimated fair value for E-Plus of EUR 8.1bn. Based on a fair value of EUR 8.1bn, KPN expects to recognize a loss of EUR 1.3bn in Q3 2013, when E-Plus is recognized as 'disposal group held for sale'. This loss relates to the deferred tax assets that in the transaction have a lower fair value than their book value under IFRS as per 30 June 2013 of EUR 1.7bn. The amount of impairment and final result from the transaction depend on the changes in the fair value of the 17.6% stake in the combined entity and the changes in the book value of E-Plus until recognition as 'disposal group held for sale'.

Responsibility statement

The Board of Management of the Company hereby declares that, to the best of their knowledge, the interim financial statements for the six months ended 30 June 2013, give a true and fair view of the assets, liabilities, financial position and income of the Company and the undertakings included in the consolidation taken as a whole, and the interim management report gives a fair review of the information required pursuant to section 5:25d, subsection 8 and, as far as applicable, subsection 9 of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

The Hague, 23 July 2013

E. Blok	Chairman of the Board of Management and Chief Executive Officer
W.T.J. Hageman	Member of the Board of Management and Chief Financial Officer
T. Dirks	Member of the Board of Management and CEO Mobile International
J.F.E. Farwerck	Member of the Board of Management

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. 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", "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 Annual Report 2012.