

**UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS OF KPN  
MOBILE GERMANY GMBH & CO. KG IN ACCORDANCE WITH IFRS ON INTERIM FINANCIAL  
REPORTING (IAS 34) AS OF AND FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014**

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

In kEUR	1st half	
	2014	2013
Revenues [1]	1,582,980	1,523,780
Other income	1,443	3,679
<b>Total revenues and other income</b>	<b>1,584,423</b>	<b>1,527,459</b>
Own work capitalized	-18,082	-18,042
Cost of materials [2]	103,739	122,260
Work contracted out [3]	704,051	711,285
Employee benefits	145,661	136,967
Depreciation, amortization and impairments [4]	499,365	501,207
Other operating expenses [5]	164,648	144,224
<b>Total operating expenses</b>	<b>1,599,382</b>	<b>1,597,901</b>
<b>Operating loss</b>	<b>-14,959</b>	<b>-70,442</b>
Finance income	370	9,061
Finance costs	-619,148	-15,553
Other financial result	-6,293	-10,878
<b>Total financial costs [6]</b>	<b>-625,071</b>	<b>-17,370</b>
<b>Loss before income tax</b>	<b>-640,030</b>	<b>-87,812</b>
Income taxes [7]	260,085	24,789
<b>Loss for the period</b>	<b>-379,945</b>	<b>-63,023</b>

[..] Bracketed numbers refer to the related Notes to the condensed consolidated interim financial statements, which form an integral part of these condensed consolidated interim financial statements.

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<b>In kEUR</b>	<b>1st half</b>	
	<b>2014</b>	<b>2013</b>
<b>Loss for the period</b>	<b>-379,945</b>	<b>-63,023</b>
<b>Other comprehensive income:</b>		
Items of other comprehensive income that will not be reclassified subsequently to profit or loss:		
Remeasurement of pensions and other post-employment plans:		
Losses or (gains) arising during the period	-10,000	3,967
Income Tax	2,482	-1,120
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	<b>-7,518</b>	<b>2,847</b>
<b>Remeasurements, net of income</b>	<b>-7,518</b>	<b>2,847</b>
<b>Total comprehensive income for the period, net of income tax</b>	<b>-387,463</b>	<b>-60,176</b>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Group Assets

In kEUR	30 June 2014	31 December 2013
<b>NON-CURRENT ASSETS</b>		
Goodwill	151,305	151,305
Licenses	1,552,046	1,667,444
Software	157,888	156,072
Other intangible assets	22,158	25,939
<b>Total intangible assets</b>	<b>1,883,397</b>	<b>2,000,760</b>
Land and buildings	44,197	47,305
Property, plant and equipment	2,550,496	2,538,437
Other tangible assets	7,991	9,497
Assets under construction	243,526	260,035
<b>Total property, plant and equipment</b>	<b>2,846,210</b>	<b>2,855,274</b>
Other non-current assets	50,070	52,024
<b>Total non-current assets</b>	<b>4,779,677</b>	<b>4,908,058</b>
<b>CURRENT ASSETS</b>		
Inventories [8]	25,159	49,937
Trade and other financial receivables [9]	322,647	270,435
Other current assets [10]	118,035	66,112
Cash and cash equivalents [11]	354,753	484,270
<b>Total current assets</b>	<b>820,594</b>	<b>870,754</b>
<b>TOTAL ASSETS</b>	<b>5,600,271</b>	<b>5,778,812</b>

[..] Bracketed numbers refer to the related Notes to the condensed consolidated interim financial statements which form an integral part of these condensed consolidated interim financial statements.

## Group Equity and Liabilities

In kEUR	30 June 2014	31 December 2013
<b>GROUP EQUITY</b>		
Fixed partnership capital <sup>1</sup>	10,102	10,000
Additional contributions from partners <sup>1</sup>	1,434,630	1,260,644
Retained earnings	-6,070,149	-5,682,686
<b>Total Group equity</b>	<b>-4,625,417</b>	<b>-4,412,042</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings [12]	6,747,189	6,143,874
Finance lease liabilities [13]	107,178	109,394
Provisions for retirement benefit obligations [14]	48,262	36,582
Provisions for other liabilities and charges [15]	167,956	165,464
Other payables and deferred income	8,172	8,968
Deferred income tax liabilities	1,949,225	2,215,524
<b>Total non-current liabilities</b>	<b>9,027,982</b>	<b>8,679,806</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables [16]	775,369	953,765
Borrowings [12]	5,271	42,825
Finance lease liabilities [13]	287,662	243,139
Income tax payables	115,735	249,556
Provisions for other liabilities and charges [15]	13,669	21,763
<b>Total current liabilities</b>	<b>1,197,706</b>	<b>1,511,048</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,600,271</b>	<b>5,778,812</b>

[..] Bracketed numbers refer to the related notes to the condensed consolidated interim financial statements which form an integral part of these condensed consolidated interim financial statements.

<sup>1)</sup> For further details regarding the change in fixed partnership capital and additional contribution from partners refer to Note "Changes in the composition of the Group"

## UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

In kEUR	Six months ended 30 June 2014	Six months ended 30 June 2013
Loss before income tax	-640,030	-87,812
Adjustments for:		
– Net finance costs [6]	622,456	6,590
– Income from investments	2,579	8,867
– Depreciation, amortization and impairments [4]	499,365	501,207
– Changes in provisions (excluding deferred taxes)	-6,680	-51,409
Changes in working capital relating to:		
– Inventories	-175,338	-173,830
– Trade receivables and other receivables	-106,073	-72,639
– Trade payables and other payables	-179,367	2,771
Income taxes received (+) / paid (-)	-120,810	-3,704
Interest received (+) / paid (-)	-29,994	-9,981
<b>Net cash flow provided by/used in operating activities [17]</b>	<b>-133,892</b>	<b>120,060</b>
Acquisition of investments to be consolidated	-	-100,054
Acquisition of investments	-2,634	-2,700
Investments in intangible assets	-37,848	-41,452
Disposals of fixed assets	-	15
Investments in property, plant and equipment	-133,844	-193,131
<b>Net cash flow used in investing activities [17]</b>	<b>-174,326</b>	<b>-337,322</b>
Payment of finance lease liabilities	-158,455	-59,571
Cash received from loans	200,114	161,109
Payments from partners	137,042	-
<b>Net cash flow provided by financing activities [17]</b>	<b>178,701</b>	<b>101,538</b>
<b>Changes in cash and cash equivalents</b>	<b>-129,517</b>	<b>-115,724</b>
Net cash and cash equivalents at the beginning of the period [11]	484,270	618,108
<b>Net cash and cash equivalents at the end of the period [11]</b>	<b>354,753</b>	<b>502,384</b>

[..] Bracketed numbers refer to the related notes to the condensed consolidated interim financial statements which form an integral part of these condensed consolidated interim financial statements.

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

In kEUR	Fixed partnership capital	Additional contributions from partners	Retained earnings	Total Group equity
<b>Balance as of 1 January 2013</b>	<b>10,000</b>	<b>1,260,644</b>	<b>-5,918,120</b>	<b>-4,647,476</b>
Loss for the period	-	-	-63,023	-63,023
Other comprehensive income for the year	-	-	2,847	2,847
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-60,176</b>	<b>-60,176</b>
Acquisitions	-	-	56,548	56,548
Capital Contribution	-	-	-	-
<b>Total transactions with owners, recognized directly in equity</b>	<b>-</b>	<b>-</b>	<b>56,548</b>	<b>56,548</b>
<b>Balance as of 30 June 2013</b>	<b>10,000</b>	<b>1,260,644</b>	<b>-5,921,748</b>	<b>-4,651,104</b>
<b>Balance as of 1 January 2014</b>	<b>10,000</b>	<b>1,260,644</b>	<b>-5,682,686</b>	<b>-4,412,042</b>
Loss for the period	-	-	-379,945	-379,945
Other comprehensive income for the period	-	-	-7,518	-7,518
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-387,463</b>	<b>-387,463</b>
Capital contribution <sup>1</sup>	102	173,986	-	174,088
<b>Total transactions with owners, recognized directly in equity</b>	<b>102</b>	<b>173,986</b>	<b>-</b>	<b>174,088</b>
<b>Balance as of 30 June 2014</b>	<b>10,102</b>	<b>1,434,630</b>	<b>-6,070,149</b>	<b>-4,625,417</b>

[..] Bracketed numbers refer to the related notes to the condensed consolidated interim financial statements which form an integral part of these condensed consolidated interim financial statements.

<sup>1)</sup> For further details regarding the change in fixed partnership capital and additional contribution from partners refer to Note "Changes in the composition of the Group"

## I. GENERAL NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### General information

KPN Mobile Germany GmbH & Co. KG (KPN Mobile or the Company), formerly named E-Plus Mobilfunk GmbH & Co. KG, was incorporated in 1999 and is domiciled in Düsseldorf, Germany. The name of the company was changed from E-Plus Mobilfunk GmbH & Co. KG to KPN Mobile Germany GmbH & Co. KG on June 23, 2014. The address of its registered office is E-Plus Straße 1, 40472 Düsseldorf, Germany.

KPN Mobile is one of the leading telecommunications providers in Germany, offering mobile telephony, mobile broadband internet and further other services concerning telecommunication and communication. The Company pursues a challenger strategy and offers mobile telephony products and services to retail customers.

E-Plus Mobilfunk Geschäftsführungs GmbH, Düsseldorf, the general partner and direct parent to the Company, has an interest of 23.28% (kEUR 2,352) and KPN Mobile Germany III B.V., The Hague, Netherlands, has an interest of 76.72% (kEUR 7,750) in the fixed partnership capital of the Company. The ultimate parent of the Company is Koninklijke KPN N.V., The Hague, Netherlands (KPN).

The condensed consolidated interim financial statements of KPN Mobile and its subsidiaries (the Group or E-Plus Group) for the six months ended June 30, 2014 have been prepared using uniform group accounting policies in accordance with the International Financial Reporting Standards (IFRS) and the Interpretations (IFRIC) issued by the IFRS Interpretations Committee as endorsed by the European Union and apply the stipulations of IAS 34 'Interim Financial Reporting'.

Per its German GAAP statutory annual financial statements, the Company is financially over indebted with a negative shareholders' equity of kEUR 17,569,205 (previous year kEUR 17,420,930) as of December 31, 2013. In order to avoid insolvency, the lender of the shareholder loans to the Company agreed on a subordination of the debt in addition to a waiver on any claims for payment of both principal and interest on these loans as long as the state of over indebtedness is not remedied. Therefore, the German statutory annual financial statements as well as these condensed consolidated interim financial statements of the Company are prepared on a going concern basis.

The condensed consolidated interim financial statements are presented in Euros (EUR). Individual items in the condensed consolidated interim financial statements and the notes to the condensed consolidated interim financial statements are presented in thousands of euros (kEUR) in accordance with commercial rounding practices.

The Group's operations are not subject to any seasonal or cyclical influences. The Group's operating and financial results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period or for the full fiscal year. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements as at December 31, 2013 and the notes thereto.

These condensed interim financial statements for the 6 months ended June 30, 2014 have been reviewed, not audited. These condensed consolidated interim financial statements were approved for issuance by the Board of Management on July 18, 2014.

### Accounting policies

The accounting and consolidation principles applied in these condensed consolidated interim financial statements are principally the same as those used for the consolidated financial statements as of December 31, 2013 with two exceptions. First, taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss, in accordance with IAS 34. Second, changes resulting from the application of new or revised accounting standards that are applicable for the first time in the fiscal year 2014 can affect the Group's accounting and consolidation principles.

The following new standards and interpretations and amendments to existing standards became effective on January 1, 2014 and have been applied in preparing these condensed consolidated interim financial statements.

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 27 'Separate Financial Statements'
- IAS 28 'Investments in Associates and Joint Ventures'
- IAS 32 'Financial Instruments: Presentation': Amendments for offsetting financial assets and financial liabilities
- IAS 39 'Financial Instruments: Recognition and Measurement': Novation of Derivatives and Continuation of Hedge Accounting

The initial application of these standards did not have any material effect on the Group's financial position or its performance.



The preparation of interim financial statements in conformity with IFRS requires the Group's management to make estimates, assessments and assumptions that may affect the amounts of assets and liabilities and income and expenses reported, as well as affect the reporting of any contingent assets and liabilities at the reporting date. Actual future amounts may differ from those estimates. Changes in estimates, assessments and assumptions can have a material impact on the Group's consolidated financial statements.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2013.

### **Changes in the composition of the Group**

#### ***Contribution of shares in E-Plus Service GmbH & Co. KG***

As part of a share transfer agreement between KPN Mobile and E-Plus Geschäftsführungs GmbH dated January 29, 2014, E-Plus Geschäftsführungs GmbH transferred its 5% share in E-Plus Service GmbH & Co. KG to KPN Mobile as a contribution in kind. Therefore, the condensed consolidated financial statements do no longer contain non-controlling interests which were disclosed as borrowings in the consolidated financial statements for the year ended December 31, 2013. The contribution was accounted for at group carrying values as its economic substance is that of a transaction with the Group's shareholders and led to an increase in the Group's equity amounting to kEUR 37,045 with a corresponding decrease in other loans (within borrowings, current) of kEUR 37,045.

Following the transaction, the articles of association of KPN Mobile were amended so as to increase the fixed partnership capital of E-Plus Geschäftsführungs GmbH in KPN Mobile by kEUR 102, resulting in a total fixed partnership capital of kEUR 10,102. Accordingly, the remaining amount of the contribution equaling kEUR 36,943 was recorded as an additional contribution from partners within the Group's equity.

#### ***Contribution to Additional Contributions from Partners***

In accordance with the Guarantee Letter dated March 28, 2014, the shareholder has paid an additional contribution into additional contribution from partners in the amount of kEUR 137,043.

#### ***Merger of E-Plus 3G Luxembourg S.à.r.l. into E-Plus 3G GmbH***

Pursuant to the merger plan dated December 13, 2013, the Company as the sole shareholder of E-Plus 3G Luxembourg S.à.r.l. (3G Lux) transferred its holding in 3G Lux into E-Plus 3G GmbH by way of an increase in share capital against contribution in kind. The registration of the merger dated March 13, 2014. Subsequently, pursuant to the merger agreement dated March 26, 2014 E-Plus 3G GmbH was merged into KPN Mobile.

3G Lux and E-Plus 3G GmbH have been deleted from the commercial register with registration dated March 17, 2014 and June 23, 2014, respectively.

#### ***Hive-Down of Business into E-Plus Transition GmbH & Co. KG***

With registration in the commercial register June 23, 2014 KPN Mobile transferred by way of hive-down its business into E-Plus Mobilfunk GmbH & Co. KG, formally named E-Plus Transition GmbH & Co. KG, fully owned by KPN Mobile with E-Plus Mobilfunk Geschäftsführungs GmbH ("EPM GF") as general partner. The contribution covered KPN Mobile business assets, equity and liabilities except for existing shareholder loans toward KPN Mobile N.V. and all tax liabilities. Since E-Plus Mobilfunk GmbH & Co. KG is a fully owned subsidiary of KPN Mobile, the transaction has only impact on the tax position of the group (see Note 7).

## II. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### [1] Revenues

In kEUR	Six months ended June 30, 2014	Six months ended June 30, 2013
Sale of goods	67,811	50,144
Revenues from services	1,492,522	1,449,525
Other revenues	22,647	24,111
<b>Total revenues</b>	<b>1,582,980</b>	<b>1,523,780</b>

Revenues from services included traffic and subscription fees for the usage of E-Plus Group's networks, handset leasing fees, one-off connection and other initial fees. Sale of goods included peripheral and other equipment.

Sale of goods increased in the first six months of 2014 as compared to the first six months of 2013 mainly due to the growing sale of handsets (kEUR 15,676) and accessories (kEUR 1,124). The growth of revenue from services is due to expansion of the subscriber basis (kEUR 91,102) partly compensated by the decrease of the average revenue per user (kEUR 48,105).

### [2] Costs of materials

The cost of materials includes the cost of sold handsets, accessories and simcards and amounts for the first half year 2014 to kEUR 103,739 (First half year 2013: kEUR 122,260). In the first half year 2014 the cost decreased mainly due to lower purchase prices for smartphones.

### [3] Work contracted out

In kEUR	Six months ended June 30, 2014	Six months ended June 30, 2013
Interconnection	166,493	178,642
Roaming	40,570	42,831
Dealer commissions	201,065	183,309
Infrastructure expenses	134,731	134,758
IT-Services	51,974	58,460
Network maintenance	35,934	32,408
Rental of technique locations and shops	26,374	24,949
Customer Care	17,228	18,249
Other	29,682	37,679
<b>Total costs of work contracted out</b>	<b>704,051</b>	<b>711,285</b>

Decrease of interconnection fees result mainly from decrease of Mobile Termination Rates (MTR) at the beginning of December 2013 from 1.85 ct/min to 1.79 ct/min. Additionally on July 1, 2013 the retail price caps for roaming calls, SMS and data services in the European Union (EU) were reduced in accordance with EU Roaming Regulation.

Dealer commissions in connection with new contracts increased from June 30, 2013 to June 30, 2014 mainly due to a higher customer base.

### [4] Depreciation, amortization and impairments

In kEUR	Six months ended June 30, 2014	Six months ended June 30, 2013
Amortization of licenses	115,398	115,398
Amortization of software and other intangibles	39,817	34,080
Impairments of software and other intangibles	-	44,446
<b>Total amortization and impairments of intangible assets</b>	<b>155,215</b>	<b>193,924</b>
Depreciation of property, plant and equipment	344,150	307,283
<b>Total depreciation of property, plant and equipment</b>	<b>344,150</b>	<b>307,283</b>
<b>Total depreciation, amortization and impairments</b>	<b>499,365</b>	<b>501,207</b>

In the first half 2013, software was impaired resulting in an impairment loss of kEUR 44,446. The impairment was related to the abandonment of a project to develop a new IT infrastructure.

The increase of depreciation and impairment of property, plant and equipment, in the first half 2014, is due to the leaseback of handsets where the Group is a lessee under a finance lease (see Note 13).

**[5] Other operating expenses**

<b>In kEUR</b>	<b>Six months ended June 30, 2014</b>	<b>Six months ended June 30, 2013</b>
Marketing and promotion expenses	101,917	141,276
Addition/release to/from the provision	6,938	-31,834
Addition/release to/from the provision for impairment of trade receivables	23,730	9,307
Consulting fees	6,158	9,857
Other	25,905	15,618
<b>Total other operating expenses</b>	<b>164,648</b>	<b>144,224</b>

Marketing and promotion expenses as of June 30, 2014 decreased in the amount of kEUR 39,359 compared to June 30, 2013 mainly due to reduced marketing expenses for television and public advertising campaigns.

In the six months ended June 30, 2013, releases of provisions for asset retirement obligations amounted to kEUR 26,147 due to a new estimation on past experiences. Also in the first half year 2013, releases of restructuring provisions in an amount of kEUR 5,687 were recognized within other operating expenses. The increase in provision for doubtful debt/losses on receivables relates mainly to a higher failure rate of consumers with an impact of kEUR 12,027.

The line item other comprises mainly administrative costs like office rents and travel expenses.

**[6] Total financial costs**

<b>in kEUR</b>	<b>Six months ended June 30, 2014</b>	<b>Six months ended June 30, 2013</b>
Fair value adjustment on shareholder loans	-	8,803
Interest income	370	258
<b>Finance income</b>	<b>370</b>	<b>9,061</b>
Fair value adjustment on shareholder loans	603,315	-
Interest expenses	15,833	15,553
Other financial result	6,293	10,878
<b>Finance costs</b>	<b>625,441</b>	<b>26,431</b>
<b>Total financial costs [6]</b>	<b>625,071</b>	<b>17,370</b>

The expenses contained in other financial result mainly relate to impairment of available for sale financial assets of kEUR 2,633 in the first six months of 2014 (June 30, 2013: kEUR 8,010) as well as adjustments of contingent consideration of Multiconnect GmbH (please refer to Note 18).

Please refer to Note 18 for further details on the fair value measurement of the shareholder loans.

**[7] Taxation**

**Income tax**

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to June 30, 2014 is 24.82% (the estimated tax rate for the six months ended June 30, 2013 was 28.23%). The profit from income taxes recognized in the income statement as of June 30, 2014 amounts to kEUR 260,085 (June 30, 2013: kEUR 24,789).

Furthermore, the profit from income taxes directly recognized in other comprehensive income amounts to kEUR 2,482 as of June 30, 2014 (June 30, 2013: income tax expenses of kEUR 1,120).

The estimated average annual tax rate is influenced by the restructuring steps as described in the Note "Changes in the composition of the Group" that became effective in 2014. The restructuring steps within E-Plus Group have led to a one-time effect in the way of an extraordinary decrease of the net amount of deferred tax liabilities due to lower timing differences following the Hive-Down performed at fair-market value for tax purposes. This one time effect of kEUR 101,230 is considered as a discrete item and does not affect the estimated average tax rate mentioned above.

### III. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

#### [8] Inventories

In kEUR	June 30, 2014	December 31, 2013
Trading inventory	28,865	59,407
<b>Total inventories, gross</b>	<b>28,865</b>	<b>59,407</b>
Provision for obsolescence	-3,706	-9,470
<b>Total inventories, net</b>	<b>25,159</b>	<b>49,937</b>

Trading inventory mainly includes smartphones and phone accessories. Inventories in the amount of kEUR 103,739 (2013: kEUR 122,260) were recognized as an expense during the first six months of 2014. As of June 2014 the value of stock decreased due to a lower volume of handsets and lower prices for smartphones.

#### [9] Trade and other financial receivables

The carrying amounts of trade and other financial receivables approximate to their fair value. Current trade and other receivables are non-interest bearing.

In kEUR	June 30, 2014	December 31, 2013
Trade receivables	300,016	261,008
Other financial receivables	22,631	9,427
<b>Total</b>	<b>322,647</b>	<b>270,435</b>
Trade receivables, gross	351,160	315,807
Provision for doubtful receivables	51,144	54,799
<b>Total</b>	<b>300,016</b>	<b>261,008</b>

The increase of trade receivables relates to the rise of receivables from end customers and roaming partners.

#### [10] Other current assets

In the first half 2014, other current assets increased by kEUR 51,923 to kEUR 118,035. This is the result of the annual payment for prepaid rent and leased lines due each year in January.

#### [11] Cash and cash equivalents

At June 30, 2014, cash and cash equivalents amounted to kEUR 354,753 (kEUR 484,270 at December 31, 2013). These consist of bank balances of kEUR 353,840 (kEUR 482,867 at December 31, 2013) and cash on hand in the amount of kEUR 913 (kEUR 1,403 at December 31, 2013).

In January 2014 KPN Mobile has made the annual advance payment for rent of kEUR 138,682.

#### [12] Borrowings

The carrying amounts of borrowings are as follows:

In kEUR	June 30, 2014	December 31, 2013
Shareholder loans	6,747,189	6,143,874
Other loans	5,271	42,825
<b>Total</b>	<b>6,752,460</b>	<b>6,186,699</b>
- of which: current	5,271	42,825
- of which: non-current	6,747,189	6,143,874

The reduction in other loans in the first half year of 2014 is mainly related to the transfer of a 5% share in E-Plus Service GmbH & Co. KG to the Company by its parent company as a contribution in kind. For further details please refer to the above note on changes in the composition of the Group.

As described in Note 25 and 30 to the consolidated financial statements as at December 31, 2013, the shareholder loans, granted by KPN, are related party transactions in accordance with IAS 24.

Please refer to Note 18 for further details on the fair value measurement of the shareholder loans.

### [13] Finance lease liabilities

The Group's finance lease liabilities are split into non-current and current amounts as follows and relate to sale and leaseback transactions as described below:

In kEUR	June 30, 2014	December 31, 2013
Finance lease liabilities	394,840	352,533
- of which: non-current <sup>1</sup>	107,178	109,394
- of which: current	287,662	243,139

<sup>1)</sup> The non-current minimum lease payments are all due within 1 - 5 years

#### Sale and leaseback transactions

Handsets in the amount of kEUR 212,863 (June 30, 2013: kEUR 173,079) were sold in the six months ended June 30, 2014 to a German leasing company under a sale-and-lease-back contract. The sold handsets were capitalized as the lease-backs qualify as finance leases under IFRS and are shown within property, plant and equipment. The purpose of these leasing transactions mainly lies in the optimization of the Group's liquidity. The lease terms are between two and three years, feature fixed rentals based on the cost of the handsets to the lessor and include neither purchase nor renewal options.

In the first six months of 2014 finance lease liabilities increased with agreement of the new sale-and-lease-back contracts and only few old contracts expired.

The following table provides the reconciliation between the total of future minimum lease payments at the end of the reporting period and their present value:

In kEUR	June 30, 2014	December 31, 2013
Gross finance lease liabilities – minimum lease payments:		
Less than 1 year	301,231	254,728
1- 5 years	112,153	114,394
More than 5 years	-	-
<b>Total</b>	<b>413,384</b>	<b>369,122</b>
Future finance charges on finance lease liabilities	-18,544	-16,589
<b>Present value of finance lease liabilities</b>	<b>394,840</b>	<b>352,533</b>

Property, plant and equipment include the following amounts related to the leaseback of handsets where the Group is a lessee under a finance lease:

In kEUR	June 30, 2014	December 31, 2013
Cost-capitalized finance lease	752,787	552,673
Accumulated depreciation	390,357	223,771
<b>Total</b>	<b>362,430</b>	<b>328,902</b>

The Group subleases these handsets to customers as part of postpaid contracts with a two year lease term (without renewal or purchase options) and fixed lease payments. The future minimum lease payments from these subleases are included in the following table:

In kEUR	June 30, 2014	December 31, 2013
Less than 1 year	251,426	224,284
1- 5 years	81,920	84,616
More than 5 years	-	-
<b>Total</b>	<b>333,346</b>	<b>308,900</b>

The future minimum lease payments receivable from customers are pledged to the buyer-lessor of the handsets.

#### [14] Provisions for retirement benefit obligations

##### Net defined benefit liability (asset)

Provisions for retirement benefit obligations consist of pension provisions and provisions for partial retirement.

In kEUR	June 30, 2014	December 31, 2013
Pensions	45,740	34,485
Partial retirement	2,522	2,097
<b>Total</b>	<b>48,262</b>	<b>36,582</b>

The movement in the defined benefit obligation, plan assets and the net defined benefit liability is as follows:

In kEUR	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
<b>Balance as of December 31, 2013</b>	<b>43,850</b>	<b>-9,365</b>	<b>34,485</b>
<b>Included in profit or loss</b>			
Operating expense:			
current service costs	789	-	789
Interest costs (income)	827	-176	651
<b>Total</b>	<b>1,616</b>	<b>-176</b>	<b>1,440</b>
<b>Included in OCI</b>			
Remeasurements loss (gain):			
– Actuarial loss (gain) arising from:			
Change in financial assumptions	10,000	-	10,000
<b>Total</b>	<b>10,000</b>	<b>-</b>	<b>10,000</b>
Benefits (paid) or received	-294	109	-185
<b>Balance as of June 30, 2014</b>	<b>55,172</b>	<b>-9,432</b>	<b>45,740</b>

A change in the financial assumptions of the discount rate from 3.8% to 2.9% resulted in an actuarial loss of kEUR 10,000.

#### [15] Provisions for other liabilities and charges

The following table provides a breakdown of provisions for other liabilities and charges by type of provision:

In kEUR	June 30, 2014	December 31, 2013
Restructuring provisions	12,121	13,917
Asset retirement obligations	159,097	156,338
Other provisions	10,407	16,972
<b>Balance</b>	<b>181,625</b>	<b>187,227</b>

The reduction in other provisions amounting to kEUR 6,565 is mainly related to the usage of a provision for an external VAT tax audit.

#### [16] Trade and other payables

In kEUR	June 30, 2014	December 31, 2013
Trade payables	247,519	477,693
Deferred income	200,901	192,371
Accrued expenses	302,849	271,463
Social security and other taxes payable	4,456	4,471
Other payables	19,644	7,767
<b>Total</b>	<b>775,369</b>	<b>953,765</b>

The decrease of trade payables is due to lower payables for capital expenditures and inventories at June 30, 2014 as compared to December 31, 2013.

## [17] Cash Flow

### *Net cash flow used in/ provided by operating activities*

Cash flows from operating activities are reported using the indirect method, whereby profit before income tax is adjusted for effects of non-cash transactions like depreciation and amortization or gains on sale of fixed assets. Further adjustments relate to changes in receivables, prepayments, payables, accrued expenses, deferred income, provisions and inventories. The changes in the line items in the statement of financial position are adjusted for transactions directly recognized against equity (equity-settled share-based compensation), recognized against other comprehensive income (pension obligations), recognized directly against non-current assets (asset retirement obligations) and changes related to business combinations (BLAU in the first six months of 2013), the cash flows of which are reported under cash flows from investing activities.

Net cash flow from operating activities in the first six months of 2014 and 2013, respectively, is derived from the loss of the period and mainly adjusted for non-cash transactions like:

- Net finance costs contain mainly fair value adjustments of the shareholder loans (measured at fair value through profit and loss in accordance with IAS 39.11A) amounting to expenses of kEUR 603,315 and to income of kEUR 8,803 in the first six months of 2014 and 2013 as well as depreciation and amortization expenses of kEUR 499,365 and kEUR 501,207 in the first six months of 2014 and 2013 respectively.

Furthermore, net cash flow from operating activities is characterized by the following:

- Cash outflows for inventories in the first six months of 2014 and 2013 of kEUR 175,338 and kEUR 173,830 mainly due to the purchase of handsets that were subsequently sold to a German leasing company
- Increase of receivables and prepayments due to the annual advance payment for rent (see Note 9) in January of 2013 and 2014 (kEUR 106,073 and kEUR 72,639 in the first six months of 2014 and 2013)
- Decrease of payables resulting from lower payables for capital expenditures and inventories at June 30, 2014 as compared to prior year end of kEUR 179,367 (June 30, 2013 as compared to prior year: increase of kEUR 2,771).

For the six months of 2014 net cash flow used by from operating activities amounted to kEUR -133,892 whereas in the first six months of 2013 a net cash flow of kEUR 120,060 was generated from operating activities.

### *Net cash flow used in investing activities*

In the first six months of 2013, the amount of acquisitions of subsidiaries in the consolidated statement of cash flows consisted of the acquisition of 100% of the shares of BLAU for kEUR 100,054 (kEUR 106,000 net of cash and cash equivalents acquired of kEUR 5,946). In the first six months of 2014, the investments in property, plant and equipment include cash-outflows for the build-up of new infrastructure of kEUR 133,844 (first six months of 2013: kEUR 193,131). The investments are adjusted for non-cash transactions (asset retirement obligation).

### *Net cash flow provided by/ used in financing activities*

In the first six months of 2014 and 2013, respectively, cash inflows from new loans of kEUR 200,114 and kEUR 161,000 resulted from sale-and-lease-back transactions on handsets while finance lease obligations of kEUR 158,455 and kEUR 59,571 (including interest payments), respectively, were redeemed under a sale-and-lease-back contract with a German leasing company. Additionally, in the first six months of 2014 kEUR 137,043 were paid into additional contributions from partners.

## [18] Additional disclosures on financial instruments

### Carrying amount and fair value of financial instruments

The table below summarizes the Group's financial assets and liabilities:

In kEUR	June 30, 2014		December 31, 2013		Fair Value Level
	Carrying amount	Fair Value	Carrying amount	Fair Value	
<b>Financial assets</b>					
<i>Loans and receivables</i>					
Trade and other receivables [9]					
Trade receivables <sup>1</sup>	300,016	-	261,008	-	-
Other receivables					
thereof financial instruments <sup>1</sup>	22,097	-	8,580	-	-
Cash and cash equivalents <sup>1</sup> [11]	354,753	-	484,270	-	-
<i>Available-for-sale financial assets</i>					
Other receivables [9]					
thereof financial instruments	534	534	847	847	3
Other non-current assets					
thereof financial instruments (measured at cost) <sup>2</sup>	782	-	786	-	-
thereof financial instruments	4,095	4,095	7,588	7,588	3
<b>Total financial assets</b>	<b>682,277</b>		<b>763,079</b>		
<b>Financial liabilities</b>					
<i>At fair value through profit or loss</i>					
Borrowings [12]	6,747,189	6,747,189	6,143,874	6,143,874	3
<i>Measured at amortized cost</i>					
Borrowings <sup>1</sup> [12]	5,271	-	42,825	-	-
Trade and other payables [16]					
Trade payables <sup>1</sup>	247,519	-	477,693	-	-
Other payables					
thereof financial instruments <sup>1</sup>	249,465	-	190,344	-	-
<b>No category of IAS 39</b>					
Finance lease liabilities [13]	394,840	395,003	352,533	363,191	2
<b>Total financial liabilities</b>	<b>7,644,284</b>		<b>7,207,269</b>		

<sup>1)</sup> No fair value disclosed in accordance with IFRS 7.29(a) as the carrying amounts of these current financial instruments represent a reasonable approximation of their fair values.

<sup>2)</sup> No fair value disclosed in accordance with IFRS 7.29(b) as these financial assets are measured at cost in accordance with IAS 39.46(c). As at the reporting date, there is no intention to dispose of these financial assets. Detailed information can be found in Note 13 of the consolidated financial statements as of December 31, 2013.

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 observable market data for all significant inputs. The fair value is calculated using a discounted-cash flow model with a risk adjusted interest.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3 and the 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.

There were no transfers between the different levels of the fair value hierarchy in any of the periods presented.

### Contingent consideration Multiconnect

In the first half year 2014, the contingent consideration decreased in an amount of kEUR 3,806 due to adjustments of kEUR 3,323 to the value of the consideration and received payments of kEUR 483. The adjustment results from a revision of cash flow estimates and was recorded within other financial result (please refer to Note 6).

### Shareholder loans

One of the intermediate parent companies of KPN Mobile granted E-Plus Group several shareholder loans, which amounted to kEUR 22,095,086 (December 31, 2013: kEUR 22,094,978) in outstanding nominal amounts as well as accrued interest.



Interest terms on the shareholder loans, not taking into consideration the interest rate cap agreements mentioned below, vary as the loans partially bear fixed and variable interest. The interest terms were changed several times since the loan inception, the latest change being implemented as of January 1, 2007. This change implemented an interest rate cap agreement that limits interest payable on the shareholder loans to an amount of kEUR 218 per year. The interest rate cap agreements continued to be in place as of June 30, 2014.

The shareholder loans are repayable on demand. However, as the loans are subordinated and furthermore include a waiver by the lender on any claims for payment of both principal and interest as long as the state of over indebtedness of the Company is not remedied, the lender currently cannot request any payment from the Company. There were no repayments on the loans in 2014, while an amount of kEUR 145,000 was repaid in December 2013.

The shareholder loans are designated as financial liabilities at fair value through profit or loss in accordance with IAS 39.11A given that the interest cash flows on the loans are modified significantly by the interest rate cap agreement. Given the input parameters and the valuation method used, their fair value measurement is categorized within Level 3 of the fair value hierarchy.

Given the financial situation of the Group, the fair values of the shareholder loans were determined using a discounted-cash-flow model. The basic assumption of the model implies that in a transfer of the shareholder loan liabilities to a market participant in an orderly transaction, the market participant would pay an amount equal to the fair value of the net assets of E-Plus Group. This is due to the fact that the Group's ability to generate future free cash flows is expected to be insufficient to repay the shareholder loans as well as interest thereon as determined by the interest terms on the shareholder loans. Such a scenario is based on a de facto insolvency of the Group currently being prevented solely due to the subordination of the shareholder loans in addition to a waiver on any claims for payment of both principal and interest on these loans, conditions both of which would not be tolerable to a market participant in an acquisition of the shareholder loan receivable against E-Plus Group.

The inputs to the model include the expected future free cash flows from operations that can be generated by the Group as well as an estimation of the cost of capital for financing these operations under the assumption of an industry-typical capital structure. The model uses the following input parameters to the valuation as of the respective dates.

	Projection Period (years)	Terminal growth rate %	Discount rate %	Level allocation of input parameters
June 30, 2014	15	0.5%	6.80%	3
December 31, 2013	15	0.5%	7.15%	3

The following table provides a reconciliation of the opening to the closing balances of the shareholder loan liability included in non-current borrowings:

In kEUR	2014
<b>Balance as of January 1,</b>	<b>6,143,874</b>
Losses recognized in profit or loss <sup>1</sup>	+603,315
Redemption	-
<b>Balance as of June 30, 2014</b>	<b>6,747,189</b>

<sup>1)</sup> Recognized within total financial costs. Please refer to Note 6.

The increase in fair value of the shareholder loans during the six month period ended June 30, 2014 mainly reflects an adjusted expectation of future cash flows as well as a decrease in the discount rate. As described above, changes in the fair value of the shareholder loan liability are correlated with the credit risk of the Company.

Reasonable changes to the main input factors of the valuation of the shareholder loans may significantly affect the fair value of these liabilities. The following table provides an overview of the effects on profit or loss of changes in those input factors:

Change in	June 30, 2014 <sup>1)</sup>	December 31, 2013 <sup>1)</sup>
Discount factor		
+0.25%	-290,128	-258,941
-0.25%	314,373	279,530
Terminal growth rate of cash flows		
+0.5%	266,067	219,095
-0.5%	-226,940	-188,433
Cash flows in projection period		
+10%	366,080	345,095
-10%	-366,080	-345,095

<sup>1)</sup> Effect on financial income (gains (+), losses (-))

**[19] Contingent assets and liabilities**

The company HighPoint S.à.r.l. sued E-Plus for reason of an alleged violation of one of its patents that is directly related to the usage of the UMTS standard. The patent of High Point expired in the meantime and the claim was dismissed at first and second instance. It is still to be decided whether a revision is possible. In parallel, E-Plus filed a nullity claim against the High Point Patent that was dismissed at first instance. In second (and last instance) the Federal Supreme Court decided that the patent only refers to UMTS voice (not data). The reasons have not been received yet.

Telekom and 01051 took legal action against the MTR decision of BNetzA concerning the MTR 2009 of E-Plus. The BNetzA has taken a formal decision on the MTR on March 31, 2009 ordering MTR of 7.14 ct/min for E-Plus for the time period from April 1, 2009 until November 30, 2010. There is a risk that the legal actions will be successful and that BNetzA will approve the same MTR for all MNO which could lead to adjustment payment to the competitors.

Meanwhile in parallel cases (without participation of E-Plus) actions against the MTR O2 2009 have been successful. So it cannot be excluded that actions of 01051 and Telekom against E-Plus' MTR 2009 will be successful too. This bears potential risk of adjusted payments by E-Plus to the competitors. The court did not comment on the right amount of MTR 2009. Other claims against BNetzA's decisions regarding the MTR set for the E-Plus Group for 2007 and 2010 are ongoing. The claims seek to annul these decisions and/or reduce MTR set for the E-Plus Group.

Except the above mentioned, there are no other foreseeable material changes to or new material contingent liabilities and assets presented in the consolidated financial statements for the financial year ended December 31, 2013

**[20] Related party transactions**

In the six months ended June 30, 2014 there has not been any material change in related party transactions since December 31, 2013, with the exception of the shareholder loans. For further information regarding the shareholder loans please refer to Note 18.

Detailed information of the Group's related party transactions can be found in Note 30 of the consolidated financial statements as of December 31, 2013.

**[21] Subsequent events**

No material events have occurred since the reporting date.

**[22] Responsibility Statement by the Management Board**

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.

Düsseldorf, July 18, 2014

Board of Directors

Thorsten Dirks

Godert Vinkesteyn

Kay Schwabedal

Andreas Pfisterer

Alfons Lösing