Press release
25 April 2014

Results Q1 2014

KPN announces its results for Q1 2014 after a quarter of good strategic progress and remains on track for stabilizing financial performance towards the end of 2014. The outlook is therefore maintained.

- Good strategic progress with continued growth in 4G, IPTV and multi play in The Netherlands
  - Nationwide 4G coverage in The Netherlands, >1 million 4G subscribers
  - 62k IPTV net adds leading to TV market share of 26%
  - Triple play penetration increased to 46%, 62k quad play net adds
  - Business multi play seats increased by 26k to 181k
- Service revenues remain under pressure in competitive Dutch mobile market but retail postpaid net adds (+26k) promising
- Business market size declining due to continued customer rationalization and optimization
- Underlying service revenue growth in Germany of 3.8%, market outperformance in Belgium
- Confident of obtaining regulatory approval in June for sale of E-Plus

Key figures (from continuing operations)

Group financials* (unaudited)	**Q1 2014**	**Q1 2013**	**Δ y-on-y**
(in EUR m, unless stated otherwise)			
Revenues	1,996	2,175	-8.2%
Adjusted revenues**	**1,989**	**2,155**	**-7.7%**
EBITDA	624	800	-22%
Adjusted EBITDA**	**621**	**785**	**-21%**
EBITDA margin	*31.3%*	*36.8%*	
Adjusted EBITDA margin	***31.2%***	***36.4%***	
Operating profit (EBIT)	179	355	-50%
Profit for the period (net profit)	3	152	-98%
Capex	**337**	**433**	**-22%**
Free cash flow	**-292**	**110**	**n.m.**

* All non-IFRS terms are explained in the safe harbor section
** Adjusted revenues and adjusted EBITDA are derived from revenues (including other income) and EBITDA, respectively, and are adjusted for the impact of restructuring costs and incidentals. Reconciliations to be found on page 8 and 9

Financial performance

- Adjusted revenues 7.7% lower y-on-y in Q1 2014 due to the continued competitive environment and price pressure in all mobile markets, and the ongoing decline of the Business market size
- Adjusted EBITDA decreased by 21% y-on-y in Q1 2014 as a result of declining revenues and phasing out of handset lease at the KPN and Hi brands. Adjusted EBITDA excluding phasing out of handset lease in Q1 2014 was down 15% y-on-y
- Capex 22% lower y-on-y driven by phasing out handset lease and less elevated investment levels
- Free cash flow impacted by intrayear phasing, lower EBITDA, EUR 50m payment related to the KPNQwest settlement in Q1 2014, and Q1 2013 benefited from EUR 167m prepayments in Q4 2012

Message from the CEO, Eelco Blok

"In the first quarter of 2014 we have made good progress with the execution of our strategy. We have completed the roll-out of 4G in The Netherlands and are substantially ahead of the competition. These investments can now be scaled back leading to lower Capex levels, also supported by the phasing out of the handset lease model and the first results of our Simplification program. Commercially, we have seen high postpaid net adds and continued good IPTV net adds in the Consumer market. The focus on our market leading products, such as 4G and IPTV leads to growing numbers of multi play customers in Consumer and Business. In Belgium, the combination of high network quality and price leadership, translated into another quarter with high postpaid net adds. Also in Germany we have seen good performance with high postpaid net adds leading to growing service revenues.

Our financial results in the first quarter were impacted by the competitive environment in our mobile markets, leading to continued decline of ARPUs, and pressure on the total market size in Business. Corporate customers remain cost constrained, leading to continued rationalization and optimization. To improve the performance of our Business segment we focus on de-risking our revenues by flat fee propositions, growing revenues from multi play and new services, and continue to execute on our cost saving plans.

The E-Plus sale is currently subject to a Phase II review by the European Commission. We are confident we will obtain regulatory approval in June and that the sale will complete shortly thereafter. This will allow us to pay a sustainable and growing dividend combined with a solid financial profile. Post completion, we will own a 20.5% stake in Telefónica Deutschland and will potentially benefit from dividend payments."

Outlook and shareholder remuneration

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

2014

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

2015

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

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 planned 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.

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[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

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

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Safe harbor

Non-GAAP measures and management estimates

This financial report contains a number of non-GAAP figures, such as EBITDA and Free Cash Flow ('FCF'). These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures.

*KPN defines **EBITDA** as operating result before depreciation and impairments of PP&E and amortization and impairments of intangible assets. Note that KPN's definition of EBITDA deviates from the literal definition of earnings before interest, taxes, depreciation and amortization and should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS as adopted by the European Union. In the **Net Debt / EBITDA ratio**, KPN defines **Net Debt** as the nominal value of interest bearing financial liabilities excluding derivatives and related collateral, representing the net repayment obligations in Euro, taking into account 50% of the nominal value of the hybrid capital instruments, less net cash and short-term investments, and defines EBITDA as a 12 month rolling total excluding restructuring costs, incidentals and major changes in the composition of the Group (acquisitions and disposals). **Free Cash Flow** is defined as cash flow from operating activities plus proceeds from real estate, minus capital expenditures (Capex), being expenditures on PP&E and software and excluding tax recapture regarding E-Plus.*

***Revenues** are defined as the total of revenues and other income unless indicated otherwise. **Adjusted revenues** and **adjusted EBITDA** are derived from revenues (including other income) and EBITDA, respectively, and are adjusted for the impact of restructuring costs and incidentals.*

*The term **service revenues** refers to wireless service revenues. **Underlying service revenues** are derived from service revenues adjusted for the impact of MTA and roaming (regulation) and incidentals.*

All market share information in this financial report is based on management estimates based on externally available information, unless indicated otherwise. For a full overview on KPN's non-financial information, reference is made to KPN's quarterly factsheets available on www.kpn.com/ir.

Forward-looking statements

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

Financial and operating review by segment

Consumer Residential

Consumer Residential observed an increased level of promotional activities by the competition, such as discount offers and free hardware; at the same time, KPN remained disciplined on pricing and marketing, and focused on further growth of IPTV. Combined with a strong cost focus this led to increased profitability.

Consumer Residential *(in EUR m)*	**Q1 2014**	**Q1 2013**	**Δ y-on-y**
Revenues	483	501	-3.6%
Adjusted revenues	**483**	**488**	**-1.0%**
EBITDA	97	93	4.3%
Adjusted EBITDA	**100**	**82**	**22%**

Adjusted revenues decreased by 1.0% y-on-y due to the continued decline of traditional voice services, the increased promotional activities by competitors and KPN's IPTV promotion in the second half of 2013 with an impact on revenues in the subsequent quarters. Adjusted EBITDA increased by 22% y-on-y, reflecting the effect of FTE reductions and lower marketing costs. This resulted in an adjusted EBITDA margin of 20.7% (Q1 2013: 16.8%).

The increased competition in the market led to a slight decrease of KPN's broadband customer base by 7k in Q1 2014. TV market share increased to 26% (Q1 2013: 24%), supported by continued good IPTV net adds of 62k. ARPU per customer grew by 4.8% y-on-y to EUR 44 in Q1 2014 (Q1 2013: EUR 42) driven by price increases and increased RGUs per customer. Triple play packages continued to increase resulting in a 46% triple play penetration, 6%-points higher compared Q1 2013. Fiber-to-the-Home activations increased by 17k in Q1 2014 leading to 501k homes activated. In Q1 2014 KPN reached a quad play customer base of 235k (Q4 2013: 173k). KPN will continue to focus on increasing the number of multi play customers, also to reduce churn.

Consumer Mobile

The mobile market in The Netherlands remained competitive especially due to the move towards no frills. The shift to SIM-only, lower above bundle usage and continued pressure on pricing levels are the main drivers for the negative service revenues trend. In this competitive market, KPN's focus on 4G, quad play and the improved positioning of the KPN and Hi brands. This resulted in a growing retail postpaid customer base.

Consumer Mobile *(in EUR m)*	**Q1 2014**	**Q1 2013**	**Δ y-on-y**
Revenues	347	393	-12%
Adjusted revenues	**347**	**386**	**-10%**
EBITDA	55	141	-61%
Adjusted EBITDA	**55**	**137**	**-60%**

Adjusted revenues at Consumer Mobile were down by 10% y-on-y in Q1 2014 driven by lower service revenues, partly offset by higher hardware sales. Underlying service revenues decreased by 12% y-on-y, showing a relatively stable trend versus Q4 2013. KPN's service revenues market share was 43%. The adjusted EBITDA margin in Q1 2014 was significantly lower at 15.9% compared to 35.5% in Q1 2013, mainly due to phasing out of handset lease for KPN and Hi brands (~EUR 43m), the impact of lower service revenues and higher retention and subscriber acquisition costs as a result of more handset transactions versus SIM-only.

In Q1 2014, the retail postpaid net adds development was promising (+26k), supported by an improving performance at the KPN and Hi brands driven by new price levels introduced in Q4 2013 and 4G. An increased focus on existing customers and quad play resulted in lower churn. Retail postpaid ARPU decreased to EUR 28 (Q1 2013: EUR 32) as a result of the competitive market, an increasing share of SIM-only subscriptions in the base and lower above bundle usage. Committed retail postpaid ARPU improved to approximately 78%, up 8%-points y-on-y.

At the end of Q1 2014 KPN reached nationwide 4G coverage, substantially ahead of competition. 4G subscriptions increased significantly in Q1 2014 to 610k, up from 323k at the end of 2013, also supported by making 4G available for all Hi subscribers. 4G is now also available for no frills customers following the introduction of a EUR 5 add-on for the Telfort and Simyo brands in Q1 2014.

Business

The size of the business market continued to decline as a result of ongoing customer rationalization and optimization. This, in turn, was driven by a continued difficult macro-economic environment and competitive market. KPN continued its focus on de-risking revenues, growing revenues from multi play and new services, and cost reductions.

Business *(in EUR m)*	**Q1 2014**	**Q1 2013**	**Δ y-on-y**
Revenues	730	824	-11%
Adjusted revenues	**730**	**824**	**-11%**
EBITDA	149	190	-22%
Adjusted EBITDA	**146**	**195**	**-25%**

Adjusted revenues at Business declined by 11% driven by the declining market size and pro-active migration of customers to flat fees at lower mobile ARPU levels. Adjusted EBITDA decreased by 25% y-on-y resulting from lower revenues partly offset by declining fixed costs. Variable costs remained flat and increased as a percentage of revenues in order to support KPN’s market positions. Consequently, the adjusted EBITDA margin declined to 20.0% (Q1 2013: 23.7%).

The wireless only customer base showed a small decrease (-2k) in Q1 2014, but this was fully driven by migration to multi play. Wireless ARPU was somewhat lower at EUR 44, while the percentage committed ARPU increased by 10%-points y-on-y to 60%. In the Business segment, the 4G customer base increased to 412k in Q1 2014; as a result ~27% of the wireless customer base is now on 4G. Traditional voice services showed a continued decline in access lines (Q1 2014: 960k, Q1 2013: 1,093k) due to rationalization and an ongoing migration towards VoIP. Traditional voice ARPU remained stable at EUR 53.

The focus on multi play and new services (e.g. cloud, e-health and M2M) provides new revenue streams and showed promising results in Q1 2014. Multi play seats increased by 26k to 181k leading to multi play revenues of EUR 10m. KPN launched two new M2M based services: luggage tracking & processing in partnership with KLM and Fast Track Company, and M2M connectivity for Tesla Motors with the M2M World Alliance.

IT Solutions was integrated into the Business segment per 1 January 2014; accordingly, KPN has separately published restated comparable financial information on 14 March 2014.

NetCo

The performance of KPN's NetCo segment is for a large part driven by the intercompany revenues from Consumer Mobile, Consumer Residential and the Business segment. Furthermore, NetCo provides wholesale services to external parties.

At the end of Q1 2014, KPN reached nationwide 4G coverage through the utilization of 800MHz frequencies. Going forward, KPN will utilize the 1800MHz and 2600MHz frequencies to enhance capacity and enable higher speeds in densely-populated areas. In the fixed network, KPN continued to upgrade its copper network and 67k Fiber-to-the-Home homes passed were added in Q1 2014.

NetCo *(in EUR m)*	**Q1 2014**	**Q1 2013**	**Δ y-on-y**
Revenues	569	603	-5.6%
Adjusted revenues	**562**	**603**	**-6.8%**
EBITDA	304	342	-11%
Adjusted EBITDA	**297**	**328**	**-9.5%**

Adjusted revenues at NetCo declined by 6.8% y-on-y in Q1 2014 mainly driven by a continued decline of traditional services and lower traffic across segments, and lower wholesale traffic revenues. Adjusted EBITDA decreased by 9.5% y-on-y as a result of a continuing decline in high margin traditional services and a higher Fiber-to-the-Home customer base leading to higher access costs. The adjusted EBITDA margin decreased to 52.8% in Q1 2014 (Q1 2013: 54.4%).

iBasis

iBasis *(in EUR m)*	**Q1 2014**	**Q1 2013**	**Δ y-on-y**
Revenues	226	242	-6.6%
Adjusted revenues	**226**	**242**	**-6.6%**
EBITDA	5	7	-29%
Adjusted EBITDA	**5**	**7**	**-29%**

Adjusted revenues at iBasis decreased by 6.6% y-on-y, due to lower traffic, continued pressure in the international wholesale traffic market and a negative currency effect of 1.4%. The adjusted EBITDA margin declined to 2.2% in Q1 2014, mainly due to high margin revenue decline and investments in new services.

Germany (discontinued operation[3])

On 23 July 2013, KPN announced the sale of E-Plus to Telefónica Deutschland, which resulted in E-Plus being recorded as held for sale ('discontinued operation'). E-Plus continues to be included in KPN's segment reporting until the sale is completed. The European Commission is currently reviewing the transaction and is expected to make a final decision in June 2014.

E-Plus continued to improve its network quality and launched LTE (Q1 2014: ~22% coverage) in focus regions in Germany. Average data download speeds and throughput more than doubled compared to

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

Q1 2013. In Q1 2014, E-Plus started MVNO partnerships with WhatsApp, as the first mobile operator, and with United Internet (1&1), one of the leading internet access providers in Germany.

Germany *(incl. discontinued operations)* *(in EUR m)*	**Q1 2014**	**Q1 2013**	**Δ y-on-y**
Revenues	779	760	2.5%
Adjusted revenues	**779**	**760**	**2.5%**
EBITDA	223	195	14%
Adjusted EBITDA	**223**	**190**	**17%**

Adjusted revenues in Germany increased by 2.5% y-on-y in Q1 2014. Underlying service revenues increased by 3.8% in Q1 2014 y-on-y driven by growing postpaid service revenues and stabilization of prepaid service revenues. As a result, E-Plus' service revenue market share is estimated to be higher y-on-y at ~16% in Q1 2014. Adjusted EBITDA increased by 17% y-on-y due to growing revenues and a strong cost focus. This resulted in an EBITDA margin of 28.6% in Q1 2014.

The focus on postpaid and data resulted in continued strong postpaid net adds of 197k in Q1 2014, of which the majority was generated in underpenetrated regions. Postpaid ARPU in Q1 2014 of EUR 19 was impacted by continued customer optimization, but supported by a high inflow ARPU. Prepaid net adds amounted to 310k in Q1 2014.

Belgium

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

In Q1 2014 BASE Company launched '4G-for-all', providing 4G access to every BASE customer. The roll-out of the 4G network continued and now covers 591 cities, towns and villages equaling approximately 46% of the Belgian population.

Belgium *(in EUR m)*	**Q1 2014**	**Q1 2013**	**Δ y-on-y**
Revenues	177	183	-3.3%
Adjusted revenues	**177**	**183**	**-3.3%**
EBITDA	41	46	-11%
Adjusted EBITDA	**41**	**46**	**-11%**

Adjusted revenues in Belgium decreased by 3.3% y-on-y in Q1 2014. The decrease in service revenues was partly offset by increased hardware revenues. Underlying service revenues decreased by 4.4% due to continued price pressure driven by the competitive mobile market. Adjusted EBITDA declined by 11% y-on-y due to lower revenues, higher traffic costs as a result of the new (flat fee) portfolio and a provision for site taxes in the Walloon region of EUR 2m, resulting in an adjusted EBITDA margin of 23.2% (Q1 2013: 25.1%).

The BASE postpaid portfolio continued to deliver good operational results, resulting in 28k postpaid net adds. Churn levels for postpaid are at the lowest level since the introduction of the telecom law on contract duration in Q4 2012. BASE Company's market share increased y-on-y to ~21% in Q1 2014. Postpaid ARPU remained under pressure and decreased to EUR 31 (Q4 2013: EUR 33) due to price pressure in a competitive market. Prepaid net adds were -42k in Q1 2014 mainly due to the impact of a clean-up of inactive SIM cards by a wholesale partner.

Analysis of adjusted results Q1 2014

The following table shows the key items between reported and adjusted revenues. E-Plus continues to be included in KPN's segment reporting until the sale is completed[4].

Revenues *(in EUR m)*	Q1 2014 reported	Incidentals	Q1 2014 adjusted	Q1 2013 reported	Incidentals	Q1 2013 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
Germany (incl. discontinued operations)	779	-	779	760	-	760	2.5%	2.5%
Belgium	177	-	177	183	-	183	-3.3%	-3.3%
Other	10	-	10	10	-	10	n.m.	n.m.
Mobile International	**966**	**-**	**966**	**953**	**-**	**953**	**1.4%**	**1.4%**
Consumer Mobile	347	-	347	393	7	386	-12%	-10%
Consumer Residential	483	-	483	501	13	488	-3.6%	-1.0%
Business	730	-	730	824	-	824	-11%	-11%
NetCo	569	7	562	603	-	603	-5.6%	-6.8%
Other	-531	-	-531	-562	-	-562	5.5%	5.5%
The Netherlands	**1,598**	**7**	**1,591**	**1,759**	**20**	**1,739**	**-9.2%**	**-8.5%**
iBasis	226	-	226	242	-	242	-6.6%	-6.6%
Other activities	21	-	21	21	-	21	n.m.	n.m.
Intercompany revenues	-57	-	-57	-64	-	-64	11%	11%
KPN Group	**2,754**	**7**	**2,747**	**2,911**	**20**	**2,891**	**-5.4%**	**-5.0%**
Of which discontinued operations	*758*	-	*758*	*736*	-	*736*	*3.0%*	*3.0%*
KPN Group continuing operations	**1,996**	**7**	**1,989**	**2,175**	**20**	**2,155**	**-8.2%**	**-7.7%**

The following table specifies the revenue incidentals in more detail.

Revenue incidentals *(in EUR m)*	**Segment**	**Q1 2014**	**Q1 2013**
Adjustment of contract revenues	NetCo	7	-
Release of deferred revenues	Consumer Mobile	-	7
Release of deferred revenues	Consumer Residential	-	13
Total		**7**	**20**

[4] For further information on this transaction and the impact on KPN's financial information refer to KPN's Annual Report 2013

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

EBITDA *(in EUR m)*	**Q1 2014 reported**	**Incidentals**	**Restruct-uring**	**Q1 2014 adjusted**	**Q1 2013 reported**	**Incidentals**	**Restruct -uring**	**Q1 2013 adjusted**	**Δ y-on-y reported**	**Δ y-on-y adjusted**
Germany (incl. discontinued operations)	223	-	-	223	195	-	5	190	14%	17%
Belgium	41	-	-	41	46	-	-	46	-11%	-11%
Other	-3	-	-	-3	-3	-	-	-3	n.m.	n.m.
Mobile International	**261**	**-**	**-**	**261**	**238**	**-**	**5**	**233**	**9.7%**	**12%**
Consumer Mobile	55	-	-	55	141	7	-3	137	-61%	-60%
Consumer Residential	97	-	-3	100	93	13	-2	82	4.3%	22%
Business	149	-	3	146	190	-	-5	195	-22%	-25%
NetCo	304	7	-	297	342	17	-3	328	-11%	-9.5%
Other	-8	-	1	-9	-4	-	-6	2	-100%	n.m.
The Netherlands	**597**	**7**	**1**	**589**	**762**	**37**	**-19**	**744**	**-22%**	**-21%**
iBasis	5	-	-	5	7	-	-	7	-29%	-29%
Other activities	-17	-	-5	-12	-13	-	-3	-10	-31%	-20%
KPN Group	**846**	**7**	**-4**	**843**	**994**	**37**	**-17**	**974**	**-15%**	**-13%**
Of which discontinued operations	*222*	-	-	*222*	*194*	-	*5*	*189*	*14%*	*17%*
KPN Group continuing operations	**624**	**7**	**-4**	**621**	**800**	**37**	**-22**	**785**	**-22%**	**-21%**

The following table specifies the EBITDA incidentals in more detail.

EBITDA incidentals *(in EUR m)*	**Segment**	**Q1 2014**	**Q1 2013**
Release of provision	NetCo	-	17
Adjustment of contract revenues	NetCo	7	-
Release of deferred revenues	Consumer Mobile	-	7
Release of deferred revenues	Consumer Residential	-	13
Total		**7**	**37**

Group review and other developments

Group financial review (continuing operations)

Adjusted Group revenues were 7.7% lower y-on-y in Q1 2014 as a result of the continued competitive environment in all mobile markets resulting in price pressure and a declining Business market size. The Group revenue decline was mainly driven by the revenue decline in the Business, Consumer Mobile and NetCo segments.

Adjusted Group EBITDA decreased by 21% y-on-y in Q1 2014 as a result of declining revenues and phasing out of handset lease at the KPN and Hi brands. Adjusted EBITDA excluding phasing out of handset lease in Q1 2014 was down 15% y-on-y. The adjusted EBITDA margin for Q1 2014 decreased to 31.2% (Q1 2013: 36.4%).

Group operating profit (EBIT) from continuing operations decreased by 50% y-on-y in Q1 2014 due to lower EBITDA, while depreciation and amortization remained stable. Net profit from continuing operations decreased in Q1 2014 by EUR 149m y-on-y due to the lower operating profit, partly offset by EUR 20m lower net finance expenses y-on-y and EUR 5m lower income tax expenses y-on-y.

Capex for continuing operations decreased to EUR 337m in Q1 2014 compared to EUR 433m in Q1 2013 mainly due to phasing out of handset lease and lower customer driven Capex at Consumer Residential. Mobile network investments are expected to be at a less elevated level going forward as nationwide 4G coverage was reached at the end of Q1 2014.

The first results of the Simplification program became visible in Q1 2014. Amongst others, Consumer Residential phased out ~90% of its broadband service packages in Q1 2014. The Simplification program will support a further reduction in operating expenses and Capex in the coming years of more than EUR 300m per annum by 2016.

Free cash flow from continuing operations for the first quarter of 2014 was EUR 402m lower y-on-y. This was mainly driven by EUR 255m less cash from change in working capital as Q1 2013 was supported by EUR 167m prepayments made in Q4 2012, EUR 176m lower EBITDA and a EUR 50m cash payment related to the settlement with the bankruptcy trustees of KPNQwest. This was partly offset by EUR 96m lower Capex. Free cash flow in Q1 2014 reflects intrayear phasing.

At the end of Q1 2014 the average coverage ratio of the KPN pension funds in The Netherlands was 111% (Q4 2013: 109%). No recovery payments are expected in the second and third quarter of 2014 based on the coverage ratios at the end of Q4 2013 and Q1 2014.

Net debt to EBITDA

Net debt including discontinued operations amounted to EUR 10.4bn at the end of Q1 2014, an increase of EUR 0.6bn compared to Q4 2013 (EUR 9.8bn). This was mainly driven by intrayear phasing of free cash flow and additional shareholder loans to Reggefiber. Combined with a lower 12 months rolling EBITDA[5] including discontinued operations, this resulted in a net debt to EBITDA ratio of 2.7x by the end of Q1 2014 (Q4 2013: 2.4x). On a pro forma basis, including the sale of E-Plus and expected

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

consolidation impact of Reggefiber, the net debt to EBITDA ratio at the end of Q1 2014 would have been approximately 2.1x (Q4 2013: approximately 1.9x).

On 28 March 2014, Moody's downgraded KPN to Baa3 with a stable outlook. Furthermore, KPN has credit ratings of BBB- with a stable outlook by Standard & Poor's and BBB- with a stable outlook by Fitch Ratings.

Other developments

On 21 March 2014, following the decision of KPN's Extraordinary General Meeting of Shareholders in January 2014, KPN cancelled its Preference Shares B (4,258,098,272 shares in total) against repayment of the paid up amount (EUR 255m) to Stichting Preferente Aandelen B KPN. Subsequent to this transaction, KPN reduced the nominal value of its ordinary shares from EUR 0.24 to EUR 0.04.

On 4 February 2014 a scheduled bond repayment of EUR 750m was made.

The fair value of the disposal group held for sale ('discontinued operation') (E-Plus) is reviewed quarterly and remains unchanged per the end of Q1 2014 at EUR 8.6bn. For further information on the transaction and the impact on KPN's financial information refer to KPN's Annual Report 2013.