Press release
4 February 2014

Annual Results 2013

Highlights

Improved operational performance

- Triple play penetration at 44%, up 8%-points y-on-y
- Quad play customers doubled in Q4 '13 to 173k
- Dutch 4G coverage at ~80%, nationwide coverage end Q1 '14
- Positive postpaid net adds, but market share lower in competitive Dutch mobile market
- Successful postpaid and data strategy in Germany and Belgium
- FTE reduction program completed, ~4,650 reductions realized

Group financial results reflect competitive markets and high investment levels

- Lower Group revenues and EBITDA in 2013 due to pressure in Consumer Mobile and Business markets, partly offset by good performance Consumer Residential
- Q4 '13 EBITDA down 7.3% y-on-y, adjusted for incidentals and phasing out handset lease
- Capex at EUR 1.6bn in 2013 (+2.6%) driven by investments in networks, products and customers

Strategy and Outlook

- Building on strong fundamentals
- Enhanced customer focus via best-in-class networks and products
- Simplification leading to lean operating model
- Financial performance stabilizing towards the end of 2014
- Free cash flow growth expected in 2015
- Recommence dividend payment in respect of 2014 (EUR 0.07), subject to closing E-Plus sale
- Additional excess cash via potential dividend from 20.5% stake in Telefónica Deutschland

Key figures

All key figures presented are based on KPN's continuing operations and do not include the financial results of E-Plus. E-Plus is classified as held for sale and discontinued operations. Some small operations in Germany will not be sold and remain reported in continuing operations. Comparative financial information has been restated in accordance with relevant IFRS standards.

Group financials* ***from continuing operations*** *(in EUR m, unless stated otherwise)*	**Q4 2013 reported**	**Q4 2012 restated**	**Δ y-on-y reported**	**Δ y-on-y underlying**	**FY 2013 reported**	**FY 2012 restated**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	2,061	2,383	-14%	-7.9%	8,472	9,458	-10%	-7.3%
EBITDA	581	820	-29%	-14%	2,883	3,346	-14%	-8.6%
EBITDA margin	*28.2%*	*34.4%*			*34.0%*	*35.4%*		
EBITDA (excl. restructuring costs)	614	871	-30%		3,005	3,480	-14%	
Profit for the period (net profit)	-108	-263	59%		293	314	-6.7%	
Capex	411	496	-17%		1,616	1,575	2.6%	
Free cash flow	264	236	12%		489	637	-23%	

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

Message from the CEO, Eelco Blok

"In 2013, we continued our clear focus on improving operational performance driven by investments in networks, products and customers. We have now put in place strong fundamentals at KPN and expect stabilizing financial performance towards the end of the year 2014 and FCF to grow in 2015. We are confident to obtain regulatory clearance for the sale of E-Plus and intend to recommence paying a dividend in respect of 2014. KPN's financial profile will be further improved following the sale of E-Plus. Furthermore, we will potentially benefit from additional excess cash by receiving dividends from the 20.5% stake in Telefónica Deutschland."

Strategic update

Building on strong fundamentals

Following a period of declining market shares KPN has stabilized and selectively grown its market positions and customer bases through high investments in recent years. In 2013, KPN continued its clear focus on improving operational performance via investments in networks, products and customers. This consistent strategy has resulted in strong fundamentals at KPN.

Best-in-class networks
Today, KPN covers ~25% of the Dutch population with FttH and in combination with its leading upgraded copper network is able to reach ~70% of the population with broadband speeds of at least 40Mbps. KPN will further increase speeds via copper upgrades; this will lead to a lower pace of FttH roll-out in the coming years. In mobile, KPN is leading in terms of network quality compared to its direct competitors as well as to European peers generally. In The Netherlands the target to realize nationwide 4G coverage is close to being fulfilled and in Belgium, BASE Company offers the highest speeds in the market via its 3G network. Going forward, KPN will further expand its 4G network capacity and speed in The Netherlands and BASE Company aims to have nationwide 4G coverage in Belgium by the end of 2014. These high quality networks are the platform for KPN to offer enhanced customer experience via market-leading products.

Enhanced customer focus via leading products
In The Netherlands KPN has successfully introduced quad play in the Consumer market and bundled fixed-mobile ICT propositions in the Business market. Going forward, the focus in The Netherlands is on 4G, IPTV and bundles driving the take-up of multi play to increase customer loyalty and reduce churn. The strategy in The Netherlands is based on KPN's excellent position as the integrated access provider; KPN is the only operator with converged in-house capabilities. For business customers in The Netherlands, KPN has integrated IT Solutions with the Business segment as of 1 January 2014 to create a one-stop shop offering integrated packages with all ICT & Telecom services. In Belgium, the mobile market experienced a change in market dynamics in 2012 that still influences the market today. BASE Company has responded with a new, innovative portfolio and has seen a successful postpaid net adds uptake. BASE Company is in an excellent position to deliver further market outperformance via market leadership in terms of price, service and network quality.

Towards a lean operating model
KPN has successfully completed its FTE reduction program that started in 2011 which resulted in approximately 4,650 fewer FTEs in The Netherlands. The next step towards a lean operating model is a large Simplification program that aims for a simplified product portfolio, simplified client processes and simplified networks and IT. This program will result in a next wave of quality improvements, 1,500-2,000 fewer FTEs in The Netherlands by 2016, and combined Capex and opex savings of more than EUR 300m per annum by 2016.

Outlook and shareholder remuneration

KPN expects that the improved operational performance driven by investments in networks, products and customers will lead to financial performance stabilizing towards the end of 2014. The year 2014 will be a year where KPN expects to see some important changes; closing of the sale of E-Plus and the consolidation of Reggefiber. The new KPN Group profile will emerge in 2015.

The following outlook metrics are based on the continuing operations of KPN.

2014

- Financial performance stabilizing towards the end of 2014
- Capex less than € 1.4bn[1]

2015

- Capex less than € 1.5bn, including Reggefiber[1]
- Free cash flow (excl. TEFD dividend)[2] growth expected in 2015

Limited tax cash out in The Netherlands is expected in the coming years due to the recognized tax loss on the sale of E-Plus. In addition, interest payments are expected to trend down due to a reduction of gross debt in the coming years. Furthermore, KPN will potentially benefit from additional excess cash by receiving dividends on the 20.5% stake in Telefónica Deutschland.

KPN recommences 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 in August 2014 and 2/3 final dividend in April 2015. Dividend per share is expected to grow in respect of 2015.

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

[1] Assuming Reggefiber consolidation per 31 December 2014
[2] Free cash flow outlook defined as cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding Telefónica Deutschland dividend

Group financial review - continuing operations

Revenues

Group revenues and other income from continuing operations were 14% or EUR 322m lower y-on-y in Q4 2013. This was mainly due to declining revenues at Business, Consumer Mobile and NetCo, partly offset by increasing revenues at Consumer Residential. Underlying revenues and other income in Q4 2013 decreased by 7.9% y-on-y as a result of a continued competitive environment in the mobile markets and declining revenues from traditional fixed services impacting Business and NetCo. The impact from regulation in Q4 2013 was EUR 22m (0.9%) y-on-y. Full year group revenues and other income from continuing operations were 10% or EUR 986m lower compared to last year, negatively impacted by the net effect of acquisitions and disposals (EUR 122m) and gains on tower sales realized in 2012 (EUR 96m). The impact from regulation was EUR 94m (1.0%) on a full year basis.

Group revenues and other income ***from continuing operations*** *(in EUR m)*	**Q4 2013 reported**	**Q4 2012 restated**	**Δ y-on-y reported**	**Δ y-on-y underlying**	**FY 2013 reported**	**FY 2012 restated**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Group revenues	**2,061**	**2,383**	***-14%***	***-7.9%***	**8,472**	**9,458**	***-10%***	***-7.3%***
- Of which The Netherlands	1,647	1,875	*-12%*	*-7.2%*	6,802	7,532	*-9.7%*	*-6.8%*

EBITDA and EBITDA margin

Group EBITDA from continuing operations decreased by 29% or EUR 239m y-on-y in Q4 2013 as a result of declining revenues, the phasing out of handset lease at the KPN and Hi brands at Consumer Mobile, a provision for a settlement expense for KPNQwest (EUR 50m), other negative incidentals (EUR 26m) and a book gain from tower sales at NetCo in Q4 2012 (EUR 65m). Regulation impacted EBITDA by EUR 13m (1.6%) y-on-y. Adjusted for incidentals and acquisitions and disposals, the phasing out of handset lease, regulation and restructuring costs EBITDA in Q4 2013 was down 7.3% y-on-y. Group EBITDA from continuing operations for the full year decreased by 14% or EUR 463m. EBITDA was impacted by regulation for EUR 53m (1.6%) on a full year basis. The EBITDA margin for the Group was 28.2% in Q4 2013 (Q4 2012: 34.4%) and 34.0% for the full year (2012: 35.4%). The underlying EBITDA margin for Q4 2013 decreased to 33.4% (Q4 2012: 35.6%) and to 36.1% on a full year basis (2012: 36.6%).

In The Netherlands, EBITDA in Q4 2013 was supported by 15% lower personnel costs y-on-y mainly due to reduced headcount. This was offset by lower revenues at Business, Consumer Mobile and NetCo and higher expenses y-on-y at Consumer Mobile due to the phasing out of the handset lease model. The underlying EBITDA margin in The Netherlands was 37.9% in Q4 2013 (Q4 2012: 42.7%) and 42.3% on a full year basis (2012: 43.3%).

In Q4 2013, the FTE reduction program in The Netherlands was completed. Approximately 450 FTE reductions were realized this quarter, mainly at Consumer Mobile and Residential and IT Solutions, bringing the total FTE reductions to approximately 4,650 since the start of the program in 2011.

Group EBITDA ***from continuing operations*** *(in EUR m)*	**Q4 2013 reported**	**Q4 2012 restated**	**Δ y-on-y reported**	**Δ y-on-y underlying**	**FY 2013 reported**	**FY 2012 restated**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Group EBITDA	**581**	**820**	***-29%***	***-14%***	**2,883**	**3,346**	***-14%***	***-8.6%***
- Of which The Netherlands	581	782	*-26%*	*-18%*	2,755	3,135	*-12%*	*-8.9%*

Group EBITDA margin ***from continuing operations*** *(in %)*	**Q4 2013 reported**	**Q4 2012 restated**	**Q4 2013 underlying**	**Q4 2012 underlying**	**FY 2013 reported**	**FY 2012 restated**	**FY 2013 underlying**	**FY 2012 underlying**
Group EBITDA margin	**28.2%**	**34.4%**	**33.4%**	**35.6%**	**34.0%**	**35.4%**	**36.1%**	**36.6%**
- Of which The Netherlands	35.3%	41.7%	37.9%	42.7%	40.5%	41.6%	42.3%	43.3%

EBIT and profit for the period

Group operating profit (EBIT) from continuing operations increased by EUR 47m (92%) y-on-y in Q4 2013, due to EUR 239m lower EBITDA compensated by EUR 286m lower net depreciation, amortization and impairment charges. EBIT for the full year decreased by EUR 360m (26%) due to EUR 463m lower EBITDA and EUR 103m lower net depreciation, amortization and impairment charges. Net profit from continuing operations increased in Q4 2013 by EUR 155m (59%) y-on-y due to the increase in operating profit and supported by lower net finance expenses (Q4 2013: EUR 243m, Q4 2012: EUR 275m) and lower income tax expenses (Q4 2013: EUR -37m, Q4 2012: EUR 44m).

Group EBIT and profit for the period ***from continuing operations*** *(in EUR m)*	**Q4 2013 reported**	**Q4 2012 restated**	**Δ y-on-y reported**	**FY 2013 reported**	**FY 2012 restated**	**Δ y-on-y reported**
Operating profit (EBIT)	98	51	*92%*	1,026	1,386	*-26%*
Profit for the period (net profit)	-108	-263	*59%*	293	314	*-6.7%*

Capex

Capex for continuing operations decreased to EUR 411m in Q4 2013 compared to EUR 496m in Q4 2012 due to different intrayear phasing. Capex for continuing operations for the full year 2013 was EUR 1,616m, 2.6% higher compared to 2012 (2012: EUR 1,575m). Continued investments in the existing 2G and 3G networks, the roll-out of the 4G networks in The Netherlands and Belgium, and fixed network upgrades were the main drivers for the consistently high Capex level.

Group Capex ***from continuing operations*** *(in EUR m)*	**Q4 2013 reported**	**Q4 2012 restated**	**Δ y-on-y reported**	**FY 2013 reported**	**FY 2012 restated**	**Δ y-on-y reported**
Group Capex	**411**	**496**	***-17%***	**1,616**	**1,575**	***2.6%***
- Of which The Netherlands	339	431	*-21%*	1,417	1,419	*-0.1%*

Free cash flow

Cash flow from operating activities from continuing operations for the full year 2013 was EUR 166m (9.4%) higher y-on-y and came to EUR 1,926m. EUR 463m lower EBITDA was offset by EUR 263m positive changes in working capital, a EUR 64m positive effect from changes in provisions and EUR 57m less taxes paid. Capex was EUR 41m higher and the tax recapture was EUR 159m lower compared to last year, resulting in free cash flow of EUR 489m for the full year 2013.

Group free cash flow ***from continuing operations*** *(in EUR m)*	**Q4 2013 reported**	**Q4 2012 restated**	**Δ y-on-y reported**	**FY 2013 reported**	**FY 2012 restated**	**Δ y-on-y reported**
Cash flow from operating activities	649	563	*15%*	1,926	1,760	*9.4%*
Capex	411	496	*-17%*	1,616	1,575	*2.6%*
Group free cash flow	**264**	**236**	***12%***	**489**	**637**	***-23%***

Pension fund coverage ratio

At the end of Q4 2013 the average coverage ratio of the KPN pension funds in The Netherlands was 109% (Q3 2013: 108%). The average coverage ratio rose due to an increase in the value of the investments of the pension funds. No recovery payments are expected in the first half of 2014 based on the coverage ratios at the end of Q3 and Q4 2013. Given that the coverage ratio at the end of Q2 2013 was below the minimum requirement of approximately 105%, a recovery payment of EUR 18m was made in Q4 2013.

Net debt to EBITDA

Net debt including discontinued operations at the end of Q4 2013 of EUR 9.8bn increased slightly compared to Q3 2013 (EUR 9.6bn). Combined with a lower 12 months rolling EBITDA[3] including discontinued operations, this resulted in a net debt to EBITDA ratio of 2.4x by the end of Q4 2013 (Q3 2013: 2.4x).

On a pro forma basis, including the expected net cash proceeds of the sale of E-Plus and expected consolidation impact of Reggefiber, net debt at the end of Q4 2013 was EUR 5.8bn (Q3 2013: EUR 5.7bn). If the EBITDA is also pro forma adjusted, to exclude the last 12-months E-Plus EBITDA and include the Reggefiber consolidation, the pro forma net debt to EBITDA ratio at the end of Q4 2013 would have been approximately ~1.9x (Q3 2013: ~1.8x).

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. On 6 November 2013, Standard & Poor's affirmed its BBB- rating on KPN and removed KPN from CreditWatch positive following the formal withdrawal of America Movil's intended offer.

[3] KPN defines EBITDA as a 12 months rolling total excluding restructuring costs, incidentals and major changes in the composition of the Group (acquisitions and disposals)

Financial and operating review by segment

Consumer Residential

Underlying revenues and other income at Consumer Residential increased by 2.5% y-on-y in Q4 2013 due to continued growth in triple play revenues driven by Fiber-to-the-Home and IPTV, and the implementation of price increases per 1 July 2013, partly offset by a continued decline of traditional voice services. Underlying EBITDA increased by 16% y-on-y as a result of higher revenues and improved profitability following FTE reductions and customer service quality programs. This resulted in an underlying EBITDA margin of 20.5% (Q4 2012: 18.1%).

Despite competition and the implementation of price increases, KPN's broadband customer base continued to grow (13k net adds in Q4 2013) and market share remained stable at 41%. KPN's market leading IPTV proposition supported continued good IPTV net adds of 80k in Q4 2013, leading to a total TV base of close to 2 million and TV market share of 25%. ARPU per customer increased by 4.9% y-on-y to EUR 43 in Q4 2013 (Q4 2012: EUR 41). Revenue Generating Units per customer increased to 2.19 (Q4 2012: 2.07). Triple play packages continued to increase this quarter, resulting in a triple play customer base of 1,216k and a 44% triple play penetration, 8%-points higher compared to the same period last year. Fiber-to-the-Home activations increased by 23k in Q4 2013 leading to 484k homes activated.

The activations of KPN's quad play proposition 'KPN Compleet' doubled in Q4 2013 and reached a customer base of 173k (Q3 2013: 86k). The boost in number of quad play customers was supported by the introduction of quad play for customers of the Hi brand. KPN will continue to focus on growing multi play customers to increase customer loyalty and reduce churn.

Consumer Residential *(in EUR m)*	**Q4 2013 reported**	**Q4 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**	**FY 2013 reported**	**FY 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	492	480	2.5%	2.5%	1,962	1,852	5.9%	2.1%
EBITDA	100	83	20%	16%	375	367	2.2%	-3.0%

Consumer Mobile

Underlying revenues and other income at Consumer Mobile were down by 13% y-on-y in Q4 2013 driven by lower service revenues and lower hardware sales. Underlying service revenues decreased also by 13% y-on-y. The mobile market in The Netherlands remained competitive with new players arising, mainly in the no frills segment. Service revenues at Consumer Mobile were impacted by the shift to SIM-only, lower above bundle usage and continued pressure on pricing levels. This resulted in a somewhat lower service revenue market share at 43% in Q4 2013 (Q3 2013: 44%). The underlying EBITDA margin in Q4 2013 was significantly lower at 9.9% compared to 33.1% in Q4 2012, mainly due to phasing out of handset lease for the KPN (1 July 2013) and Hi (2 September 2013) brands (~EUR 52m), the impact of lower service revenues (~EUR 36m) and additional subscriber acquisition costs to increase 4G subscriptions and reduce churn (~EUR 16m).

In Q4 2013, the retail postpaid net adds were positive at 9k. Growth was supported by an improving performance at the KPN and Hi brands driven by new propositions. Retail postpaid ARPU remained under pressure and decreased to EUR 28 (Q4 2012: EUR 33), due to a competitive market with an increasing share of SIM-only subscriptions. Committed postpaid retail ARPU improved to approximately 77%, up 10%-points y-on-y, supported by unlimited voice and SMS bundles.

KPN targets the full service segment with its KPN and Hi brands, centered around 4G and quad play. In Q4 2013, KPN Compleet (quad play) and KPN Familievoordeel (family discount) were also introduced for Hi brand customers to reduce churn, having been successfully launched for KPN customers earlier in 2013.

The acceleration of the 4G roll-out is on track and reached approximately 80% of the Dutch population at the end of January 2014. KPN expects to have nationwide 4G coverage by the end of Q1 2014, considerably ahead of competition. 4G subscriptions in Consumer Mobile increased significantly in Q4 2013 to 323k, up from 100k at the end of Q3 2013. 4G has been made available on all KPN and Hi propositions as of 2 December 2013. The data usage of 4G customers is between 2.5 and 4 times larger than the usage of 3G customers.

Consumer Mobile *(in EUR m)*	**Q4 2013 reported**	**Q4 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**	**FY 2013 reported**	**FY 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	353	414	-15%	-13%	1,510	1,707	-12%	-10%
EBITDA	33	138	-76%	-74%	410	510	-20%	-17%

Business

Underlying revenues and other income for the Business segment declined by 8.3% y-on-y due to the decline in traditional services, price pressure and continued difficult macro-economic conditions resulting in reduced order intake. Underlying EBITDA decreased by 16% y-on-y in Q4 2013, due to price pressure and a decline in high margin traditional revenues, partly offset by lower personnel costs and good performance of challenger brands Telfort and Yes Telecom. The underlying EBITDA margin in Q4 2013 was 22.8% (Q4 2012: 24.9%). Market positions remained stable in a difficult macro-economic environment and a competitive market.

Wireless service revenues (-7.3% y-on-y) remained under pressure and ARPU decreased to EUR 45 in Q4 2013 (Q3 2013: EUR 46). KPN's wireless customer base increased to 1,674k (Q3 2013: 1,652k). Traditional wireline services showed a continued decline in both access lines (Q4 2013: 994k, Q3 2013: 1,027k) and traffic volumes while the ARPU remained stable.

KPN focuses on increasing committed revenues through integrated fixed, mobile and ICT services (KPN ONE), flat fees for fixed and mobile services and attractive 4G propositions. In the Business segment the 4G customer base increased significantly from 98k at the end of Q3 2013 to 220k at the end of Q4 2013.

Business *(in EUR m)*	**Q4 2013 reported**	**Q4 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**	**FY 2013 reported**	**FY 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	663	748	-11%	-8.3%	2,716	2,956	-8.1%	-7.7%
EBITDA	138	166	-17%	-16%	676	747	-9.5%	-13%

NetCo

Underlying revenues and other income at NetCo declined by 9.0% in Q4 2013 driven mainly by fixed termination access regulation impacting wholesale traffic revenues. Underlying EBITDA decreased by 3.6% y-on-y as a result of a decline in high margin traditional services and higher Fiber-to-the-Home access costs partly offset by lower personnel costs. The underlying EBITDA margin increased to 56.0% in Q4 2013 (Q4 2012: 52.8%).

Fiber-to-the-Home roll-out continued and 88k homes passed were added in Q4 2013, resulting in a total of 1,635k homes passed at the end of Q4 2013 (Q4 2012: 1,246k), which is approximately 25% of all Dutch broadband households.

NetCo (in EUR m)	Q4 2013 reported	Q4 2012 reported	Δ y-on-y reported	Δ y-on-y underlying	FY 2013 reported	FY 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
Revenues and other income	570	701	*-19%*	*-9.0%*	2,343	2,621	*-11%*	*-7.0%*
EBITDA	313	378	*-17%*	*-3.6%*	1,297	1,461	*-11%*	*-6.9%*

IT Solutions

Underlying revenues and other income at IT Solutions decreased by 13% y-on-y in Q4 2013, as a result of continued price pressure due to overcapacity in the market and postponement of (large) IT investments by clients. Underlying EBITDA decreased by 19% y-on-y, mainly as a result of lower revenues and lower margins in new and renewed contracts, partly offset by lower personnel costs. Consequently, the underlying EBITDA margin declined slightly to 13.6% (Q4 2012: 14.8%).

IT Solutions (in EUR m)	Q4 2013 reported	Q4 2012 reported	Δ y-on-y reported	Δ y-on-y underlying	FY 2013 reported	FY 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
Revenues and other income	154	170	-9.4%	-13%	621	862	-28%	-9.5%
EBITDA	1	18	-94%	-19%	30	69	-57%	3.1%

iBasis

Underlying revenues and other income at iBasis decreased by 9.0% y-on-y, due to lower traffic volume, continued price pressure and an unfavorable currency effect (1.9%). The underlying EBITDA margin remained relatively stable at 2.6% as the effect of lower revenues was partially offset by a continued focus on costs.

iBasis (in EUR m)	Q4 2013 reported	Q4 2012 reported	Δ y-on-y reported	Δ y-on-y underlying	FY 2013 reported	FY 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
Revenues and other income	232	255	-9.0%	-9.0%	969	1,035	-6.4%	-6.4%
EBITDA	6	7	-14%	-14%	29	30	-3.3%	-3.3%

Germany (discontinued operation[4])

On 23 July 2013, KPN announced the sale of E-Plus to Telefónica Deutschland. For further information on this transaction and the impact on KPN's financial information please see note [1] in the interim financial statements. E-Plus continues to be included in KPN's segment reporting until the sale is completed.

Underlying revenues and other income in Germany increased by 4.5% y-on-y in Q4 2013. Underlying service revenues increased by 0.5% y-on-y as the strong postpaid performance was only partly offset by the negative impact of declining SMS and voice usage in the prepaid segment. Handset sales continued to increase, supporting the uptake of data propositions. Underlying EBITDA increased by 8.0% y-on-y, despite an increase of growth-related investments. These investments in customer acquisition, marketing costs and handsets supported growth in postpaid net adds and data revenues. The underlying EBITDA margin was 32.3% in Q4 2013 (Q4 2012: 31.3%). E-Plus' market share in Q4 2013 is estimated to have slightly increased compared to Q3 2013 to ~16% in a competitive environment.

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

Germany showed strong progress on all strategic pillars and reached inflection in underlying service revenues at an underlying EBITDA margin of 32.3% in Q4 2013. The focus on postpaid and data resulted in continued strong postpaid net adds of 254k in Q4 2013, which was the 6th consecutive quarter with more than 200k postpaid net adds. Prepaid net adds amounted to 249k in Q4 2013 (adjusted for a clean-up of 360k). Postpaid ARPU in Q4 2013 was still influenced by market dynamics, at EUR 20 (Q4 2012: EUR 21). Prepaid ARPU was stable at EUR 5 compared to Q3 2013 (Q4 2012: EUR 6). The strong improvements to E-Plus' data network quality have been confirmed by leading network tests in Germany (CHIP, Connect, Computerbild), with strong improvements in data speed and coverage recognized.

Germany (*incl. discontinued operations*) *(in EUR m)*	**Q4 2013 reported**	**Q4 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**	**FY 2013 reported**	**FY 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	835	929	-10%	4.5%	3,197	3,404	-6.1%	0.8%
EBITDA	264	329	-20%	8.0%	963	1,290	-25%	-21%

Belgium

Underlying revenues and other income in Belgium decreased by 7.2% y-on-y in Q4 2013. Underlying service revenues decreased by 9.7% y-on-y due to continued price pressure caused by a competitive mobile market. Underlying EBITDA declined by 23% y-on-y due to lower revenues resulting in an underlying EBITDA margin of 24.3% (Q4 2012: 29.2%).

The new mobile propositions introduced in April 2013 continue to deliver strong operational results (mainly on postpaid), despite a continued competitive environment. This resulted in 36k postpaid net adds in Q4 2013 (Q4 2012: 7k). Prepaid net adds of 16k in Q4 2013 were lower compared to Q4 2012 (41k adjusted for a clean-up of 334k). Postpaid ARPU was lower y-on-y at EUR 33 (Q4 2012: EUR 40) due to price pressure from increased competition and the impact of regulation. Prepaid ARPU remained stable at EUR 9 compared to Q3 2013 but decreased y-on-y (Q4 2012: EUR 10).

The significant investments in the network infrastructure resulted in a number one position in voice quality and 3G data quality in an independent network test. Moreover, BASE Company commercially launched its 4G network on 1 October 2013 on the 1800MHz frequency, and is now covering 203 cities, towns and villages. Furthermore, an 800MHz 4G license was purchased in November and 36% of the outdoor population was covered by 4G at the end of 2013. BASE Company aims to have nationwide 4G coverage by the end of 2014.

Belgium *(in EUR m)*	**Q4 2013 reported**	**Q4 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**	**FY 2013 reported**	**FY 2012 reported**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Revenues and other income	181	205	-12%	-7.2%	728	804	-9.5%	-4.1%
EBITDA	50	64	-22%	-23%	192	272	-29%	-23%

Analysis of underlying results Q4 2013

The following table shows the key items between reporting and underlying revenues. E-Plus continues to be included in KPN's segment reporting until the sale is completed[5].

Revenues and other income *(in EUR m)*	Q4 2013 reported	M&A	Incidentals	Q4 2013 underlying	Q4 2012 reported	Regulation*	M&A	Incidentals	Q4 2012 underlying	Δ y-on-y reported	Δ y-on-y underlying
Germany (incl. discontinued operations)	835			835	929	-27		103	799	-10%	4.5%
Belgium	181			181	205	-10			195	-12%	-7.2%
Rest of World	-			-	74				74	-100%	-100%
Other	10			10	-12			36	-48	n.m.	n.m.
Mobile International	**1,026**	**-**	**-**	**1,026**	**1,196**	**-37**	**-**	**139**	**1,020**	**-14%**	**0.6%**
Consumer Mobile	353			353	414	-6			408	-15%	-13%
Consumer Residential	492			492	480				480	2.5%	2.5%
Business	663			663	748	-4	21		723	-11%	-8.3%
NetCo	570		-7	577	701	-2		65	634	-19%	-9.0%
Other	-514			-514	-549				-549	6.4%	6.4%
Dutch Telco	**1,564**	**-**	**-7**	**1,571**	**1,794**	**-12**	**21**	**65**	**1,696**	**-13%**	**-7.4%**
IT Solutions	154			154	170			-6	176	-9.4%	-13%
Other	-71			-71	-89				-89	20%	20%
The Netherlands	**1,647**	**-**	**-7**	**1,654**	**1,875**	**-12**	**21**	**59**	**1,783**	**-12%**	**-7.2%**
iBasis	232			232	255				255	-9.0%	-9.0%
Other activities	17			17	20				20	-15%	-15%
Intercompany revenues	-53			-53	-72				-72	26%	26%
KPN Group	**2,869**	**-**	**-7**	**2,876**	**3,274**	**-49**	**21**	**198**	**3,006**	**-12%**	**-4.3%**
Of which discontinued operations	*808*	-	-	*808*	*891*	*-27*	-	*103*	*761*	*-9.3%*	*6.2%*
KPN continuing operations	**2,061**	**-**	**-7**	**2,068**	**2,383**	**-22**	**21**	**95**	**2,245**	**-14%**	**-7.9%**

* 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.

Revenue incidentals *(in EUR m)*	**Segment**	**Q4 2013**	**Q4 2012**
Booking of provision	NetCo	-7	-
Booking of provision	IT Solutions	-	-6
Book gain on tower sales	Germany	-	103
Book gain on tower sales	NetCo	-	65
Book gain on sale KPN Spain	Other	-	36

[5] Reference is made to note [1] of the Q4 2013 interim financial statements for further information on the sale of E-Plus and the impact on KPN's financial information

Press release
4 February 2014

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

EBITDA *(in EUR m)*	**Q4 2013 reported**	**M&A**	**Incidentals**	**Restruct-uring**	**Q4 2013 underlying**	**Q4 2012 reported**	**Regulation***	**M&A**	**Incidentals**	**Restruct -uring**	**Q4 2012 underlying**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Germany (incl. discontinued operations)	264			-6	270	329	-15		103	-39	250	-20%	8.0%
Belgium	50		6		44	64	-7				57	-22%	-23%
Rest of World	-				-	-13				-2	-11	-100%	-100%
Other	10		12		-2	-1			-2		1	n.m.	n.m.
Mobile International	**324**	**-**	**18**	**-6**	**312**	**379**	**-22**	**-**	**101**	**-41**	**297**	**-15%**	**5.1%**
Consumer Mobile	33			-2	35	138	-3				135	-76%	-74%
Consumer Residential	100			-1	101	83				-4	87	20%	16%
Business	138		-10	-3	151	166	-3	5	-4	-18	180	-17%	-16%
NetCo	313		-7	-3	323	378			65	-22	335	-17%	-3.6%
Other	-3				-3	-1					-1	>100%	>100%
Dutch Telco	**581**	**-**	**-17**	**-9**	**607**	**764**	**-6**	**5**	**61**	**-44**	**736**	**-24%**	**-18%**
IT Solutions	1			-20	21	18			-6	-2	26	-94%	-19%
Other	-1				-1	-					-	n.m.	n.m.
The Netherlands	**581**	**-**	**-17**	**-29**	**627**	**782**	**-6**	**5**	**55**	**-46**	**762**	**-26%**	**-18%**
iBasis	6				6	7					7	-14%	-14%
Other activities	-68		-77	-4	13	-19				-3	-16	>100%	n.m.
KPN Group	**843**	**-**	**-76**	**-39**	**958**	**1,149**	**-28**	**5**	**156**	**-90**	**1,050**	**-27%**	**-8.8%**
Of which discontinued operations	*262*	*-*	*-*	*-6*	*268*	*329*	*-15*	*-*	*103*	*-39*	*250*	*-20%*	*7.2%*
KPN Group continuing operations	**581**	**-**	**-76**	**-33**	**690**	**820**	**-13**	**5**	**53**	**-51**	**800**	**-29%**	**-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**	**Q4 2013**	**Q4 2012**
Booking of provision	NetCo	-7	-
Book gain on tower sales	Germany	-	103
Book gain on tower sales	NetCo	-	65
Book gain (loss) on sale KPN Spain and Ortel Spain and Switzerland	Other	-	25
Booking of provision	Other	-77	-27
Booking of provision	Business	-10	-4
Booking of provision	IT Solutions	-	-6
Release of provision	Other	12	-
Release of asset retirement obligation	Belgium	6	

Analysis of underlying results full year 2013

The following table shows the key items between reporting and underlying revenues. E-Plus continues to be included in KPN's segment reporting until the sale is completed[6].

Revenues and other income *(in EUR m)*	**FY 2013 reported**	**M&A**	**Incidentals**	**FY 2013 underlying**	**FY 2012 reported**	**Regulation***	**M&A**	**Incidentals**	**FY 2012 underlying**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Germany (incl. discontinued operations)	3,197		29	3,168	3,404	-142		119	3,143	-6.1%	0.8%
Belgium	728			728	804	-45			759	-9.5%	-4.1%
Rest of World	-			-	247				247	-100%	-100%
Other	41			41	-84			36	-120	n.m.	n.m.
Mobile International	**3,966**	**-**	**29**	**3,937**	**4,371**	**-187**	**-**	**155**	**4,029**	**-9.3%**	**-2.3%**
Consumer Mobile	1,510		7	1,503	1,707	-23		7	1,677	-12%	-10%
Consumer Residential	1,962	59	13	1,890	1,852				1,852	5.9%	2.1%
Business	2,716	34	23	2,659	2,956	-20	55		2,881	-8.1%	-7.7%
NetCo	2,343	14	-13	2,342	2,621	-6		96	2,519	-11%	-7.0%
Other	-2,086			-2,086	-2,133				-2,133	-2.2%	-2.2%
Dutch Telco	**6,445**	**107**	**30**	**6,308**	**7,003**	**-49**	**55**	**103**	**6,796**	**-8.0%**	**-7.2%**
IT Solutions	621			621	862		174	2	686	-28%	-9.5%
Other	-264			-264	-333				-333	21%	21%
The Netherlands	**6,802**	**107**	**30**	**6,665**	**7,532**	**-49**	**229**	**105**	**7,149**	**-9.7%**	**-6.8%**
iBasis	969			969	1,035				1,035	-6.4%	-6.4%
Other activities	78			78	76				76	2.6%	2.6%
Intercompany revenues	-247			-247	-306				-306	-19%	-19%
KPN Group	**11,568**	**107**	**59**	**11,402**	**12,708**	**-236**	**229**	**260**	**11,983**	**-9.0%**	**-4.8%**
Of which discontinued operations	*3,096*	-	*29*	*3,067*	3,250	-142	-	119	2,989	*-4.7%*	*2.6%*
KPN continuing operations	**8,472**	**107**	**30**	**8,335**	**9,458**	**-94**	**229**	**141**	**8,994**	**-10%**	**-7.3%**

* 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.

Revenue incidentals[7] *(in EUR m)*	**Segment**	**FY 2013**	**FY 2012**
Change in provisions	NetCo, IT Solutions	-13	-6
Adjustment deferred revenue	Germany, Consumer Mobile, Residential	49	7
Book gain on tower sales	Germany, NetCo	-	199
Impact disposal of subsidiaries	Germany, Business, IT Solutions, Other	23	60

[6] Reference is made to note [1] of the Q4 2013 interim financial statements for further information on the sale of E-Plus and the impact on KPN's financial information
[7] Reference is made to the Q4 2013 factsheets for a detailed overview of the full year revenue incidentals

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

EBITDA *(in EUR m)*	**FY 2013 reported**	**M&A**	**Incidentals**	**Restruct-uring**	**FY 2013 underlying**	**FY 2012 reported**	**Regulation***	**M&A**	**Incidentals**	**Restruct -uring**	**FY 2012 underlying**	**Δ y-on-y reported**	**Δ y-on-y underlying**
Germany (incl. discontinued operations)	963		66		897	1,290	-79		119	-39	1,131	-25%	-21%
Belgium	192		6		186	272	-29				243	-29%	-23%
Rest of World	-				-	-25				-2	-23	-100%	-100%
Other	4		12		-8	-1			-2		1	n.m.	n.m.
Mobile International	**1,159**	**-**	**84**	**-**	**1,075**	**1,536**	**-108**	**-**	**117**	**-41**	**1,352**	**-25%**	**-20%**
Consumer Mobile	410		7	-7	410	510	-10		7	-2	495	-20%	-17%
Consumer Residential	375	-3	13	-17	382	367				-27	394	2.2%	-3.0%
Business	676	11	13	-10	662	747	-14	11	-9	-30	761	-9.5%	-13%
NetCo	1,297	1	9	-10	1,297	1,461			110	-42	1,393	-11%	-6.9%
Other	-32			-32	-	-19				-3	-16	68%	100%
Dutch Telco	**2,726**	**9**	**42**	**-76**	**2,751**	**3,066**	**-24**	**11**	**108**	**-104**	**3,027**	**-11%**	**-9.1%**
IT Solutions	30			-37	67	69		2	12	-10	65	-57%	3.1%
Other	-1				-1	-					-	n.m.	n.m.
The Netherlands	**2,755**	**9**	**42**	**-113**	**2,817**	**3,135**	**-24**	**13**	**120**	**-114**	**3,092**	**-12%**	**-8.9%**
iBasis	29				29	30					30	-3.3%	-3.3%
Other activities	-101		-77	-9	-15	-63				-18	-45	60%	-67%
KPN Group	**3,842**	**9**	**49**	**-122**	**3,906**	**4,638**	**-132**	**13**	**237**	**-173**	**4,429**	**-17%**	**-12%**
Of which discontinued operations	*959*	-	*66*		*893*	1,292	-79	-	119	-39	*1,133*	*-26%*	*-21%*
KPN Group continuing operations	**2,883**	**9**	**-17**	**-122**	**3,013**	**3,346**	**-53**	**13**	**118**	**-134**	**3,296**	**-14%**	**-8.6%**

* 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[8] *(in EUR m)*	**Segment**	**FY 2013**	**FY 2012**
Change in provisions	NetCo, Business, IT Solutions, Other	-78	-27
Adjustment deferred revenue	Germany, Consumer Mobile, Residential	49	7
Book gain on tower sales	Germany, NetCo	-	199
Impact disposal of subsidiaries	Germany, Business, IT Solutions, Other	23	49
Release of accruals	NetCo	7	-
Release of asset retirement obligations	Germany, Belgium, NetCo	48	9

[8] Reference is made to the Q4 2013 factsheets for a detailed overview of the Full Year EBITDA incidentals

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 fourth quarter of 2013, taking into account the following main adjustments:

- Risks connected to the sale of E-Plus have been added to KPN's principal risks (i.e. the sale would not be closed or finalized). Reference is made to note [1].

- The risk of "Low equity" has decreased in 2013 as KPN has significantly strengthened its capital structure during 2013 through the issuance of equity and hybrid bonds.

On 27 February 2014, KPN will publish its 2013 Annual Report with a complete and detailed update of KPN's principal risks.

With respect to regulatory risk, reference is made to note [14] regulatory developments, with regard to related parties reference is made to note [13] related parties and with regard to discontinued operations reference is made to note [1].

Condensed Consolidated Interim Financial Statements for the year ended 31 December 2013

Unaudited Consolidated Statement of Income

(in EUR m, unless indicated otherwise)	For the three months ended 31 December (restated IAS19R & E-Plus) 2013	2012	For the year ended 31 December (restated IAS19R & E-Plus) 2013	2012
Revenues	2,059	2,278	8,443	9,308
Other income	2	105	29	150
Revenues and other income [2]	**2,061**	**2,383**	**8,472**	**9,458**
Own work capitalized	-20	-20	-78	-74
Cost of materials	186	151	574	723
Work contracted out and other expenses	797	823	3,187	3,285
Employee benefits	301	375	1,297	1,531
Depreciation, amortization and impairments	483	769	1,857	1,960
Other operating expenses	216	234	609	647
Total operating expenses	**1,963**	**2,332**	**7,446**	**8,072**
Operating profit [3]	**98**	**51**	**1,026**	**1,386**
Finance income	13	21	29	38
Finance costs	-194	-187	-754	-744
Other financial results	-62	-109	-32	-151
Finance income and expenses [4]	**-243**	**-275**	**-757**	**-857**
Share of the profit of associates and joint ventures	-	5	-7	-11
Profit before income tax	**-145**	**-219**	**262**	**518**
Income taxes [5]	37	-44	31	-204
Profit (loss) for the period from continuing operations	**-108**	**-263**	**293**	**314**
Profit (loss) for the period from discontinued operations [1,7]	**-114**	**121**	**-508**	**451**
Profit for the period	**-222**	**-142**	**-215**	**765**
Profit attributable to non-controlling interest	2	2	7	2
Profit attributable to equity holders	-224	-144	-222	763
Earnings per ordinary share from continuing operations on non-diluted basis (in EUR)*	**-0.04**	**-0.11**	**0.07**	**0.14**
Earnings per ordinary share from continuing operations on fully diluted basis (in EUR)*	-0.04	-0.12	0.07	0.13
Earnings per ordinary share from discontinued operations on non-diluted basis (in EUR)*	**-0.06**	**-0.06**	**-0.07**	**0.33**
Earnings per ordinary share from discontinued operations on fully diluted basis (in EUR)*	-0.06	-0.07	-0.07	0.32
Total earnings per ordinary share on non-diluted basis (in EUR)*	**-0.06**	**-0.06**	**-0.07**	**0.33**
Total earnings per ordinary share on fully diluted basis (in EUR)*	-0.06	-0.07	-0.07	0.32
Weighted average number of ordinary shares on a non-diluted basis*			3,536,302,578	2,348,443,311
Weighted average number of ordinary shares on a fully diluted basis*			3,540,392,783	2,350,579,468

* 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 31 December 2013	For the three months ended 31 December 2012 (restated IAS19R)	For the year ended 31 December 2013	For the year ended 31 December 2012 (restated IAS19R)
Profit for the period	**-222**	**-142**	**-215**	**765**
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	94	-75	383	-672
Income tax	-9	16	-62	130
	85	-59	321	-542
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	-69	-111	-208	-319
Income tax	18	27	53	78
	-51	-84	-155	-241
Currency translation adjustments:				
Gains or (losses) arising during the period	-2	1	-1	3
Income tax	-	-	-	-
	-2	1	-1	3
Fair value adjustment available for sale financial assets:				
Unrealized gains or (losses) arising during the period	1	-1	8	3
Realized gains through the income statement	-	-	-8	-
	1	-1	-	3
Other comprehensive income for the period, net of tax	**33**	**-143**	**165**	**-777**
Total comprehensive income for the year, net of tax	**-189**	**-285**	**-50**	**-12**
Total comprehensive income attributable to:				
Equity holders	-191	-287	-57	-14
Non-controlling interest	2	2	7	2

Unaudited Consolidated Statement of Financial Position

	As at	
ASSETS	**31 December 2013**	**31 December 2012**
(in EUR m)		**(restated IAS19R)**
NON-CURRENT ASSETS		
Goodwill	1,169	5,157
Licenses	1,729	2,191
Software	610	838
Other intangibles	135	272
Total intangible assets	**3,643**	**8,458**
Land and buildings	596	671
Plant and equipment	4,274	6,573
Other tangible non-current assets	80	94
Assets under construction	390	557
Total property, plant and equipment	**5,340**	**7,895**
Investments in associates and joint ventures	320	326
Loans to associates and joint ventures	453	227
Available-for-sale financial assets	20	35
Derivative financial instruments	117	233
Deferred income tax assets	1,167	1,847
Other financial non-current assets	122	154
Total non-current assets	**11,182**	**19,175**
CURRENT ASSETS		
Inventories	60	111
Trade and other receivables	1,214	1,696
Income tax receivables	1	5
Cash and cash equivalents [6]	3,946	1,286
Total current assets	**5,221**	**3,098**
Non-current assets and disposal groups classified as held for sale [1,7]	**9,469**	**28**
TOTAL ASSETS	**25,872**	**22,301**

EQUITY AND LIABILITIES *(in EUR m)*	As at 31 December 2013	 31 December 2012 (restated IAS19R)
GROUP EQUITY		
Share capital	1,025	344
Share premium	8,993	6,717
Other reserves	-517	-361
Perpetual capital securities [9]	1,089	-
Retained earnings	-5,340	-5,417
Equity attributable to equity holders	**5,250**	**1,283**
Non-controlling interest	53	51
Total group equity [8]	**5,303**	**1,334**
NON-CURRENT LIABILITIES		
Borrowings [9]	11,656	12,369
Derivative financial instruments	753	458
Deferred income tax liabilities	9	211
Provisions for retirement benefit obligations	1,019	1,557
Provisions for other liabilities and charges	163	387
Other payables and deferred income	77	122
Total non-current liabilities	**13,677**	**15,104**
CURRENT LIABILITIES		
Trade and other payables	2,927	3,858
Borrowings [9]	2,008	1,527
Derivative financial instruments	10	16
Income tax payables	289	270
Provision for other liabilities and charges	120	186
Total current liabilities	**5,354**	**5,857**
Liabilities directly associated with non-current assets and disposal groups classified as held for sale [1,7]	**1,538**	**6**
TOTAL EQUITY AND LIABILITIES	**25,872**	**22,301**

Unaudited Consolidated Statement of Cash Flows

(in EUR m)	For the year ended 31 December 2013	31 December 2012 (restated IAS19R & E-Plus)
Profit before income tax	**262**	**518**
Adjustments for:		
- Net finance costs	757	857
- Share-based compensation	4	-1
- Share of the profit of associated and joint ventures	7	11
- Depreciation, amortization and impairments	1,857	1,960
- Other income	-26	-135
- Changes in provisions (excl. deferred taxes)	-191	-255
Changes in working capital relating to:		
- Inventories	13	11
- Trade receivables	150	-34
- Prepayments and accrued income	95	37
- Other current assets	21	-6
- Trade payables	128	-109
- Accruals and deferred income	-189	47
- Current liabilities (excl. short-term financing)	-56	-47
Change in working capital	162	-101
Dividends received	1	19
Taxes paid / received	-253	-469
Interest paid	-654	-644
Net cash flow from operating activities from continuing operations	**1,926**	**1,760**
Net cash flow from operating activities from discontinued operations	***927***	***1,247***
Net cash flow from operating activities	**2,853**	**3,007**
Acquisition of subsidiaries, associates and joint ventures (net of acquired cash)	-5	-307
Disposal of subsidiaries, associates and joint ventures	49	27
Investments in intangible assets (excl. software)	-1,500	-30
Investments in property, plant & equipment	-1,312	-1,259
Investments in software	-304	-316
Disposal in property, plant & equipment	13	9
Disposals of real estate	3	117
Other changes and disposals	-272	-85
Net cash flow used in investing activities from continuing operations	**-3,328**	**-1,844**
Net cash flow used in investing activities from discontinued operations	***-660***	***-289***
Net cash flow used in investing activities	**-3,988**	**-2,133**
Rights issue [8]	2,939	-
Issuance Preference Shares B	256	-
Dividends paid	-6	-979
Paid coupon perpetual hybrid bonds	-34	-
Exercised options	-	2
Issuance of perpetual hybrid bonds [9]	1,085	-
Proceeds from borrowings [9]	915	1,640
Repayments from borrowings and settlement of derivatives	-1,142	-1,494
Other changes in interest-bearing current liabilities	-33	-12
Net cash flow used in financing activities from continuing operations	**3,980**	**-843**
Net cash flow used in financing activities from discontinued operations	***-172***	***-33***
Net cash flow used in financing activities	**3,808**	**-876**

(in EUR m)	For the year ended 31 December 2013	31 December 2012 (restated IAS19R & E-Plus)
Continued from previous page		
Total net cash flow from continuing operations	***2,578***	***-927***
Total net cash flow from discontinued operations	***95***	***925***
Total net cash flow (changes in cash and cash equivalents)	**2,673**	**-2**
Net cash and cash equivalents at beginning of period	**947**	**950**
Exchange rate difference	-	-1
Changes in cash and cash equivalents	2,673	-2
Net cash and cash equivalents at end of period	**3,620**	**947**
Bank overdrafts	326	343
Cash classified as held for sale	-	-4
Cash and cash equivalents at end of period [6]	**3,946**	**1,286**

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 attributable to owners of the parent	Non controlling interests	Total Group equity
Balance at 1 January 2012	**1,431,522,482**	**344**	**6,717**	**-**	**-127**	**-4,661**	**2,273**	**-**	**2,273**
Share based compensation	-	-	-	-	-	2	2	-	2
Exercise of options	-	-	-	-	1	-	1	-	1
Dividends paid [10]	-	-	-	-	-	-979	-979		-979
Acquisitions	-	-	-	-	-	-	-	49	49
Comprehensive income for the period	-	-	-	-	-235	221	-14	2	-12
Balance at 31 December 2012	**1,431,522,482**	**344**	**6,717**	**-**	**-361**	**-5,417**	**1,283**	**51**	**1,334**
Balance at January 2013	**1,431,522,482**	**344**	**6,717**	**-**	**-361**	**-5,417**	**1,283**	**51**	**1,334**
Rights issue [8]	2,838,732,182	681	2,276	-	-	-	2,957	-	2,957
Issuance of perpetual hybrid bond [9]	-	-	-	1,089	-	-	1,089	-	1,089
Share based compensation	-	-	-	-	-	3	3	-	3
Dividend perpetual hybrid bond (net of tax)	-	-	-	-	-	-25	-25	-	-25
Other dividends paid	-	-	-	-	-	-	-	-5	-5
Comprehensive income for the period	-	-	-	-	-156	99	-57	7	-50
Balance at 31 December 2013	**4,270,254,664**	**1,025**	**8,993**	**1,089**	**-517**	**-5,340**	**5,250**	**53**	**5,303**

* Subscribed ordinary shares (including treasury shares). Preference shares B classify as current liabilities, refer to note [9]

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 (discontinued operation) and BASE Company, respectively. 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 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. On 27 February 2014, KPN will publish its 2013 Annual Report with a complete and detailed update of KPN's principal 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. As of 1 April 2013, KPN changed the assumptions used for determining asset retirement obligations for mobile sites, based on historical information.

Assumptions applied in determining the fair value of the non-current assets and disposal groups classified as held for sale (E-Plus) are discussed in note [1].

Change in accounting policies

In June 2011, IAS 19 'Employee benefits' was amended (IAS 19R) and became effective as of 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**	**1 January 2012**
Equity attributable to equity holders as previously reported	**2,410**	**2,930**
IAS 19R impact (net of deferred tax)	-1,127	-657
Adjusted equity attributable to equity holders	**1,283**	**2,273**

The movement in IAS 19R impact on equity attributable to equity holders in 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	-91	-	-91
Adjustment expected return plan assets	16	-	16
Higher tax expense	-	3	3
Actuarial losses	672	-130	542
Balance as at 31 December 2012	**1,380**	**-253**	**1,127**

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

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

(in EUR m)	**As reported (after restatement discontinued operations)**	**IAS 19R impact**	**Adjusted**
Employee benefits	1,641	-110	1,531
Total operating expenses	8,182	-110	8,072
Operating profit	1,276	110	1,386
Finance income and expense	-822	-35	-857
Profit before income tax	**443**	**75**	**518**
Income taxes	-201	-3	-204
Profit for the period from continuing operations	**242**	**72**	**314**
Profit for the period from discontinued operations	451	-	451
Profit for the period	**693**	**72**	**765**

The impact of IAS 19R on Total Comprehensive Income in 2012 is a decrease of EUR 470m (consisting of net actuarial losses of EUR 542m and profit for the period of EUR 72m).

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.

In March 2013, the IS&P division of KPN's Business Segment has been sold.

With the exception of some small operations in Germany, the operations of E-Plus have been classified as disposal group held for sale from 23 July 2013 onwards following KPN's public announcement to have entered into a transaction to sell and transfer 100% of its interest in E-Plus to Telefónica Deutschland. For further details on these restatements refer to note [1].

[1] Disposal group held for sale

On 23 July 2013, KPN announced to have entered into a transaction to sell and transfer 100% of its interest in E-Plus to Telefónica Deutschland. On 2 October 2013, the shareholders of KPN approved the transaction. The transaction remains mainly subject to regulatory approval.

The initially agreed consideration on a cash and debt free basis consisted of EUR 3.7bn in cash and newly issued shares in Telefónica Deutschland representing 24.9% of the share capital in the combination of E-Plus and Telefónica Deutschland ('the combined entity'). Simultaneously with the transfer of E-Plus to Telefónica Deutschland by KPN, Telefónica would acquire a 7.3% interest in Telefónica Deutschland from KPN for a cash consideration of EUR 1.3bn. Therefore, on deal close, KPN would receive EUR 5.0bn in cash and a net stake of 17.6% in the combined entity, in total representing an implied transaction value of EUR 8.1bn.

On 26 August 2013, improved terms of the transaction were agreed upon. The stake KPN will retain in the combined entity after completion increased from 17.6% to 20.5%. In addition, KPN will receive a total cash consideration of EUR 5.0bn as originally agreed. Furthermore, KPN provides a call option to Telefónica to acquire a 2.9% stake in Telefónica Deutschland from KPN, exercisable one year after transfer of E-Plus, either partial or in full. The exercise price for the 2.9% stake amounts to EUR 510m, plus interest at 2.27% from the time of completion of the sale of E-Plus and reduced by any dividend payments on the 2.9% stake. Based on these improved terms, the total implied transaction value for E-Plus is EUR 8.55bn.

E-Plus is classified as ‘disposal group held for sale’ as of 23 July 2013, some small operations in Germany will not be sold and remain reported in continuing operations. Upon classification as ‘disposal group held for sale’ an impairment of EUR 529m was recorded (as ‘profit for the period from discontinued operations’) due to the fair value less costs to sell of the disposal group being lower than its carrying value. In Q4 2013, an additional impairment of EUR 26m was recorded in connection herewith. Furthermore, upon classification as ‘disposal group held for sale’ an impairment of deferred tax assets for tax losses carry forward of EUR 747m was recorded (as ‘profit for the period from discontinued operations’) resulting from changes in expectations of future taxable income in the German legal entities remaining within KPN Group upon classification of E-Plus as ‘disposal group held for sale’.

As mentioned in KPN’s annual reports from 2004 onwards and the tax papers regarding KPN’s Dutch tax position issued on 27 January 2005 and 6 February 2007, the German partnership structure of E-Plus is transparent for Dutch tax purposes and, as a consequence, KPN Mobile is deemed to carry on business in Germany through a permanent establishment. In accordance with KPN's horizontal monitoring convenant *(‘Handhavingsconvenant’)* with the Dutch tax authorities, KPN discussed the tax consequences of the envisaged sale of E-Plus with the Dutch tax authorities. After the agreement in principle (September 2013) KPN and the Dutch tax authorities reached a final agreement in December 2013 on the Dutch tax consequences of the tax book loss which is expected to be recognized as a result of the sale of E-Plus to Telefónica Deutschland. This book loss amounts to approximately EUR 3.7bn and is expected to offset KPN’s taxable income in The Netherlands in the coming years, starting in 2014. Dividends received and/or capital gains (up to amount of loss deducted) realized on KPN’s 20.5% shareholding in Telefónica Deutschland will be subject to Dutch corporate income tax. Following this agreement, KPN recognized a deferred tax asset of EUR 932m in The Netherlands per 31 December 2013. Due to its close relationship with the expected sale of E-Plus this tax benefit is reported as ‘profit for the period from discontinued operations’.

Until completion of the sale, the fair value of the E-Plus disposal group will be re-measured on a quarterly basis. The result from discontinued operations depends on the changes in the fair value of the 20.5% stake in the combined entity and of the call option, and changes in the book value of E-Plus until the completion of the sale.

All assets and liabilities of E-Plus have been presented separately on KPN’s statement of financial position as of 23 July 2013 as ‘non-current assets of disposal groups classified as held for sale’ and ‘liabilities directly associated with non-current assets and disposal group held for sale’. These assets and liabilities will continue to be accounted for in accordance with the relevant IFRS standards as before except that non-current assets are no longer amortized or depreciated following guidance of IFRS 5.

Given the significance of E-Plus to KPN Group, IFRS also classifies E-Plus as a ‘discontinued operation’. As of Q3 2013, E-Plus is presented as discontinued operation in the Consolidated Income Statement and Cash Flow Statement. Comparative financial information has been restated in accordance with relevant IFRS standards. Results from E-Plus are reported as ‘profit for the period from discontinued operations’ and cash flows as ‘cash flows from discontinued operations’. Since the internal reporting of E-Plus as operating segment to KPN’s Chief Operating Decision Maker remains unchanged, E-Plus is still included in KPN’s segment reporting.

On 29 August 2013, the Foundation Preference Shares B KPN exercised its call option and obtained an interest in KPN’s issued share capital equal to 50% minus 1 share. This event resulted in a change of control from a German tax perspective and expiration of 50% of the available losses carry forward in Germany. This triggered a permanent partial release of recognized deferred tax assets for tax losses carry forward of EUR 99m in E-Plus in Q3 2013. For further details on the Foundation reference is made to note [9] of these interim financial statements.

The following table summarizes the results of E-Plus included in the consolidated statement of income as ‘profit for the period from discontinued operations’.

(in EUR m)	For the three months ended 31 December 2013	2012	For the twelve months ended 31 December 2013	2012
Revenues and other income	808	892	3,096	3,250
Operating expenses	-545	-786	-2,686	-2,706
Finance income and expenses	-6	-6	-28	-23
Share of result from non-controlling interest	-1	-2	-10	-2
Income taxes	-344	23	-411	-68
Operational result for the period of the disposal group	**-88**	**121**	**-39**	**451**
Impairment disposal group	-26	-	-555	-
Impairment German deferred tax assets	-	-	-747	-
Income tax benefit Dutch fiscal unity	-	-	932	-
Tax effect resulting from the change of control	-	-	-99	-
Total profit (loss) for the period from discontinued operations	**-114**	**121**	**-508**	**451**

The following table presents the assets and liabilities of E-Plus, classified as held for sale.

ASSETS (in EUR m)	As at 31 December 2013
Intangible assets	5,976
Property, plant and equipment	3,132
Other non-current assets	515
Current assets	401
Fair value adjustment of disposal group	-555
Total non-current assets and disposal groups classified as held for sale	**9,469**

EQUITY AND LIABILITIES (in EUR m)	As at 31 December 2013
Non-current liabilities	318
Current liabilities	1,220
Total liabilities directly associated with the non-current assets and disposal groups classified as held for sale	**1,538**

[2] 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 [3] and for other segment information reference is made to note [10] in these Condensed Consolidated Interim Financial Statements.

Revenues and other income *(in EUR m)*	For the year ended 31 December 2013 External revenues	Other income	Inter segment revenues	Total revenues and other income	For the year ended 31 December 2012 External revenues	Other income	Inter segment revenues	Total revenues and other income
Germany (incl. discontinued operations)	3,160	17	20	3,197	3,173	149	82	3,404
Belgium	720	-	8	728	768	-	36	804
Rest of World	-	-1	1	-	214	35	-2	247
Other (incl. eliminations)	50	-	-9	41	-	1	-85	-84
Mobile International	**3,930**	**16**	**20**	**3,966**	**4,155**	**185**	**31**	**4,371**
Consumer Mobile	1,440	-	70	1,510	1,611	-	96	1,707
Consumer Residential	1,839	-	123	1,962	1,730	-	122	1,852
Business	2,559	29	128	2,716	2,799	-	157	2,956
NetCo	482	4	1,857	2,343	582	102	1,937	2,621
Other (incl. eliminations)	3	-	-2,089	-2,086	-	-	-2,133	-2,133
Dutch Telco	**6,323**	**33**	**89**	**6,445**	**6,722**	**102**	**179**	**7,003**
IT Solutions	413	-3	211	621	638	10	214	862
Other (incl. eliminations)	-	-	-264	-264	1	-	-334	-333
The Netherlands	**6,736**	**30**	**36**	**6,802**	**7,361**	**112**	**59**	**7,532**
iBasis	**777**	**-**	**192**	**969**	**820**	**-**	**215**	**1,035**
Other activities	79	-	-1	78	73	2	1	76
Eliminations	-	-	-247	-247	-	-	-306	-306
KPN Group	**11,522**	**46**	**-**	**11,568**	**12,409**	**299**	**-**	**12,708**
Of which discontinued operations	*3,079*	*17*	*-*	*3,096*	*3,101*	*149*	*-*	*3,250*
KPN continuing operations	**8,443**	**29**	**-**	**8,472**	**9,308**	**150**	**-**	**9,458**

KPN Group revenues and other income (incl. discontinued operations) in 2013 were 9.0% or EUR 1,140m lower compared to 2012, mainly due to lower revenues at Consumer Mobile, Business, NetCo and IT Solutions. The negative effect on revenues of the sale of Getronics International (EUR 174m) and Infrastructure Services & Partners ("IS&P") (EUR 55m) was partly offset by the effect of several smaller acquisitions during 2012 (EUR 107m). The negative impact on revenues from regulation was EUR 236m (1.9%) of which EUR 142m related to discontinued operations. The net positive impact of incidentals on revenues and other income in 2013 was EUR 59m, of which EUR 29m related to discontinued operations. The net positive impact of incidentals on revenues and other income in 2012 was EUR 260m of which EUR 119m related to discontinued operations. These incidentals in 2012 included a book gain on the sale of mobile towers in Germany (discontinued operations, EUR 103m) and in The Netherlands (EUR 96m) as well as the result from disposals of the subsidiaries SNT Inkasso (discontinued operations, EUR 16m) and Getronics International (EUR 8m). For more detailed information on revenues, reference is made to the Management Report.

[3] Operating profit, DA&I and EBITDA

Operating profit, DA&I and EBITDA *(in EUR m)*	For the year ended 31 December 2013 Operating profit	Depreciation, Amortization & Impairments (DA&I)	EBITDA	For the year ended 31 December 2012 Operating profit	Depreciation, Amortization & Impairments (DA&I)	EBITDA
Germany (incl. discontinued operations)	-19	982	963	533	757	1,290
Belgium	41	151	192	111	161	272
Rest of World				-35	10	-25
Other (incl. eliminations)	4	-	4	-	-1	-1
Mobile International	**26**	**1,133**	**1,159**	**609**	**927**	**1,536**
Consumer Mobile	168	242	410	390	120	510
Consumer Residential	78	297	375	111	256	367
Business	531	145	676	473	274	747
NetCo	390	907	1,297	626	835	1,461
Other (incl. eliminations)	-45	13	-32	-18	-1	-19
Dutch Telco business	**1,122**	**1,604**	**2,726**	**1,582**	**1,484**	**3,066**
IT Solutions	-46	76	30	-203	272	69
Other (incl. eliminations)		-1	-1			
The Netherlands	**1,076**	**1,679**	**2,755**	**1,379**	**1,756**	**3,135**
iBasis	**17**	**12**	**29**	**12**	**18**	**30**
Other activities	-106	5	-101	-70	7	-63
KPN Group	**1,013**	**2,829**	**3,842**	**1,930**	**2,708**	**4,638**
Of which discontinued operations	*-13*	*972*	*959*	*544*	*748*	*1,292*
KPN continuing operations	**1,026**	**1,857**	**2,883**	**1,386**	**1,960**	**3,346**

KPN Group EBITDA (incl. discontinued operations) decreased by 17% or EUR 796m in 2013 compared to 2012. EBITDA was impacted by regulation for EUR 132m (2.8%) of which EUR 79m related to discontinued operations. The impact of restructuring costs on EBITDA was EUR 122m (2012: EUR 173m) of which no impact was related to discontinued operations (2012: EUR 39m). Furthermore, the positive impact in 2013 of incidentals on EBITDA amounted to EUR 49m (2012: EUR 237m) of which EUR 66m related to discontinued operations (2012: EUR 119m). The incidentals in 2013 included releases of asset retirement obligations related to mobile sites for EUR 48m (of which discontinued operations EUR 37m), adjustments of deferred revenue of EUR 49m (of which discontinued operations EUR 29m), the impact of disposals of subsidiaries for EUR 23m (of which discontinued operations nil) and the net increase of incidental provisions for EUR 78m (of which discontinued operations nil). The incidentals in 2012 consisted mainly of the net proceeds of tower sales for EUR 199m (of which discontinued operations EUR 103m), the impact of disposals of subsidiaries for EUR 49m (of which discontinued operations EUR 16m) and the net increase of (incidental) provisions for EUR 27m (of which discontinued operations nil). Next to this, lower EBITDA in 2013 was mainly driven by lower revenues across the Group and higher commercial investments in Germany supporting growth in postpaid and data.

Operating profit (EBIT) (incl. discontinued operations) decreased by 48% or EUR 917m y-on-y, resulting from the EBITDA decrease (EUR 796m) and increased depreciation and amortization compared to the same period last year (EUR 121m). In The Netherlands, depreciation increased as a result of the handset lease model at Consumer Mobile and an increase in customer premises equipment related to TV and FttH activations at Consumer Residential. Amortization increased due to investments in spectrum licenses in 2012. The DA&I expenses for discontinued operations included impairment expenses of EUR 555m.

[4] Finance income and expenses

Net finance costs over 2013 decreased by EUR 100m y-on-y to EUR 757m, mainly as a result of fair value movements on swaps and a lower increase of the Reggefiber option liability. Net finance costs include 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, offset by several one-off items.

[5] Income taxes

KPN benefits from an agreement with the Dutch tax authorities with regard to the application of innovation tax facilities. Innovation tax facilities are facilities under Dutch corporate income tax law whereby profits attributable to innovation are taxed at an effective rate of 5%. Due to the application of the innovation tax facilities, KPN's effective tax rate in The Netherlands is reduced from the statutory tax rate of 25% to approximately 20%. The effective tax rate for KPN's continuing operations for Q4 2013 is 25.5% (Q4 2012: -20.2%, mainly due to the non-deductible goodwill impairment of KPN Corporate Market in Q4 2012). The 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 22.8% in Q4 2013. The effective tax rate for KPN's continuing operations is expected to be approximately 20%[9] in the 2014-2015 period.

For further information on the tax impact of the sale of E-Plus refer to note [1].

[6] Cash and cash equivalents

At 31 December 2013, cash and cash equivalents amounted to EUR 3,946m, compared to EUR 1,286m at 31 December 2012. The increase in cash and cash equivalents mainly relates to the successfully concluded capital raise consisting of EUR 2bn hybrid bonds and a EUR 3bn rights issue. Part of the proceeds were used to repay drawings under the credit facility and to finance bond redemptions in March and September 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 326m bank overdrafts related to cash pooling arrangements, amounted to EUR 3,620m at 31 December 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.

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

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

E-Plus is classified as 'disposal group held for sale' as of 23 July 2013. For further details reference is made to note [1] of these interim financial statements.

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

[8] 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 [9]) and a EUR 3bn rights issue.

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 with 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.

On 9 August 2013, América Móvil announced an unsolicited intended public offer for all outstanding ordinary shares of KPN. On 16 October 2013, América Móvil announced that it would not proceed with its intended offer.

For further information on the Foundation Preference Shares B KPN, reference is made to note [9].

[9] 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 60-year maturities. 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. 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. On 16 September 2013, KPN redeemed the 6.25% coupon Eurobond 2008-2013 with an outstanding amount of EUR 545m. Both bonds were redeemed in accordance with the regular redemption schedule.

At the end of Q4 2013, the average maturity on the overall bond portfolio was 6.6 years (Q3 2013: 6.9 years). The average interest rate on the overall bond portfolio, including hybrid bonds, was 5.2% as at the end of Q4 2013 (Q3 2013: 5.2%). Excluding the hybrid bonds, the average interest rate on the senior bond portfolio was 5.0% as at the end of Q4 2013 (Q3 2013: 5.0%).

The net debt and net debt / EBITDA definitions were amended and aligned with other definitions in Q4 2013. The net debt position and net debt / EBITDA ratio did not materially differ according to the old and new definition.

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.

On 29 August 2013, the Foundation Preference Shares B KPN exercised its call option and obtained 4,258,098,272 newly issued preference shares B. These shares reflect an interest in KPN's outstanding shares of 50% minus 1 share. In compliance with the current statutory arrangement, 25% of the nominal value of these shares (EUR 255m) was paid to KPN in cash. The Foundation holds the preference shares B only temporarily, as the EGM of 10 January 2014 approved the cancellation of the outstanding preference shares B. Therefore, the paid up value is classified as current liability (EUR 255m) and dividends due are recorded as financial expenses.

For further details on the Foundation, reference is made to page 55 of KPN's 2012 Annual Report.

[10] Other segment information

Assets and liabilities *(in EUR m)*	As at 31 December 2013 Total assets	As at 31 December 2013 Total liabilities	As at 31 December 2012 Total assets	As at 31 December 2012 Total liabilities
Germany (incl. discontinued operations)	11,189	26,328	10,520	26,398
Belgium	2,047	410	1,934	335
Rest of World	24	14	108	112
Other (incl. eliminations)	-3	12	-44	-8
Mobile International	**13,257**	**26,764**	**12,518**	**26,837**
Consumer Mobile	1,805	1,492	1,646	1,381
Consumer Residential	2,003	1,929	1,817	1,746
Business	3,177	3,113	3,108	2,764
NetCo	10,081	10,083	9,069	9,071
Other (incl. eliminations)	-283	-284	-477	-477
Dutch Telco business	**16,783**	**16,333**	**15,163**	**14,485**
IT Solutions	1,223	1,386	1,253	1,355
Other (incl. eliminations)	-285	-283	-132	-131
The Netherlands	**17,722**	**17,436**	**16,284**	**15,709**
iBasis	**389**	**253**	**458**	**358**
Other activities	-5,223	-23,899	-6,959	-21,937
Total segments	**26,145**	**20,554**	**22,301**	**20,967**
Other adjustments	*-273*	*15*	-	-
Total KPN Group	**25,872**	**20,569**	**22,301**	**20,967**

The increase in the total assets is mainly the result of the issued equity instruments (EUR 4bn). Other adjustments include the effects of discontinued operations on the balance sheet including reversal of E-Plus depreciation and amortization (EUR 291m, net of tax), the fair value adjustment of the disposal group (EUR 555m), net tax result from classification as held for sale (EUR 25m, refer to note [1]) and elimination effects.

Capex (in EUR m)	For the year ended 31 December 2013 Capex	2012 Capex
Germany (incl. discontinued operations)	634	643
Belgium	187	133
Rest of World	-	1
Other (incl. eliminations)	-	-
Mobile International	**821**	**777**
Consumer Mobile	230	263
Consumer Residential	275	309
Business	115	135
NetCo	732	661
Other (incl. eliminations)	21	5
Dutch Telco business	**1,373**	**1,373**
IT Solutions	44	46
Other (incl. eliminations)	-	-
The Netherlands	**1,417**	**1,419**
iBasis	**7**	**9**
Other activities	3	4
KPN Group	**2,248**	**2,209**
Of which discontinued operations	632	634
KPN Continuing operations	**1,616**	**1,575**

Continued investments in the upgrade of the existing fixed network and the roll-out of the 4G network in The Netherlands and Belgium were the main drivers for the continued high Capex in 2013. At Consumer Mobile, Capex decreased mainly due to the phasing out of handset lease.

[11] Fair value disclosures

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

Assets and liabilities measured at fair value (in EUR m)	As at 31 December 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)	-	13	-	13
Derivatives (interest rate swap)	-	93	-	93
Other derivatives	-	-	11	11
Available for sale financial assets:				
Listed securities	10	-	-	10
Unlisted securities	-	-	10	10
Total assets	**10**	**106**	**21**	**137**
Liabilities				
Financial liabilities at fair value through profit and loss:				
Derivatives (cross currency interest rate swap)	-	415	-	415
Derivatives (interest rate swap)	-	13	-	13
Other derivatives	-	1	334	335
Total liabilities	**-**	**429**	**334**	**763**

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 A3 or higher with Moody's at 31 December 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, Capex per home passed 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 334m (liability) at 31 December 2013, EUR 278m (liability) at 31 December 2012 and EUR 203m (liability) at 31 December 2011. During 2013 the change in the value of the call/put arrangements resulted in a loss of EUR 56m in the Consolidated Statement of Income.

The decrease in the value of the unlisted securities, included in available for sale financial assets, during 2013 was due to the sale of assets (predominantly shares in Compucom). The increase in value during 2012 was EUR 3m and was also recognized in Other Comprehensive Income.

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 20m and the total derivatives liability position would be EUR 666m at 31 December 2013.

[12] Off-balance sheet commitments

At the end of Q4 2013 off-balance sheet commitments decreased to EUR 4.8bn (of which discontinued operations: EUR 1.8bn). The off-balance sheet commitments at 31 December 2012 of EUR 6.4bn (of which discontinued operations: EUR 1.9bn) included the commitment related to the obtained frequency licenses in the Dutch spectrum auction amounting to EUR 1,352m, paid in January 2013. Furthermore, the decrease relates to the normal decrease of the off-balance obligations with regard to handsets and the sale of Getronics International, partly offset by a new handset supplier contract.

[13] 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 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 [8]). On 29 August 2013, the Foundation Preference Shares B KPN exercised its call option and obtained 50% minus 1 of the shares and voting rights in KPN's issued share capital (see note [8]).

According to its latest public statement (the Offer Memorandum of 16 October 2013, as approved and published by the Dutch Authority for the Financial Markets ('AFM')), América Móvil, S.A.B. de C.V. ('AMX') at that date directly or indirectly owned 14.9% of the shares and voting rights related to KPN's ordinary share capital (taking into account the issuance of the preference shares B). Pursuant to the Dutch Financial Supervision Act *('Wet op het financieeltoezicht' or 'Wft')*, legal entities as well as natural persons must immediately notify the AFM when a shareholding equals or exceeds 3% of the issued capital. To KPN's knowledge, no other shareholder owned 3% or more of KPN's issued share capital as at 31 December 2013.

[14] Regulatory developments

Netherlands: Update on FttO regulation

On 18 December 2013, the Trade and Industry Appeals Court ('CBb') annulled a decision of the Authority Consumer and Market (ACM), that entered into force on 1 January 2013, by which KPN was designated to have significant market power on the market of unbundled access to KPN FttO networks. As a result this market is unregulated until ACM will re-decide.

Belgium: Auction 800MHz spectrum

In an auction on 12 November 2013, BASE Company acquired a 20 year 2x10MHz 800MHz license for a total consideration of EUR 120m. Belgacom and Mobistar each acquired similar licenses for similar amounts.

[15] Subsequent events

On 2 January 2014, the second option of the Reggefiber joint-venture agreement was exercised. Completion is subject to approval by the Dutch Competition Authority ('ACM'). The option represents an additional 9% equity stake in the Reggefiber joint-venture ('Reggefiber') and will bring KPN's ownership to 60% following completion. At 60% ownership, KPN will obtain full control and Reggefiber will be consolidated in the financial statements of KPN. This will only take place once the ACM has approved the increase of KPN's ownership. The exercise price of the option will be between EUR 116m – EUR 161m, depending on the level of Capex efficiencies reached at Reggefiber.

On 10 January 2014, KPN's Extraordinary General Meeting of Shareholders ('EGM') approved the proposal to cancel the outstanding preference shares B. The cancellation is expected to occur in March 2014, taking into account the statutory objection period of two months.

The EGM, as well as the majority of the ordinary shares present, also approved a proposal to reduce the nominal value of KPN shares from EUR 0.24 to EUR 0.04 to lower the costs related to the preference shares B. This will be implemented following the cancellation of the preference shares B.

The Hague, 4 February 2014

E. Blok	Chairman of the Board of Management and Chief Executive Officer
T. Dirks	Member of the Board of Management and CEO Mobile International
J.F.E. Farwerck	Member of the Board of Management and Managing Director The Netherlands

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 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.*

***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.