

Third Quarter 2015 Results

Highlights

- Focus on excellent customer experience driving further Consumer base growth in Q3 2015
 - +33k net adds in broadband and +55k in IPTV
 - +80k postpaid net adds in Consumer Mobile
 - Fixed-mobile bundles now represent 28% of retail postpaid base (Q3 2014: 16%) and 23% of broadband base (Q3 2014: 14%)
- Transformation of Business segment on track in rapidly changing market with traditional services declining, repricing in mobile partly offset by growing multi play and new services
- Good progress Simplification program, approximately EUR 250m run-rate savings realized by end Q3 2015
- Further improvement in customer satisfaction; NPS increased across all segments
- On track for outlook 2015

Key figures* (from continuing operations)

Group financials** (unaudited)	Q3 2015	Q3 2014	Δ y-on-y	YTD 2015	YTD 2014	Δ y-on-y
<i>(in EUR m, unless stated otherwise)</i>						
Revenues	1,764	1,811	-2.6%	5,263	5,476	-3.9%
Adjusted revenues***	1,764	1,811	-2.6%	5,273	5,454	-3.3%
EBITDA	602	595	1.2%	1,746	2,210	-21%
Adjusted EBITDA***	640	612	4.6%	1,837	1,787	2.8%
Adjusted EBITDA margin	36.3%	33.8%		34.8%	32.8%	
<i>Adjusted EBITDA margin The Netherlands</i>	<i>41.7%</i>	<i>39.2%</i>		<i>40.1%</i>	<i>38.0%</i>	
Operating profit (EBIT)	204	193	5.7%	548	977	-44%
Profit for the period (net profit)	87	-75	n.m.	270	277	-2.5%
Capex	305	251	22%	945	825	15%
Free cash flow****	213	234	-9.0%	475	28	>100%

* All non-IFRS terms are explained in the safe harbor section

** BASE Company classified as discontinued operations as per 15 April 2015

*** 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 to 11

**** Free cash flow YTD 2015 was EUR 329m, excluding Telefónica Deutschland dividend of EUR 146m

Financial performance

- Adjusted revenues were down 2.6% y-on-y in Q3 2015. Growing Consumer revenues were offset by the impact of the ongoing decline of the business market size
- Adjusted EBITDA increased by 4.6% y-on-y in Q3 2015 driven by customer base growth and positive impact of cost savings, partly offset by the impact of declining revenues in Business
- Net profit increased by EUR 162m y-on-y to EUR 87m in Q3 2015 due to lower net finance costs (EUR 114m Reggefiber option liability increase in Q3 2014)
- Capex in Q3 and YTD 2015 was higher y-on-y due to different intrayear phasing
- Free cash flow YTD 2015 of EUR 329m (excluding EUR 146m Telefónica Deutschland dividend) was significantly higher compared to last year, driven by lower interest payments in 2015, and settlement of legal claims and an additional pension payment in 2014

Message from the CEO, Eelco Blok

“We delivered another strong quarter with improvements in customer satisfaction and positive operational and financial performance, driven by a combination of innovative services, high quality networks and simplification.

In Consumer, the inflection in financial performance is being driven by continued customer base growth as a result of our differentiated competitive position via fixed-mobile bundling. In Business, we are operating in a rapidly changing environment with traditional services declining. We are transforming the Business organization to increase customer satisfaction, benefit from new services and support profitability going forward.

I am proud that our commitment to corporate social responsibility has again received external recognition, as KPN has been included in the Dow Jones Sustainability Index for the fourth consecutive year.

Our financial performance continued to improve in the third quarter, driven by positive commercial momentum and strict cost discipline. In the third quarter, we paid an interim dividend in respect of 2015 and distributed the Telefónica Deutschland dividend to our shareholders. We expect to grow shareholder remuneration further based on a growing free cash flow.”

Outlook and shareholder remuneration

2015 (continuing operations)

- Adjusted EBITDA in line with 2014
- Capex < EUR 1.3bn
- Free cash flow (excl. TEFD dividend) > EUR 500m
- Additional cash flow via dividend from 20.5% stake in Telefónica Deutschland

KPN intends to pay a dividend per share of EUR 8.0 cents in respect of 2015 (not including dividends related to Telefónica Deutschland). The dividend per share in respect of 2016 is expected to grow further.

The 20.5% stake in Telefónica Deutschland is treated as a financial investment. KPN benefits from dividend payments by Telefónica Deutschland and additional financial flexibility.

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.

All related documents can be found on KPN's website:

ir.kpn.com

For further information:

Corporate Communications

Media Relations

Tel: +31 70 4466300

Fax: +31 70 4466310

E-mail: press@kpn.com

Investor Relations

Tel: +31 70 4460986

E-mail: ir@kpn.com

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 (including impairments) of PP&E and amortization (including 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 continuing operating activities plus proceeds from real estate, minus capital expenditures (Capex), being expenditures on PP&E and software. **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. 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 ir.kpn.com*

Forward-looking statements

Certain statements contained in this financial report constitute forward-looking statements. These statements may include, without limitation, statements concerning future results of operations, the impact of regulatory initiatives on KPN's operations, KPN's and its joint ventures' share of new and existing markets, general industry and macro-economic trends and KPN's performance relative thereto and statements preceded by, followed by or including the words "believes", "expects", "anticipates", "will", "may", "could", "should", "intends", "estimate", "plan", "goal", "target", "aim" or similar expressions. These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside KPN's control that could cause actual results to differ materially from such statements. A number of these factors are described (not exhaustively) in the Integrated Annual Report 2014.

Financial and operating review by segment

Consumer Residential

In the third quarter, KPN continued its positive commercial performance. KPN is well positioned as the leading converged operator in the Dutch market, with a growing fixed-mobile base. In the third quarter, KPN integrated a large number of Over-The-Top (“OTT”) apps within its IPTV platform. Furthermore, KPN announced that Netflix will be made accessible to its customers via IPTV. By embracing OTT, KPN aims to further improve customer experience.

Consumer Residential (in EUR m)	Q3 2015	Q3 2014	Δ y-on-y	YTD 2015	YTD 2014	Δ y-on-y
Revenues	486	477	1.9%	1,447	1,436	0.8%
Adjusted revenues	486	477	1.9%	1,447	1,436	0.8%
EBITDA	112	108	3.7%	316	308	2.6%
Adjusted EBITDA	113	109	3.7%	319	315	1.3%

Adjusted revenues increased by 1.9% y-on-y in Q3 2015 supported by continued customer base growth, partly offset by the ongoing decline of traditional services. Adjusted EBITDA increased by 3.7% y-on-y as a result of higher revenues, only partly offset by higher operating expenses resulting from the large number of customer additions. This resulted in an adjusted EBITDA margin of 23.3% (Q3 2014: 22.9%).

KPN’s broadband (+33k) and IPTV (+55k) net adds showed continued good growth in Q3 2015. Broadband market share grew to 41% (Q3 2014: 40%) and TV market share increased to 28% (Q3 2014: 26%). ARPU per customer remained stable at EUR 43 in Q3 2015. Triple play net adds were 50k, resulting in a 55% penetration of the broadband customer base (Q3 2014: 48%) and a growing number of RGUs per household. KPN’s fixed-mobile base grew to 669k representing 23% of the broadband customer base (Q3 2014: 14%). Churn reduction is a key benefit of KPN’s continuing focus on increasing the fixed-mobile penetration in its customer base.

Consumer Mobile

KPN is well positioned in the Dutch mobile market with nationwide 4G, attractive data-centric propositions and unique fixed-mobile bundles. This led to a continued inflow of high value customers in the third quarter as approximately 45% of KPN brand postpaid sales consisted of 5GB and 10GB data bundles. KPN focuses on upselling its mobile customer base; approximately 55% of the base was still in a bundle of 1GB or lower at the end of the third quarter.

Consumer Mobile (in EUR m)	Q3 2015	Q3 2014	Δ y-on-y	YTD 2015	YTD 2014	Δ y-on-y
Revenues	376	354	6.2%	1,094	1,055	3.7%
Adjusted revenues	376	354	6.2%	1,094	1,055	3.7%
EBITDA	85	47	81%	225	152	48%
Adjusted EBITDA	90	47	91%	233	153	52%

Adjusted revenues at Consumer Mobile increased by 6.2% y-on-y in Q3 2015, mainly driven by service revenue growth and higher hardware revenues. Service revenues increased 4.6% y-on-y (Q3 2014: -8.2% y-on-y) mainly driven by continued high postpaid net adds and a tax benefit. KPN's total Dutch mobile market share rose to 44% in Q3 2015 (Q3 2014: 42%). Adjusted EBITDA grew strongly by 91% y-on-y in Q3 2015 as a result of higher service revenues and lower subscriber retention and acquisition costs. This was driven by fewer handset transactions due to a limited out of contract customer base and a successful focus on reducing churn. This led to an adjusted EBITDA margin of 23.9% in Q3 2015 (Q3 2014: 13.3%).

In Q3 2015, KPN continued to show high retail postpaid net adds (+80k) driven by attractive data-centric propositions, 4G and uptake of fixed-mobile bundles. Retail postpaid ARPU (EUR 28) was stable compared to the same quarter last year. The number of retail postpaid customers in fixed-mobile bundles grew to nearly one million (997k), equivalent to 28% penetration of the retail postpaid base at the end of Q3 2015 (Q3 2014: 16%).

Business

KPN is operating in a rapidly changing business market environment. Transformation of the Business segment organization is on track via implementation of the Simplification program and a rigorous cost discipline approach, combined with a strong focus on growing multi play and new services. This will deliver an improvement in customer satisfaction, opportunities to benefit from new services and a structurally lower fixed cost base.

Business (in EUR m)	Q3 2015	Q3 2014	Δ y-on-y	YTD 2015	YTD 2014	Δ y-on-y
Revenues	655	706	-7.2%	1,987	2,168	-8.3%
Adjusted revenues	655	706	-7.2%	1,997	2,163	-7.7%
EBITDA	119	153	-22%	327	444	-26%
Adjusted EBITDA	124	158	-22%	374	457	-18%

Adjusted revenues at Business declined by 7.2% y-on-y in Q3 2015 driven by lower revenues from traditional services being gradually phased out and repricing of the mobile base, partly offset by growth in multi play and new services. Adjusted EBITDA decreased by 22% y-on-y in Q3 2015 driven by the decline of high margin traditional services and investments in new services. Consequently, the adjusted EBITDA margin declined to 18.9% (Q3 2014: 22.4%). KPN expects the benefits of cost savings, such as the FTE reduction program, to support profitability going forward.

Multi play seats increased by 41k in Q3 2015 to 430k, equivalent to 19% of the wireless customer base. The wireless customer base showed net adds of 2k in Q3 2015. The wireless single play ARPU was EUR 34 in Q3 2015 (Q3 2014: EUR 37). Traditional wireline voice services were impacted by rationalization and the ongoing migration towards VoIP and multi play, and access lines fell to 745k (Q3 2014: 897k). Traditional voice ARPU was EUR 50 (Q3 2014: EUR 51).

NetCo

KPN continued to invest in its high quality networks and IT infrastructure. In fixed, the selective FttH roll-out is combined with fiber to the street cabinets, which in combination with vectoring and pair bonding increases the available speeds. This resulted in 59% FttC/FttH penetration at the end of the third quarter (Q3 2014: 48%) and 61% coverage of Dutch households with access to speeds of at least 100Mbps (Q3 2014: 38%).

In mobile, KPN continued to increase capacity and download speeds by rolling out 1800MHz sites combined with carrier aggregation. This led to a strong increase in average 4G download speed to 36Mbps at the end of the third quarter (Q3 2014: 20Mbps). Recently, KPN launched a nationwide VoLTE pilot and it expects commercial deployment in 2016. The VoLTE service will further improve voice call quality.

NetCo (in EUR m)	Q3 2015	Q3 2014	Δ y-on-y	YTD 2015	YTD 2014	Δ y-on-y
Revenues	548	557	-1.6%	1,639	1,696	-3.4%
Adjusted revenues	548	557	-1.6%	1,639	1,679	-2.4%
EBITDA	329	302	8.9%	955	920	3.8%
Adjusted EBITDA	332	304	9.2%	960	906	6.0%

Adjusted revenues at NetCo decreased by 1.6% y-on-y in Q3 2015 driven by the ongoing decline of traditional services. The adjusted EBITDA margin of 60.6% was higher compared to Q3 2014 (54.6%), driven by the consolidation of Reggefiber and cost savings from the Simplification program, partly offset by the decline of traditional services.

iBasis

iBasis continued to expand the global reach of its LTE roaming service via peering partners and direct interconnections with mobile operators and iBasis now has over 300 destinations in its LTE footprint.

iBasis (in EUR m)	Q3 2015	Q3 2014	Δ y-on-y	YTD 2015	YTD 2014	Δ y-on-y
Revenues	241	243	-0.8%	702	700	0.3%
Adjusted revenues	241	243	-0.8%	702	700	0.3%
EBITDA	6	7	-14%	17	17	0.0%
Adjusted EBITDA	6	7	-14%	17	17	0.0%

Adjusted revenues at iBasis decreased slightly y-on-y in Q3 2015. A favorable currency effect of 10% was offset by lower traffic volumes in Q3 2015. The adjusted EBITDA margin in Q3 2015 of 2.5% was somewhat lower compared to the same quarter last year due to the revenue decline.

Belgium (discontinued operations)

On 20 April 2015, KPN announced the sale of BASE Company. As per Q2 2015, BASE Company is reported as discontinued operations. BASE Company continues to be included in KPN's segment reporting until the sale is completed. The European Commission is currently reviewing the transaction and has set a provisional deadline of 3 March 2016 to make a final decision.

BASE Company's network investments led to approximately 88% 4G coverage of the Belgian population at the end of Q3 2015.

Belgium (in EUR m)	Q3 2015	Q3 2014	Δ y-on-y	YTD 2015	YTD 2014	Δ y-on-y
Revenues	170	176	-3.4%	508	531	-4.3%
Adjusted revenues	170	176	-3.4%	508	531	-4.3%
EBITDA	46	38	21%	118	115	2.6%
Adjusted EBITDA	46	38	21%	118	118	0.0%

Adjusted revenues decreased by 3.4% y-on-y in Q3 2015. This was mainly due to phasing out of the fixed offering SNOW and a mobile service revenue decline of 0.7% y-on-y. Adjusted EBITDA increased 21% y-on-y, supported by a strong cost focus, phasing out of SNOW and the absence of site tax expenses compared to the same period last year as the expenses for the full year 2015 were recorded in Q1 2015. This resulted in an adjusted EBITDA margin of 27.1% (Q3 2014: 21.6%).

In Q3 2015, BASE Company added 13k postpaid subscribers supported by its new mobile portfolio. Postpaid ARPU remained stable y-on-y at EUR 31.

Analysis of adjusted results Q3 2015

The following table shows the key items between reported and adjusted revenues. BASE Company continues to be included in KPN's segment reporting until the sale is completed.

Revenues (in EUR m)	Q3 2015 reported	Incidentals	Q3 2015 adjusted	Q3 2014 reported	Incidentals	Q3 2014 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
Consumer Mobile	376	-	376	354	-	354	6.2%	6.2%
Consumer Residential	486	-	486	477	-	477	1.9%	1.9%
Business	655	-	655	706	-	706	-7.2%	-7.2%
NetCo	548	-	548	557	-	557	-1.6%	-1.6%
Other	-514	-	-514	-529	-	-529	-2.8%	-2.8%
The Netherlands	1,551	-	1,551	1,565	-	1,565	-0.9%	-0.9%
iBasis	241	-	241	243	-	243	-0.8%	-0.8%
Belgium (discontinued operations)	170	-	170	176	-	176	-3.4%	-3.4%
Other activities	4	-	4	54	-	54	-93%	-93%
Intercompany revenues	-41	-	-41	-60	-	-60	-32%	-32%
KPN Group	1,925	-	1,925	1,978	-	1,978	-2.7%	-2.7%
<i>Of which discontinued operations</i>	<i>161</i>	-	<i>161</i>	<i>167</i>	-	<i>167</i>	<i>-3.6%</i>	<i>-3.6%</i>
KPN Group continuing operations	1,764	-	1,764	1,811	-	1,811	-2.6%	-2.6%

There were no revenue incidentals in Q3 2015 and Q3 2014.

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

EBITDA (in EUR m)	Q3 2015 reported	Incidentals	Restruc- turing	Q3 2015 adjusted	Q3 2014 reported	Incidentals	Restruc- turing	Q3 2014 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
Consumer Mobile	85	-	-5	90	47	-	-	47	81%	91%
Consumer Residential	112	-	-1	113	108	-	-1	109	3.7%	3.7%
Business	119	-	-5	124	153	-	-5	158	-22%	-22%
NetCo	329	-	-3	332	302	-	-2	304	8.9%	9.2%
Other The Netherlands	-23	-	-10	-13	-3	-	1	-4	>100%	>100%
	622	-	-24	646	607	-	-7	614	2.5%	5.2%
iBasis	6	-	-	6	7	-	-	7	-14%	-14%
Belgium (discontinued operations)	46	-	-	46	38	-	-	38	21%	21%
Other activities	-25	-6	-8	-11	-19	-	-10	-9	32%	22%
KPN Group	649	-6	-32	687	633	-	-17	650	2.5%	5.7%
<i>Of which discontinued operations</i>	47	-	-	47	38	-	-	38	24%	24%
KPN Group continuing operations	602	-6	-32	640	595	-	-17	612	1.2%	4.6%

The following table specifies the EBITDA incidental in more detail.

EBITDA incidentals (in EUR m)	Segment	Q3 2015	Q3 2014
Change in provision	Other activities	-6	-
KPN Group		-6	-
<i>Of which discontinued operations</i>		-	-
KPN Group continuing operations		-6	-

Analysis of adjusted results YTD 2015

The following table shows the key items between reported and adjusted revenues. BASE Company continues to be included in KPN's segment reporting until the sale is completed.

Revenues (in EUR m)	YTD 2015 reported	Incidentals	YTD 2015 adjusted	YTD 2014 reported	Incidentals	YTD 2014 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
Consumer Mobile	1,094	-	1,094	1,055	-	1,055	3.7%	3.7%
Consumer Residential	1,447	-	1,447	1,436	-	1,436	0.8%	0.8%
Business	1,987	-10	1,997	2,168	5	2,163	-8.3%	-7.7%
NetCo	1,639	-	1,639	1,696	17	1,679	-3.4%	-2.4%
Other	-1,544	-	-1,544	-1,589	-	-1,589	-2.8%	-2.8%
The Netherlands	4,623	-10	4,633	4,766	22	4,744	-3.0%	-2.3%
iBasis	702	-	702	700	-	700	0.3%	0.3%
Belgium (discontinued operations)	508	-	508	531	-	531	-4.3%	-4.3%
Other activities	34	-	34	152	-	152	-78%	-78%
Intercompany revenues	-121	-	-121	-171	-	-171	-29%	-29%
KPN Group	5,746	-10	5,756	5,978	22	5,956	-3.9%	-3.4%
<i>Of which discontinued operations</i>	<i>483</i>	<i>-</i>	<i>483</i>	<i>502</i>	<i>-</i>	<i>502</i>	<i>-3.8%</i>	<i>-3.8%</i>
KPN Group continuing operations	5,263	-10	5,273	5,476	22	5,454	-3.9%	-3.3%

The following table specifies the revenue incidentals in more detail.

Revenue incidentals (in EUR m)	Segment	YTD 2015	YTD 2014
Revenue related provision	Business	-10	-
Sale of fixed assets (hardware)	Business	-	5
Change in provision	NetCo	-	17
KPN Group		-10	22
<i>Of which discontinued operations</i>		<i>-</i>	<i>-</i>
KPN Group continuing operations		-10	22

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

EBITDA (in EUR m)	YTD 2015 reported	Incidentals	Restruc- turing	YTD 2015 adjusted	YTD 2014 reported	Incidentals	Restruc- turing	YTD 2014 adjusted	Δ y-on-y reported	Δ y-on-y adjusted
Consumer Mobile	225	-	-8	233	152	-	-1	153	48%	52%
Consumer Residential	316	-	-3	319	308	-	-7	315	2.6%	1.3%
Business	327	-10	-37	374	444	5	-18	457	-26%	-18%
NetCo	955	6	-11	960	920	17	-3	906	3.8%	6.0%
Other The Netherlands	-34	-	-8	-26	-30	-	-2	-28	13%	-7.1%
	1,789	-4	-67	1,860	1,794	22	-31	1,803	-0.3%	3.2%
iBasis	17	-	-	17	17	-	-	17	0.0%	0.0%
Belgium (discontinued operations)	118	-	-	118	115	-	-3	118	2.6%	0.0%
Other activities	-59	-1	-19	-39	398	451	-19	-34	n.m.	15%
KPN Group	1,865	-5	-86	1,956	2,324	473	-53	1,904	-20%	2.7%
<i>Of which discontinued operations</i>	119	-	-	119	114	-	-3	117	4.4%	1.7%
KPN Group continuing operations	1,746	-5	-86	1,837	2,210	473	-50	1,787	-21%	2.8%

The following table specifies the EBITDA incidentals in more detail.

EBITDA incidentals (in EUR m)	Segment	YTD 2015	YTD 2014
Revenue related provision	Business	-10	-
Sale of fixed assets (hardware)	Business	-	5
Release of asset retirement obligation	NetCo	6	-
Change in provision	NetCo	-	17
Change in provision	Other activities	-1	-
Release of pension provision	Other activities	-	451
KPN Group		-5	473
<i>Of which discontinued operations</i>		-	-
KPN Group continuing operations		-5	473

Group review and other developments

Group financial review (continuing operations)

Adjusted Group revenues were 2.6% lower y-on-y in Q3 2015. KPN continued to grow its customer base for nearly all main consumer and business services, however this was still offset by the impact of the ongoing decline of the business market size.

Adjusted Group EBITDA increased by 4.6% y-on-y in Q3 2015 as the revenue decline was offset by the positive impact of cost savings and lower subscriber acquisition and retention costs driven by lower churn. The adjusted Group EBITDA margin for Q3 2015 increased to 36.3% (Q3 2014: 33.8%). The adjusted EBITDA margin for The Netherlands in Q3 2015 increased to 41.7% (Q3 2014: 39.2%).

Group operating profit (EBIT) increased by EUR 11m y-on-y in Q3 2015 to EUR 204m. Net profit amounted to EUR 87m in Q3 2015, EUR 162m higher y-on-y. The increase in net profit was mainly driven by lower net finance costs y-on-y as a result of the increase in the option liability for Reggefiber (EUR 114m) in Q3 2014 and a lower gross debt level in Q3 2015.

Capex increased to EUR 945m in the first nine months of 2015 compared to EUR 825m in the first nine months of 2014 due to different intrayear phasing. Capex in The Netherlands would have declined by EUR 51m to EUR 937m (Q3 2014: EUR 988m), when including Reggefiber Capex also before consolidation (1 November 2014). Capital intensity is still relatively high due to investment programs in network capacity and speed, new technologies and investments related to the Simplification program. In fixed, FttC/FttH investments will drive fiber penetration to approximately 80% of Dutch households at the end of 2016, which is expected to result in approximately 85% coverage of households with access to speeds of at least 100Mbps. In mobile, additional investments to increase available download speeds via carrier aggregation with 1800MHz are expected to be completed by the end of 2016. Finally, IT investments related to the Simplification program are higher in 2015, which will drive Capex savings in 2016 and beyond.

KPN made further progress with its Simplification program in Q3 2015 and has realized run-rate Capex and opex savings of approximately EUR 250m, and approximately 1,350 FTE reductions since the end of 2013. KPN targets annual run-rate savings related to the Simplification program of more than EUR 400m by 2016 versus 2013 as well as 2,000-2,500 FTE reductions by 2016 versus the level at the end of 2013.

Free cash flow for the first nine months of 2015 was EUR 447m higher y-on-y at EUR 475m. When excluding the EUR 146m dividend received from Telefónica Deutschland, free cash flow for the first nine months of 2015 was EUR 329m, EUR 301m higher y-on-y. This was a result of EUR 171m lower interest paid, EUR 162m more cash from change in provisions¹ and EUR 79m more cash from change in working capital, partly offset by EUR 120m higher Capex. The lower gross debt level resulted in lower interest payments and the improvement in change in provisions was mainly driven by settlement of legal claims and an additional pension payment in 2014. The higher cash from change in working capital was mainly driven by different intrayear phasing, but also reflected some structural improvements.

¹ Excluding release of EUR 451m pension provision in Q2 2014

Net debt to EBITDA

Net debt amounted to EUR 7.5bn at the end of Q3 2015, somewhat higher compared to the end of Q2 2015 (EUR 7.3bn). The increase in net debt was driven by dividend payments, partly offset by KPN's free cash flow generation in Q3 2015. The net debt to EBITDA ratio remained stable at 2.8x at the end of Q3 2015. KPN has additional financial flexibility via the 20.5% stake in Telefónica Deutschland and expected cash proceeds of EUR 1,325m related to the sale of BASE Company.

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

Subsequent events

On 21 October 2015, KPN announced that KPN, BASE Company, Mobistar and Proximus agreed to settle all outstanding litigation between BASE Company, Mobistar and Proximus related to the practice of applying tariffs from the past for mobile telecommunication services that are differentiated between on-net and off-net voice communications. The settlement proceeds amount to EUR 120m of which EUR 66m is paid to BASE Company and the remainder to Mobistar. As announced in the press release on 20 April 2015, KPN will sell BASE Company to Telenet. As part of the agreement KPN will be entitled to the majority of the settlement proceeds of BASE Company.