

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF E-PLUS MOBILFUNK GMBH &  
CO. KG IN ACCORDANCE WITH IFRS AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2013**

**E-PLUS MOBILFUNK GMBH & CO. KG**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013 AND DECEMBER 31, 2012**  
**(EUROS IN THOUSANDS)**

<b>In kEUR</b>	<b>2013</b>	<b>2012</b>
Revenues [1]	3,142,707	3,199,091
Other income [2]	7,775	345,323
<b>Total revenues and other income</b>	<b>3,150,482</b>	<b>3,544,414</b>
Own work capitalized	-37,215	-38,481
Cost of materials [3]	279,621	176,454
Work contracted out [4]	1,438,509	1,416,754
Employee benefits [5]	254,376	260,968
Depreciation, amortization and impairments [6]	971,298	685,438
Other operating expenses [7]	299,159	289,696
<b>Total operating expenses</b>	<b>3,205,748</b>	<b>2,790,829</b>
<b>Operating profit (loss)</b>	<b>-55,266</b>	<b>753,585</b>
Finance income	333,019	2,286,366
Finance costs	-24,828	-23,064
Other financial result	-19,353	-7,333
<b>Total financial income [8]</b>	<b>288,838</b>	<b>2,255,969</b>
<b>Profit before income tax</b>	<b>233,572</b>	<b>3,009,554</b>
Income taxes [9]	-66,065	-489,352
<b>Profit for the year</b>	<b>167,507</b>	<b>2,520,202</b>

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

**E-PLUS MOBILFUNK GMBH & CO. KG**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2013 AND DECEMBER 31, 2012**  
**(EUROS IN THOUSANDS)**

<b>In kEUR</b>	<b>2013</b>	<b>2012</b>
<b>Profit for the year</b>	<b>167,507</b>	<b>2,520,202</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:		
Gains and (losses) arising during the period	13,303	-18,818
Income Tax	-2,097	2,944
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	<b>11,206</b>	<b>-15,874</b>
<b>Remeasurements, net of income tax</b>	<b>11,206</b>	<b>-15,874</b>
<b>Total comprehensive income for the year, net of income tax</b>	<b>178,713</b>	<b>2,504,328</b>

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

**E-PLUS MOBILFUNK GMBH & CO. KG**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012**  
**(EUROS IN THOUSANDS)**

**Assets**

<b>In kEUR</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<b>NON-CURRENT ASSETS</b>			
Goodwill [11]	151,305	68,237	43,660
Licenses	1,667,444	1,853,402	2,066,163
Software	156,072	158,762	109,964
Other intangible assets	25,939	68,630	58,382
<b>Total intangible assets [10]</b>	<b>2,000,760</b>	<b>2,149,031</b>	<b>2,278,169</b>
Land and buildings	47,305	42,153	42,133
Property, plant and equipment	2,538,437	2,341,172	2,032,831
Other tangible assets	9,497	3,220	5,564
Assets under construction	260,035	213,357	333,235
<b>Total property, plant and equipment [12]</b>	<b>2,855,274</b>	<b>2,599,902</b>	<b>2,413,763</b>
Other non-current assets [13]	52,024	51,984	50,020
<b>Total non-current assets</b>	<b>4,908,058</b>	<b>4,800,917</b>	<b>4,741,952</b>
<b>CURRENT ASSETS</b>			
Inventories [14]	49,937	25,545	33,076
Trade and other financial receivables [15a]	270,435	243,459	288,652
Other current assets [15b]	66,112	62,606	52,560
Cash and cash equivalents [16]	484,270	617,847	318,039
<b>Total current assets</b>	<b>870,754</b>	<b>949,457</b>	<b>692,327</b>
<b>Assets of disposal groups classified as held for sale [17]</b>	<b>-</b>	<b>17,514</b>	<b>19,263</b>
<b>TOTAL ASSETS</b>	<b>5,778,812</b>	<b>5,767,888</b>	<b>5,453,542</b>

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

## Group Equity and Liabilities

In kEUR	December 31, 2013	December 31, 2012	January 1, 2012
<b>GROUP EQUITY</b>			
Fixed partnership capital	10,000	10,000	10,000
Additional contributions from partners	1,260,644	1,260,644	1,260,644
Retained earnings	-5,682,686	-5,918,120	-8,425,476
<b>Total Group equity</b>	<b>-4,412,042</b>	<b>-4,647,476</b>	<b>-7,154,832</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings [19]	6,143,874	6,621,062	9,544,512
Finance lease liabilities [18]	109,394	53,240	733
Provisions for retirement benefit obligations [20]	36,582	48,408	27,772
Provisions for other liabilities and charges [21]	165,464	236,095	259,489
Other payables and deferred income [22]	8,968	15,711	13,386
Deferred income tax liabilities [9]	2,215,524	2,154,003	1,746,620
<b>Total non-current liabilities</b>	<b>8,679,806</b>	<b>9,128,519</b>	<b>11,592,512</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables [23]	953,765	873,023	801,694
Borrowings [19]	42,825	46,508	32,152
Finance lease liabilities [18]	243,139	79,753	1,729
Income tax payables [9]	249,556	239,552	168,341
Provisions for other liabilities and charges [21]	21,763	43,123	5,209
<b>Total current liabilities</b>	<b>1,511,048</b>	<b>1,281,959</b>	<b>1,009,125</b>
<b>Liabilities of disposal groups classified as held for sale [17]</b>	<b>-</b>	<b>4,886</b>	<b>6,737</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,778,812</b>	<b>5,767,888</b>	<b>5,453,542</b>

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

**E-PLUS MOBILFUNK GMBH & CO. KG**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013 AND DECEMBER 31, 2012**  
**(EUROS IN THOUSANDS)**

<b>In kEUR</b>	<b>2013</b>	<b>2012</b>
Profit before income tax	233,572	3,009,554
Adjustments for:		
– Net finance cost [8]	-304,249	-2,263,042
– Share-based compensation [5]	173	174
– Income from investments [8]	15,411	7,073
– Depreciation, amortization and impairments [6]	971,298	685,438
– Gain on disposal of fixed assets	-1,861	-315,408
– Changes in provisions (excluding deferred taxes)	-60,409	27,401
Changes in working capital relating to:		
– Inventories	-414,812	-153,245
– Trade receivables and other receivables	-12,042	32,274
– Trade payables and other payables	118,558	83,711
Income taxes received (+) / paid (-)	617	-11,267
Interest received (+) / paid (-)	-20,147	-17,323
<b>Net cash flow provided by operating activities [24]</b>	<b>526,109</b>	<b>1,085,340</b>
Acquisition of investments to be consolidated	-100,054	-31,714
Acquisition of investments	-5,066	-6,797
Investments in intangible assets	-113,054	-151,205
Investments in property, plant and equipment	-519,234	-521,941
Disposals of subsidiaries to be consolidated	3,952	423,192
Disposals of fixed assets	-	2,191
<b>Net cash flow used in investing activities [24]</b>	<b>-733,456</b>	<b>-286,274</b>
Payment of finance lease liabilities	-171,912	-32,279
Cash received from loans	390,421	171,243
Repayments of shareholder loans	-145,000	-637,961
<b>Net cash flow provided by/used in financing activities [24]</b>	<b>73,509</b>	<b>-498,997</b>
<b>Changes in cash and cash equivalents</b>	<b>-133,838</b>	<b>300,069</b>
Net cash and cash equivalents at the beginning of the year [16]	618,108	318,039
Changes in cash and cash equivalents	-133,838	300,069
<b>Net cash and cash equivalents at the end of the year [16]</b>	<b>484,270</b>	<b>618,108</b>
Cash classified as held for sale [17]	-	261
<b>Cash and cash equivalents [16]</b>	<b>484,270</b>	<b>617,847</b>

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

**E-PLUS MOBILFUNK GMBH & CO. KG**  
**CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY**  
**AS OF JANUARY 1, 2012 AND DECEMBER 31, 2013**  
**(EUROS IN THOUSANDS)**

<b>In kEUR</b>	<b>Fixed partnership capital</b>	<b>Additional contributions from partners</b>	<b>Retained earnings</b>	<b>Total Group equity</b>
<b>Balance as of January 1, 2012 (German GAAP)</b>	<b>10,000</b>	<b>1,260,644</b>	<b>-18,231,908</b>	<b>-16,961,264</b>
IFRS 1 opening balance adjustment	-	-	9,806,432	9,806,432
<b>Balance as of January 1, 2012 (IFRS)</b>	<b>10,000</b>	<b>1,260,644</b>	<b>-8,425,476</b>	<b>-7,154,832</b>
Profit for the year	-	-	2,520,202	2,520,202
Other comprehensive income for the year	-	-	-15,874	-15,874
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>2,504,328</b>	<b>2,504,328</b>
Share-based compensation [5]	-	-	174	174
Acquisitions <sup>1</sup>	-	-	2,854	2,854
<b>Total transactions with owners, recognized directly in equity</b>	<b>-</b>	<b>-</b>	<b>3,028</b>	<b>3,028</b>
<b>Balance as of December 31, 2012 (IFRS)</b>	<b>10,000</b>	<b>1,260,644</b>	<b>-5,918,120</b>	<b>-4,647,476</b>
Profit for the year	-	-	167,507	167,507
Other comprehensive income for the year	-	-	11,206	11,206
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>178,713</b>	<b>178,713</b>
Share-based compensation [5]	-	-	173	173
Acquisitions <sup>1</sup>	-	-	56,548	56,548
<b>Total transactions with owners, recognized directly in equity</b>	<b>-</b>	<b>-</b>	<b>56,721</b>	<b>56,721</b>
<b>Balance as of December 31, 2013</b>	<b>10,000</b>	<b>1,260,644</b>	<b>-5,682,686</b>	<b>-4,412,042</b>

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

<sup>1)</sup> For further information please refer to the Note 'Business Combinations and Disposals'.

## **I. E-PLUS MOBILFUNK GMBH & CO. KG**

### **GENERAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **General information**

E-Plus Mobilfunk GmbH & Co. KG (E-Plus or the Company) was incorporated in 1999 and is domiciled in Duesseldorf, Germany. The address of its registered office is E-Plus Straße 1, 40472 Duesseldorf, Germany. E-Plus 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, Duesseldorf, the general partner and direct parent to the Company, has an interest of 22.5% (kEUR 2,250) and KPN Mobile Germany III B.V., The Hague, Netherlands, has an interest of 77.5% (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).

These consolidated financial statements consisting of the financial statements of E-Plus Mobilfunk GmbH & Co. KG and its subsidiaries (the Group or E-Plus Group) were prepared using uniform group accounting policies.

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 the consolidated financial statements of the Company are prepared on a going concern basis.

The consolidated financial statements as at December 31, 2013 have been prepared 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 were approved for issuance by the Board of Management on May 2, 2014.

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

The following explanatory notes are an integral part of the consolidated financial statements which further comprise the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows and the consolidated statement of changes in group equity.

#### **Accounting and valuation methods**

##### ***Basis of preparation***

These consolidated financial statements cover the business year from January 1, 2013 to 31 December 2013 (comparative annual period: January 1, 2012 to December 31, 2012) and represent the Group's first consolidated financial statements prepared in accordance with IFRS following the guidance of IFRS 1.

The following notes include a reconciliation of shareholder's equity from previous GAAP (German GAAP or HGB) to IFRS for the opening consolidated statement of financial position as of January 1, 2012 as well as for the consolidated statement of financial position as of 31 December 2012, the last reporting date for which the Group prepared consolidated financial statements under German GAAP. Furthermore, following IFRS 1, a reconciliation of net income and total comprehensive income for the annual period 2012 is included in these notes to the consolidated financial statements.

The Group's last German GAAP consolidated financial statements for the annual period 2012 were published in the German electronic Federal Gazette (elektronischer Bundesanzeiger) on September 13, 2013.

The consolidated financial statements have been prepared under the historical cost convention with the exception of certain financial liabilities measured at fair value through profit or loss. The consolidated statement of profit or loss is prepared based on the nature of expense method.

The functional currency of the Company as well as all of its subsidiaries is Euro.

##### ***Basis of consolidation***

The consolidated financial statements include the financial results of E-Plus as well as its subsidiaries. Subsidiaries are all entities with regard to which E-Plus has the power to govern the financial and operating policies, generally by E-Plus having more than half of the voting rights ('control'). Potential voting rights that are currently exercisable or convertible are taken into consideration when assessing whether E-Plus controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by E-Plus and are deconsolidated from the date on which E-Plus's control ceases. All intercompany transactions, balances and unrealized results on transactions with subsidiaries are eliminated.



As of December 31, 2013, the financial statements of the following subsidiaries of E-Plus Mobilfunk GmbH & Co. KG are included in the consolidated financial statements by means of full consolidation:

<b>Subsidiary</b>	<b>E-Plus shareholding in %</b>
E-Plus Service GmbH & Co. KG	95
E-Plus 3G Luxemburg S.à.r.l.	100
E-Plus 3G GmbH	100
E-Plus Retail GmbH	100
AY YILDIZ Communications GmbH	100
Gettings GmbH	100
yourfone GmbH	100
Erste MVV Mobilfunk Vermögensverwaltungsgesellschaft mbH	100
E-Plus Financial Services GmbH	100
Go Clever GmbH	100
E-Plus Customer Support GmbH	100
Simyo GmbH	100
WiMee-Connect GmbH	100
WiMee-Plus GmbH	100
Cash & Phone GmbH	100
Ortel Mobile GmbH	100
BLAU Mobilfunk GmbH	100
BLAU Service GmbH	100
E-Plus Customer Operations GmbH	100
E-Plus Services Treuhand GmbH	100
E-Plus Transition GmbH & Co. KG	100

The interest of minority shareholders in E-Plus Service GmbH & Co. KG was classified as financial liabilities in accordance with IAS 32 and is included in the line item borrowings within current liabilities.

### **First Time adoption of IFRS**

The Group applied IFRS 1 “First-time Adoption of International Financial Reporting Standards” in making the transition to IFRS as of January 1, 2012 (date of transition to IFRS). These are the Company’s first consolidated financial statements under IFRS. The company prepared its financial statements in accordance with German GAAP (HGB). IFRS 1 requires that all IFRS standards and interpretations that are effective for the Group’s first IFRS consolidated financial statements as of December 31, 2013 shall be applied consistently and retrospectively for all periods presented.

The Company applied the following exemptions available to first-time adopters in accordance with IFRS 1:

- Given that the Company prepared IFRS reporting packages for KPN group consolidation purposes and further had been part of KPN Group as of the date of KPN’s transition to IFRS (January 1, 2004), the Company elected to measure its assets and liabilities at the carrying amounts that would be included in KPN’s consolidated financial statements based on KPN’s date of transition to IFRS. These KPN Group carrying amounts were adjusted for amounts of goodwill allocated to E-Plus Group (push-down accounting) but do not relate to business combinations in which E-Plus Group was the acquirer.

The following reconciliations describe the effect of the differences between German GAAP and IFRS on equity as of December 31, 2012 and January 1, 2012, as well as on net income for the annual period 2012.

<b>Reconciliation of shareholders' equity as at December 31, and January 1, 2012</b>		
<b>In kEUR</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<b>Equity under previous (German) GAAP as published</b>	<b>-16,719,267</b>	<b>-16,961,264</b>
(a) Correction of an error	-	-61,122
<b>Equity under previous (German) GAAP adjusted</b>	<b>-16,719,267</b>	<b>-17,022,386</b>
(b) Goodwill	-667,524	-960,304
(c) Intangible Assets	165,643	186,349
(d) Property, Plant and Equipment – Useful Life	-769,471	-820,669
(e) Deferred Taxes	-2,154,003	-1,746,620
(f) Assets Retirement Obligation – Adjustment	-38,021	-54,023
(g) Provision for pensions and other employee benefits	-16,168	756
(h) Leasing Contracts Classification	-9,208	-
(i) Non-controlling interests	-32,142	-26,881
(j) Connection Fees	-12,661	-19,169
(k) Shareholder Loans	15,618,916	13,333,427
(l) Other	-13,570	-25,312
<b>Total Impact of Change to IFRS</b>	<b>12,071,791</b>	<b>9,867,554</b>
<b>Equity under IFRS</b>	<b>-4,647,476</b>	<b>-7,154,832</b>

<b>Reconciliation of shareholders' equity as at December 31, and January 1, 2012</b>	
<b>In kEUR</b>	
<b>Income (loss) under previous (German) GAAP</b>	<b>241,997</b>
(a) Correction of an error	61,122
(b) Goodwill	292,780
(c) Intangible Assets	-20,706
(d) Property, plant and equipment	51,198
(e) Deferred Taxes	-410,327
(f) Assets Retirement Obligation – Adjustment	16,002
(g) Provision for pensions and other employee benefits	1,894
(h) Leasing Contracts Classification	-9,208
(i) Non-controlling interests	-5,261
(j) Connection Fees	6,508
(k) Shareholder Loans	2,285,489
(l) Other	8,714
<b>Total Impact of Change to IFRS</b>	<b>2,278,205</b>
<b>Profit under IFRS</b>	<b>2,520,202</b>
<b>Other comprehensive income:</b>	<b>-15,874</b>
Actuarial loss on post-employment benefit obligation	-18,818
Other comprehensive gain for the period	2,944
<b>Comprehensive income</b>	<b>2,504,328</b>

**(a) Correction of an error**

For purposes of the published German GAAP (HGB) consolidated financial statements for the year 2011, certain base stations were erroneously classified as assets under construction despite the fact that these base stations were already in use by the Group and should have been presented within property, plant and equipment instead. In accordance with German GAAP this error was corrected on current account in the year 2012. In accordance with IFRS 1, a first-time adopter of IFRS that becomes aware of errors made under previous GAAP presents such corrections separately from other reconciling items. The effect related to this correction amounts to kEUR -61,122 as of January 1, 2012.

**(b) Goodwill**

Goodwill recorded at E-Plus Group for IFRS purposes relates to several business combinations effected by the Group in the period from end-2006 onwards. Reorganizations internal to E-Plus Group are recorded as common control transactions and do not result in the recognition of goodwill for differences between the net assets at Group carrying values and the consideration transferred (see also below the Note 'Business Combinations and Disposals'). Under IFRS, goodwill is not amortized systematically. It is subject to an annual impairment test. If there are indications of impairment, the impairment test is also conducted during the year.

The Group's goodwill according to German GAAP (HGB) includes goodwill from the above mentioned transactions accounted for under German GAAP as well as goodwill related to group reorganizations. Under German GAAP goodwill is amortized over a period of 5 to 15 years. These different treatments regarding goodwill resulted in a negative equity effect of kEUR -667,524 as of December 31, 2012 (January 1, 2012: kEUR -960,304) and an effect on comprehensive income of kEUR 292,780 in 2012.

**(c) Intangible assets**

For UMTS licenses, the beginning of amortization differed between German GAAP (HGB) and IFRS. According to IFRS, amortization shall begin when the asset is available for use as intended by management. Under German GAAP (HGB), the legal right to use the license marks the beginning of amortization. This difference resulted in a negative effect on equity amounting to kEUR 165,643 as of December 31, 2012 (January 1, 2012: kEUR 186,349).

**(d) Property, plant and equipment**

Assessed useful lives of property, plant and equipment differs under IFRS and German GAAP (HGB). Therefore differing depreciation resulted in negative effects on equity amounting to kEUR -769,471 as of December 31, 2012 (January 1, 2012: kEUR -820,669).

**(e) Deferred taxes**

In accordance with Sections 274 and 306 HGB, deferred taxes are recognized for timing differences only. For German GAAP purposes, the shareholder loans are valued at their carrying amounts and as a result deferred tax assets would arise. Under German GAAP, recognition of deferred tax asset is optional. The Group didn't recognize any deferred taxes for German GAAP purposes. Adjustments regarding deferred tax assets and deferred tax liabilities refer to additional differences between the carrying amount of assets and liabilities under IFRS and the corresponding tax basis. Deferred tax assets and liabilities were recognized on temporary differences and unused tax losses. The effect on equity from deferred tax on those additional gross differences amounted to kEUR -2,154,003 as of December 31, 2012 (January 1, 2012: kEUR -1,746,620) and of kEUR -410,327 on comprehensive income in 2012.

**(f) Asset retirement obligation**

The Group has contractual obligations to remove its mobile communication towers which have been constructed on sites leased from third parties. According to IFRS, provisions for such asset retirement obligations shall be recognized at their present value as part of the cost of the related property, plant and equipment on the debit side and accordingly as a provision on the credit side of the balance sheet. Subsequently the provision is increased by the accrued interest and the item of property, plant and equipment is depreciated applying the increased depreciation charge. Contrary to IFRS, under German GAAP (HGB) dismantling, removal and restoration costs cannot be capitalized as part of property, plant and equipment. E-Plus accrues its asset retirement obligations on a pro rate temporis basis until the end of the respective lease agreements. The equity effect amounted to kEUR -38,021 as of December 31, 2012 (January 1, 2012: kEUR -54,023) and the effect on comprehensive income amounted to kEUR 16,002 in 2012.

**(g) Provisions for pensions and other employee benefits**

During the last modernization of German GAAP (HGB "BilMoG") many differences to IFRS pension accounting have been removed; however, still some deviations still remained. Under IFRS, E-Plus recognizes the actuarial gains and losses immediately in other comprehensive income. Under German GAAP (HGB) all effects have to be recognized immediately in profit or loss. According to IAS 19, the rate used to discount post-employment benefit obligations is determined by reference to market yields on high quality corporate bonds. In order to simplify calculations, for German GAAP purposes the discount rate is published by the German Federal Bank. The different approaches between both GAAPs had an effect on equity of kEUR -16,168 as of December 31, 2012 (January 1, 2012: kEUR 756) and an effect of kEUR 1,894 on comprehensive income in 2012.

**(h) Leasing contract classifications**

Leasing contracts with the Group as the lessee were classified as operating leases under German GAAP (HGB) and reclassified as finance leases under IFRS. According to IFRS, as a lessee, E-Plus recognizes finance lease assets and liabilities

in their consolidated statement of financial position. Different classification of leasing contracts, led to a reversal of HGB lease expenses and a breakdown of minimum lease payments between finance charges and reductions of outstanding liabilities. The effect on equity amounted to kEUR 9,208 as of December 31, 2012 (January 1, 2012: kEUR 0) and kEUR 9,208 on comprehensive income, in 2012. Since E-Plus entered into handset sale and lease back transactions during 2012, there was no effect on equity as of January 1, 2012.

**(i) Non-controlling interests**

Non-controlling interests in E-Plus Group classify as puttable instruments according to IFRS and have been reclassified from equity under German GAAP to liabilities for the IFRS consolidated financial statements. The reclassification had an effect on equity of kEUR 32,142 as of December 31, 2012 (January 1, 2012: kEUR 26,881).

**(j) Connection Fee**

Under IFRS revenues relating to connection fees are recognized on a pro rate temporis basis whereas such revenues were realized upon payment under German GAAP (HGB). This difference resulted in an effect on equity amounting to kEUR -12,661 as of December 31, 2012 (January 1, 2012: kEUR 19,169). In addition, the effect on comprehensive income in 2012 amounted to kEUR 6,508.

**(k) Shareholder Loans**

The shareholder loans granted to E-Plus Group are measured at their redemption amounts including accrued interest under German GAAP. The Group measures these loans at fair value in accordance with IAS 39. The change in measurement had an effect on equity of kEUR 15,618,916 as of December 31, 2012 (January 1, 2012: kEUR 13,333,427). Furthermore, the effect on comprehensive income in 2012 amounted to kEUR 2,285,489.

**Consolidated statement of cash flows**

Differences between HGB and IFRS in the consolidated statement of cash flows arise from the allocation of cash outflows to operating and financing activities for some leases with the Group as lessee that are classified as finance leases under IFRS which were treated as operating leases under German GAAP (see (h) above). This has a positive impact on net cash flow provided by operating activities and a negative impact on cash flow provided/used in financing activities of kEUR 32,279.

For sale-and-lease-back transactions leases with the Group as lessor the cash outflows for investments in property, plant and equipment of kEUR 162,252 and cash received from new loans of the same amount were netted under German GAAP.

<b>in kEUR</b>			
<b>Reconciliation of cash-flows</b>	<b>Cash-flows under previous (German) GAAP</b>	<b>Cash-flows under IFRS</b>	<b>Total Impact of Change to IFRS</b>
Net cash flow provided by operating activities	1,215,313	1,085,340	129,973
Net cash-flow used in investing activities	-286,274	-286,274	-
Net cash flow provided by/used in financing activities	-628,970	-498,997	-129,973
<b>Changes in cash and cash equivalents</b>	<b>300,069</b>	<b>300,069</b>	<b>-</b>
Net cash and cash equivalents at the beginning of the year	318,039	318,039	-
<b>Net cash and cash equivalents at the end of the year</b>	<b>618,108</b>	<b>618,108</b>	<b>-</b>

**Recent Accounting Developments**

The International Accounting Standards Board (IASB) continues to issue new standards, interpretations and amendments to existing standards. E-Plus applies these new standards when effective and endorsed by the European Union. E-Plus has not opted for early adoption for any of these standards.

### *Future implications of new and amended standards and interpretations*

The following new standards and interpretations and amendments to existing standards will become effective on or after January 1, 2014. Except for the amendment to IAS 36 (see below), these standards have not been applied in preparing these consolidated financial statements.

<b>Standard/Interpretation</b>	<b>Content</b>	<b>Application mandatory from</b>	<b>Adopted by EU Commission</b>
IFRS 10; Consolidated Financial Statements	Preparation and presentation of consolidated financial statements	01.01.2014 <sup>1)</sup>	Yes
IFRS 11; Joint Arrangements	Accounting for joint ventures and joint operations	01.01.2014 <sup>1)</sup>	Yes
IFRS 12; Disclosure of Interests in Other Entities	Disclosure of interest in other entities	01.01.2014 <sup>1)</sup>	Yes
IAS 27; Separate Financial Statements	Accounting for subsidiaries, joint ventures and associates in their separate annual financial statements and the corresponding notes	01.01.2014 <sup>1)</sup>	Yes
IAS 28; Investments in Associates and Joint Ventures	Accounting for investments in associates and joint ventures	01.01.2014 <sup>1)</sup>	Yes
IAS 32; Financial Instruments: Presentation	Amendments for offsetting financial assets and financial liabilities	01.01.2014	Yes
IAS 36; Impairment of Assets <sup>2)</sup>	Disclosures on the recoverable amount of impaired assets	01.01.2014	Yes
IAS 39; Financial Instruments: Recognition and Measurement	Novation of Derivatives and Continuation of Hedge Accounting	01.01.2014	Yes
IFRS 9; Financial Instruments/ IFRS 7; Financial Instruments Disclosures	Mandatory Effective Date and Transition, Classification and Measurement requirements, Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39	The standard does not contain a mandatory effective date	No
IFRS 14; Regulatory Deferral Accounts	Accounting for regulatory deferral accounts	01.01.2016	No
IAS 19; Employee Benefits	Defined Benefit Plans: Employee Contributions	01.07.2014	No
IFRIC Interpretation 21; Levies	Account for liabilities to pay levies imposed by governments	01.01.2014	No

<sup>1)</sup> The original regulations of the IASB required an application starting in fiscal year 2013. In the Official Journal of the European Union, L360 dated December 29, 2012, however, the European Commission enacted an initial application date for the amendments for fiscal years beginning on or after January 1, 2014.

<sup>2)</sup> Early application of the amendment of IAS 36 by the Group as of 31.12.2013.

The major changes resulting from the above mentioned new standards are described in the following. Except for IFRS 9, the effects of which cannot be determined conclusively, E-Plus Group does not expect any material effect from the initial application of those standards.

- IFRS 10 no longer distinguishes between voting-interest (IAS 27) and special-purpose entities (SIC-12). Control only exists if an investor has the power over the investee, is exposed to variable returns, and is able to use its power to affect its amount of variable returns from its involvement with the investee. When IFRS 10 becomes effective, it will replace SIC-12 as well as the requirements relevant to consolidated financial statements in IAS 27.
- IFRS 11 will replace IAS 31 and SIC-13. It governs the accounting for joint ventures and joint operations. Proportionate consolidation for joint ventures will no longer be permissible as a result of the discontinuation of IAS 31. The amended standard IAS 28 governs the application of the equity method when accounting for investments in both associates and joint ventures. In case of a joint operation, the share of assets, liabilities, expenses, and revenues is directly recognized in the consolidated financial statements and annual financial statements of the joint operator.
- IFRS 12 combines all disclosures to be made in the consolidated financial statements regarding subsidiaries, joint arrangements, and associates, as well as unconsolidated structured entities.
- The revised standard IAS 27 exclusively governs the accounting for subsidiaries, joint ventures, and associates in the annual financial statements and the corresponding notes of separate financial statements.

- The revised IAS 28 governs the accounting for investments in associates and joint ventures using the equity method.
- The IASB published amendments to IAS 32 specifying the requirements for offsetting financial instruments. To meet the new offsetting requirements in IAS 32, an entity's right to set off must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default or insolvency of the entity and all counterparties. It is further specified that a gross settlement mechanism also complies with the offsetting requirements according to IAS 32, provided no major credit liquidity risks remain, and receivables and payables are processed in a single settlement step, making it equivalent to a net settlement.
- The amendment to IAS 36 addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- The amendment to IAS 39 provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets specified criteria.
- IFRS 9 and IFRS 7. IFRS 9 retains but simplifies the mixed measurement model, establishes two primary measurement categories for financial assets: amortized cost and fair value, contains regulations about the classification of financial assets and liabilities and deals with the regulations for general hedge accounting. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The disclosure requirements under IFRS 7 concerning the first-time application of IFRS 9 were amended at the same time.
- IFRS 14 establishes an accounting guideline specific to rate regulation and the accounting treatment regarding the governmental regulation of supply and pricing of goods or services. IFRS 14 does not have any impact on existing IFRS preparers of financial statements
- The objective of the amendment to IAS 19 is to simplify the accounting for contributions from employees or third parties to a defined benefit plan. The simplified accounting permits such contributions to be recognized as a reduction in the current service cost in the period in which the related service is rendered if the amount of the contributions is independent of the number of years of service.
- The interpretation IFRIC 21 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The IASB issued Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle which amended nine standards in detail. The improvements primarily aim to provide clarifications. The date of initial application varies from standard to standard. These amendments, which have yet to be enforced by the European Union, will not have any material effects on E-Plus Group.

### **Business Combinations and Disposals**

E-Plus Group uses the acquisition method of accounting to account for business combinations. The consideration paid is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration paid includes the fair value of any contingent assets or liabilities resulting from the arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured at their fair values at the acquisition date. When a business combination is achieved in stages, any previously held equity interests are re-measured at their acquisition date at fair value and any resulting gain or loss is recognized in the consolidated statement of profit or loss and the equity interests are then considered in the determination of goodwill.

Contingent consideration is recognized at fair value at acquisition date. Subsequent changes to the fair value of contingent considerations deemed to be an asset or liability are recognized in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' in the consolidated statement of profit or loss. Contingent considerations classified as equity are not re-measured and subsequent settlement is accounted for within equity.

For each business combination, E-Plus elects to recognize any non-controlling interest in the acquiree either at fair value or at the proportionate share in the acquiree's net assets. Acquisition-related costs are expensed as incurred.

The excess of the sum of (i) the fair value of the consideration transferred, (ii) the fair value of non-controlling interests recognized and (iii) the acquisition date fair value of any previous equity interests in the acquiree over the fair value of E-Plus Group's share of the net assets acquired is recorded as goodwill. If negative goodwill occurs in case of a bargain purchase, the difference is recognized directly in the consolidated statement of profit or loss.

With regard to common control transactions, E-Plus applies the predecessor accounting method in its consolidated financial statements. The predecessor accounting method requires a business combination effected under common control to be accounted for using predecessor book values without any step up to fair value. Thus, the net assets acquired by an entity in a business combination under common control are measured at their book values recorded at the ultimate parent level. Therefore, in case E-Plus acquires an entity that is under common control of KPN, the net assets acquired also include goodwill recorded by KPN but attributable to E-Plus Group.

The difference between any consideration given and the aggregated book value of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to equity within retained earnings. No additional goodwill is created by the transaction.

Transactions with non-controlling interests in subsidiaries without change of control are accounted for as equity transactions. The difference between the fair value of the consideration paid and the acquired share of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity as long as such transactions do not result in a loss of control.

The following two business combinations were recorded as common control transactions in these consolidated financial statements.

#### ***Ortel Mobile GmbH***

Ortel Mobile GmbH (“Ortel”) was founded in 2006 as a low cost mobile communications company in Germany. In 2008, Ortel Mobile Holding B.V., The Hague, Netherlands, a subsidiary of KPN, purchased the majority of Ortel’s shares, thus obtaining control over the company resulting in Ortel being fully consolidated in the consolidated financial statements of KPN. Per sale and purchase agreement dated September 27, 2012 between E-Plus and Ortel Mobile Holding B. V., all shares of Ortel were sold to E-Plus as of October 1, 2012.

E-Plus initially paid kEUR 40,675 for the transfer of Ortel from Ortel Mobile Holding B.V., an amount equal to the carrying amount of Ortel’s net assets as included in KPN’s consolidated financial statements. A subsequent bonus adjustment concerning Ortel led to a reduction in the purchase price of kEUR 2,856, resulting in a final purchase price of kEUR 37,819. The difference of kEUR 2,856 between the amount paid and the carrying amount in the consolidated financial statements of KPN of the net assets acquired (kEUR 40,675) was recorded in equity.

The following table summarizes the consideration paid for Ortel, the carrying amounts of the assets and the goodwill acquired as well as the liabilities assumed at the acquisition date October 1, 2012:

<b>In kEUR</b>	<b>Carrying amounts at KPN level prior to the acquisition</b>
Goodwill	33,047
Other intangible assets	6,389
Property, plant and equipment	32
Inventories	1,476
Receivables	3,234
Cash and cash equivalents	8,961
Current liabilities	10,465
Non-current liabilities	1,999
Carrying amount of net assets	40,675
Difference recorded in equity	2,856
Purchase price	37,819

The book value of current liabilities of kEUR 10,465 includes among other deferred income with a book value of kEUR 3,918, accrued expenses kEUR 2,246 and accounts payable to subsidiaries to be consolidated with a book value of kEUR 1,988.

The book value of non-current liabilities is kEUR 1,999 and consists of deferred income tax liabilities.

For the annual period 2012 Ortel contributed stand-alone revenues of kEUR 11,736 and profits of kEUR 4,098 included in the consolidated statement of profit or loss since October 1, 2012. Had Ortel been consolidated from January 1, 2012, the consolidated statement of profit or loss would have included Ortel stand-alone revenues of kEUR 64,515 and a stand-alone profit for the year of kEUR 3,563.

#### ***BLAU Mobilfunk GmbH***

BLAU Mobilfunk GmbH (BLAU) was founded as a low cost mobile communications company in Germany in 2005. In 2008, KPN Mobile International B.V., The Hague, Netherlands, purchased BLAU which was subsequently fully consolidated in the consolidated financial statements of KPN.

According to the share purchase and transfer agreement dated December 18, 2012 between E-Plus and KPN Mobile International B.V. all shares of BLAU were sold to E-Plus. The purchase price amounted to kEUR 106,000 and did not contain any elements of contingent consideration. E-Plus obtained control of BLAU as of January 1, 2013. The difference of kEUR 56,548 between the amount paid and the carrying amounts in the consolidated financial statements of KPN of the net assets acquired (kEUR 162,548) was recorded in equity.

The following table summarizes the consideration paid for BLAU, the carrying amounts of the assets and the goodwill acquired as well as the liabilities assumed at the acquisition date January 1, 2013:

<b>In kEUR</b>	<b>Carrying amounts at KPN level prior to the acquisition</b>
Goodwill	83,069
Intangible assets other than goodwill	12,784
Other tangible assets	561
Other financial assets	192
Current assets	124,746
Non-current liabilities	3,469
Current liabilities	55,335
Carrying amount of net assets	162,548
Difference recorded in equity	56,548
Purchase price	106,000

The book value of current assets is kEUR 124,746 and includes among other trade and other receivables of kEUR 14,640 as well as cash and cash equivalents of kEUR 5,946. Current liabilities of kEUR 55,335 contain among other deferred income of kEUR 31,938, accrued expenses of kEUR 11,088 as well as social security and other tax liabilities of kEUR 1,928.

The book value of non-current liabilities is kEUR 3,469 and includes other payables and deferred income with a book value of kEUR 1,862 and deferred income tax liabilities with a book value of kEUR 1,607

The consolidated statement of profit or loss for 2013 includes BLAU stand-alone revenues of kEUR 285,056 and a stand-alone profit for the year of kEUR 23,255.

#### ***E-Plus Funkturmgesellschaft mbH and Zweite E-Plus Funkturmgesellschaft mbH***

E-Plus Funkturmgesellschaft mbH and Zweite E-Plus Funkturmgesellschaft mbH were founded in Germany in July and August 2012 as a means to transfer a portfolio of mobile communication towers including related lease contracts for antenna space as well as ground lease contracts with landlords. E-Plus Group transferred 2,031 towers, including wiring and support equipment into these two entities. Due to the fact that E-Plus Group provided transitional management services to the buyer so as to ensure the proper transition of the portfolio, the portfolio comprising the two entities E-Plus Funkturmgesellschaft mbH and Zweite E-Plus Funkturmgesellschaft mbH was considered a business, which resulted in a partial derecognition of goodwill as can be seen from the table below.

According to the share purchase agreement dated November 14, 2012 between E-Plus and Germany Tower Interco B.V. all shares of the above mentioned entities were sold to Germany Tower Interco B.V. The purchase price amounted to kEUR 401,446 payable on the closing date December 4, 2012 at which the above mentioned entities were disposed of.

The following table summarizes the consideration received for E-Plus Funkturmgesellschaft mbH and Zweite E-Plus Funkturmgesellschaft mbH and the carrying amounts of goodwill, assets, provisions and liabilities disposed of:

<b>In kEUR</b>	<b>2012</b>
Goodwill	3,515
Property, plant and equipment	101,652
Current assets	11,054
Non-current provisions	-22,471
Current liabilities	-2,650
<b>Carrying amount of net assets</b>	<b>91,100</b>
Purchase price	401,446
Disposal costs	-12,183
<b>Purchase price less disposal costs</b>	<b>389,263</b>
<b>Gain on disposal</b>	<b>298,163</b>

For further details related to this transaction please refer to Notes 17 and 28.

#### ***SNT Inkasso***

Per sale and purchase agreement (SPA) dated November 11, 2011 between E-Plus and GFKL Financial Services AG, SNT Inkasso was sold to GFKL subject to closing conditions. The transaction became effective as of June 27, 2012. For further details, please refer to Note 17.



The following table summarizes the consideration received for SNT Inkasso and the carrying amounts of goodwill, assets and liabilities disposed of:

<b>In kEUR</b>	<b>2012</b>
Goodwill	2,293
Intangible assets	95
Property, plant and equipment	24
Current assets	16,851
Current liabilities	-6,737
<b>Carrying amount of net assets</b>	<b>12,526</b>
<b>Purchase price</b>	<b>28,756</b>
<b>Gain on disposal</b>	<b>16,230</b>

#### ***Multiconnect GmbH***

Per sale and purchase agreement (SPA) dated August 31, 2012, the former director of Multiconnect GmbH purchased all shares in the company. This transaction became effective as of January 1, 2013. For further details please refer to Note 17.

The following table summarizes the consideration received for Multiconnect and the carrying amounts of goodwill, assets and liabilities disposed of:

<b>In kEUR</b>	<b>2013</b>
Goodwill	1,944
Intangible assets	4,208
Property, plant and equipment	1,024
Current assets	10,338
Current liabilities	-4,886
<b>Carrying amount of net assets</b>	<b>12,628</b>
<b>Purchase price</b>	<b>12,628</b>
<b>Gain and (loss) on disposal</b>	<b>-</b>

#### ***Additional changes in the Group structure***

Per sale and purchase agreement (SPA) dated March 16, 2012, E-Plus Mobilfunk acquired all shares in Clearwire Germany GmbH, Duesseldorf, from Clearwire Europe S.à.R.l., Luxembourg. The purchase price amounted to kEUR 14,909. During the same year, Clearwire Germany was renamed into WiMee Connect GmbH.

Furthermore, E-Plus acquired all shares in Inquam Breitbandfunk GmbH, Köln per sale and purchase agreement (SPA) dated March 16, 2012, from Inquam Solutions GmbH, Köln. The purchase price amounted to kEUR 15,334. In the year 2012, Inquam Germany was renamed into WiMee Plus GmbH. Both the acquisitions of Clearwire and Inquam did not qualify as business combinations as these companies solely contained licenses the Group acquired in the form of share deals. The inclusion of these companies into the Group is presented as part of additions to intangible assets in 2012.

Additionally, the companies E-Plus Services Treuhand GmbH, E-Plus Transition GmbH & Co. KG and E-Plus Customer Operations GmbH were founded by E-Plus in 2013.

#### **Significant accounting estimates, judgments and assumptions**

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that to a certain extent affect the reported amounts of assets and liabilities, income and expenses, as well as contingent liabilities.

The assumptions and estimates relate primarily to

- The accounting representation of business combinations,
- The assessment of the value of intangible assets (particularly goodwill),
- The uniform determination of the useful economic life for intangible assets and property, plant and equipment throughout the Group,
- The collectability of receivables,
- The valuation of inventories,

- The valuation of financial instruments, especially with regard to those instruments measured at fair value,
- The assessment of economic risks and opportunities of leasing contracts,
- The accounting and measurement of pension provisions and other provisions,
- The accounting for income taxes.

In accounting for business combinations, estimates are generally made to determine the fair value of an acquired asset. As a basic principle, the fair value is determined by using a suitable valuation method that is generally based on the prospects for future incoming cash and cash equivalents. External experts are consulted in exceptional cases.

To test goodwill for impairment, the fair value less cost of disposal for cash-generating units to which goodwill has been allocated is determined by means of a discounted cash flow method (please refer to Note 11 for further details). Assumptions regarding future business developments and general underlying data are to be made for this purpose. If there are any changes in these influencing factors, the fair value less costs of disposal of the cash-generating units can change, possibly necessitating a need for impairment.

The uniform determination of the useful economic life for intangible assets and property, plant and equipment throughout the Group is subject to estimates made by management.

For receivables, solvency and default risks may arise to the extent that customers are unable to meet their payment obligations, resulting in losses to the Group. The calculation of the required impairments takes into account such things as the solvency of customers, existing securities as well as experience based on historical default rates. The actual payment defaults by customers may differ from anticipated payment defaults due to several influencing factors.

Inventories are valued at the lower value of acquisition and manufacturing cost and net realizable value. Net realizable value is determined by subtracting the costs incurred up to completion from the expected sales price of the end product. If assumptions regarding future sales prices or end product market potentials are not appropriate, this may lead to a further need for depreciating inventories.

In measuring financial instruments, the Group needs to make assumptions with regard to amounts and timing of future cash flows as well as interest rates applicable. Given the Group's financial position, several assumptions were made in measuring its shareholder loans at fair value, details of which are included in Note 23.

In accounting for leases the Group has to determine the party bearing the significant commercial risks and opportunities associated with the economic ownership of the leased asset. To this end, assumptions must be made regarding the market price of the leased assets at the end of the lease period as well as the character of any options to purchase the asset or renew the lease agreement.

When accounting for provisions, management must make assumptions regarding the probability of certain business transactions resulting in an impending loss of commercial benefit for E-Plus. Estimates regarding the amount and timing of possible economic outflows form the basis for the measurement of provisions. If the actual amount and the timing differ from estimates made, then this may affect the results of the Group.

Management judgment is required for the calculation of deferred taxes. Deferred tax assets may only be recognized to the extent that it is probable that sufficient taxable profit will be available in the future. Management analysis various factors to assess the probability of the future utilization of deferred tax assets based on reasonable scenarios taken from the Group's tax planning process.

Assumptions and estimates are based on premises based on the knowledge at hand at the respective time. Unforeseeable developments and developments beyond management's control may cause a difference between the originally estimated values and the actual amounts arising at a later date. In this case, the premises and, if necessary, the carrying amounts of the affected assets and liabilities will be adjusted accordingly.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services. Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to E-Plus Group and the amount of revenue and the associated costs can be measured reliably. Revenues are presented net of value-added tax, rebates and discounts and after eliminating sales within the Group.

Traffic fees are charged at an agreed tariff for a fixed duration of time or capacity and are recognized as revenue based upon usage of E-Plus Group's network and facilities.

Recognition of deferred revenue related to airtime (used services of prepaid customers rendered by E-Plus) is based on the expected usage of airtime per proposition.

Subscription fees and fees received for handset leases generally consist of periodic charges and are recognized as revenue over the associated subscription period.

One-off connection fees and other initial fees are not separate units of account and their accounting treatment is therefore dependent on the other deliverables in the sales arrangements (see revenue arrangements with multiple deliverables).

Sales of peripheral and other equipment are recognized when all significant risks and rewards of ownership of the goods are transferred to the buyer, which is normally at the date the equipment is delivered to and accepted by the customer. Services

regarding designing, building, deploying and managing information and communication technology (ICT) solutions are provided on a time and material basis or as a fixed-price contract with contract terms generally ranging from less than one year to three years. Revenue from time and material contracts is recognized at the contractual rates as labor hours are delivered and direct expenses are incurred. Revenue from contracts involving design, build and deploy services is recognized under the percentage-of-completion (POC) method unless the outcome of the contract cannot be estimated reliably. Under the POC method, revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Revenue from fixed-price contracts involving managed services is recognized in the period the services are provided using a straight-line basis over the term of the contract. When the outcome of the contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred. E-Plus Group presents revenue gross of costs, when the Group acts as the principal in the arrangement, and net of costs when the Group acts as agent.

#### ***Revenue arrangements with multiple deliverables***

Arrangements with multiple deliverables are divided into separate units of accounting if the deliverables in the arrangement meet recognition criteria of IFRS. Revenues from multiple deliverables arrangements are allocated to the identified separate units of accounting based on their relative fair values. If the fair value of the delivered item exceeds the cash received at the time of delivery, revenue is recognized up to the non-contingent cash received.

Any connection fee proceeds not allocated to the delivered equipment are deferred upon connection and recognized as service revenue over the customer contract period unless E-Plus Group has the obligation to continue providing services beyond that period in which case the expected customer service period is used.

For wireless services, any consideration allocated to the sale of peripheral and other equipment, up to the amount of non-contingent cash received, is recognized as revenue when all significant risks and rewards of ownership of the equipment are transferred to the buyer.

For multiple deliverable arrangements that comprise only one unit of accounting and include an upfront connection fee, amounts representing connection fees are deferred and recognized pro-rata. Deferred connection fees are amortized over the customer contract period. Costs associated with these arrangements are expensed as incurred.

#### **Other income**

Other income includes gains on the sale of property, plant and equipment and gains on the disposal of subsidiaries.

#### **Leases**

Leases where E-Plus Group as lessor retains a significant portion of the risks and rewards of ownership of the leased asset are classified as operating leases. The assets remain on the statement of financial position and are depreciated over their useful lives. The lease payments received from the lessee are recognized as revenue on a straight-line basis over the lease period.

Payments made by E-Plus Group as lessee under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease (net of any incentives received from the lessor). If a sale-and-leaseback transaction results in an operating lease, any profit or loss from the derecognition of the assets sold is recognized in the consolidated statement of profit or loss immediately given the sale was effected at fair value.

Leases where E-Plus Group as lessee has assumed substantially all risks and rewards of ownership are classified as finance leases. E-Plus Group then recognizes the leased assets on the statement of financial position at the lower of the assets' fair value and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in non-current and current liabilities in the statement of financial position. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term. If a sale-and-leaseback transaction results in a finance lease, any excess of the sale proceeds over the carrying amount is deferred and recognized in the consolidated statement of profit or loss over the lease term.

In case E-Plus Group acts as lessor in a finance lease, the transaction is accounted for as a normal sale and the present value of the minimum lease payments as well as the unguaranteed residual value accruing to E-Plus, in sum the net investment in the lease, is recognized as a receivable. The difference between the net investment in the lease and the gross investment in the lease (that is the nominal values of the minimum lease payments as well as the unguaranteed residual value accruing to E-Plus) is recognized as interest over the lease term using the effective interest method.

#### **Operating expenses**

Operating expenses are measured and recognized based on the accounting principles that are applied to related assets or liabilities and are allocated to the year in which they are incurred.

Subscriber acquisition and retention costs are expensed as incurred. The most common subscriber acquisition costs are handsets and dealer fees. The cost of a handset is expensed when the handset is sold. The sale can be an individual sale or a component of a multiple deliverable arrangement containing for example the sale of a handset combined with a subscription. In both cases, the handset is expensed when the costs are incurred. When a handset is leased out, it depends on the type of lease (operating or finance) whether the costs are expensed as incurred or capitalized and depreciated over the expected lifetime (see 'Leases' above).

## **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. E-Plus Group's qualifying assets mainly are its network (included in property, plant and equipment) as well as operating licenses (included under intangible fixed assets) which are dependent on a related network. Borrowing costs related to licenses are capitalized during the construction phase of the related network up to the time that services can be first rendered on a commercial basis. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Please note that there are no qualifying assets in the course of acquisition, construction or production in any of the periods presented in these consolidated financial statements.

## **Taxation**

### ***Current income tax***

The current corporate income tax charge recognized in the consolidated statement of profit or loss is calculated in accordance with the prevailing tax regulations and rates taking into account non-taxable income and non-deductible expenses. The current income tax expense reflects the amount for the current and prior reporting periods that E-Plus expects to recover from or pay to the tax authorities. Current income taxes are recognized either in other comprehensive income or directly in equity if the tax relates to items that are recognized in other comprehensive income or directly in equity. E-Plus's management periodically evaluates positions taken in the tax returns regarding situations in which applicable tax regulations are subject to interpretation and establishes provisions when deemed appropriate.

### ***Deferred income taxes***

Deferred taxes are recognized for temporary differences between the carrying amounts in the consolidated statement of financial position and the tax base, as well as for tax loss carry forward and tax credits. By way of derogation from this principle, a deferred tax liability is not recognized for temporary differences if the deferred tax liability arises from the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit/tax loss. Furthermore, a deferred tax liability is not recognized either for temporary differences arising from the initial recognition of goodwill. A deferred tax asset is recognized only when it is probable that a taxable profit will be available against which the deductible temporary differences, loss carry forward, and tax credits can be utilized. Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, branches and associates and interests in joint ventures except when the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and other tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset when the legally enforceable right to offset current tax assets and liabilities exists and the deferred tax assets and liabilities relate to income taxes levied by the same taxing authority on either the same tax reporting entity or tax group of reporting entities.

Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Management judgment is required for the calculation of actual and deferred taxes. Deferred tax assets are recognized to the extent that their utilization is probable. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in the respective tax type and jurisdiction, taking into account any legal restrictions on the length of the loss carry forward period. Various factors are used to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plans and loss carry forward periods. If actual results differ from these estimates or if these estimates must be adjusted in future periods, results of operations, the financial position, and cash flows may be negatively affected. In the event that the assessment of future utilization of deferred tax assets changes, the recognized deferred tax assets must be reduced in profit or loss or directly in other comprehensive income.

## **Intangible assets**

### ***Goodwill***

The excess of the consideration transferred over the fair value of the identifiable net assets acquired in a business combination is recorded as goodwill. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose, irrespective of whether other assets or liabilities of the acquiree are assigned to those cash-generating units.

Goodwill is carried at cost less accumulated impairment losses and tested for impairment annually or whenever E-Plus Group has an indication that the goodwill may be impaired. Goodwill is impaired if the recoverable amount of the cash-generating unit or groups of cash-generating units to which it is allocated is lower than the book value of the cash-generating unit or groups of cash-generating units concerned. The recoverable amount is defined as the fair value less costs of disposal of the cash-generating units concerned. Following the restrictions of IFRS, impairment losses on goodwill are not reversed.

In case of disposal of a business which was part of a cash-generating unit, goodwill is allocated to that business on a relative fair value basis or other basis, that better reflects the goodwill associated with the business disposed of, and included in the carrying amount of the business when determining the gain or loss on the sale.

### **Licenses**

Licenses are valued at cost less amortization and impairment. The cost of a qualifying asset may include capitalized borrowing costs related to qualifying assets incurred during the construction phase of the related asset. Amortization is calculated using the straight-line method and is commenced at the date that services can be offered (available for use). The amortization period for licenses equals their useful life, but is limited to the expiration date of the licenses ranging from 5 to 20 years. Licenses are reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset concerned may not be recoverable. An impairment loss is recognized for the amount by which the book value of the license exceeds its recoverable amount. The recoverable amount is defined as the higher of an asset's fair value less cost to sell and its value in use. Impairments are reversed if and to the extent that the impairment no longer exists.

Licenses not yet available for use are tested annually for impairment or whenever E-Plus Group has an indication that the licenses may be impaired. Licenses are tested as part of a cash-generating unit as licenses do not generate independent cash flows.

### **Software**

Internally developed and acquired software, in case it is not an integral part of property, plant and equipment, is capitalized on the basis of the costs incurred, which include direct costs and directly attributable overhead costs incurred. During the development phase, interest expenses incurred are capitalized as part of qualifying assets if material. Software is amortized over the estimated useful life of three to five years. Amortization commences when software is available for use.

Software is reviewed for impairment whenever events or changes in circumstances indicate that the book value may no longer be recoverable. An impairment loss is recognized for the amount by which the asset's book value exceeds its recoverable amount. Impairments are reversed if and to the extent that the impairment no longer exists. The recoverable amount is defined as the higher of an asset's fair value less cost to sell and its value in use.

### **Other intangibles**

Other intangible fixed assets such as customer relationships and trade names acquired in business combinations are capitalized at their fair values at acquisition date and are amortized using the straight-line method over an estimated useful life of 4 to 20 years.

Other intangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the book value may no longer be recoverable. An impairment loss is recognized for the amount by which the asset's book value exceeds its recoverable amount. Impairments are reversed if and to the extent that the impairment no longer exists. The recoverable amount is defined as the higher of an asset's fair value less cost of disposal and its value in use.

### **Property, plant and equipment**

Property, plant and equipment is valued at cost less depreciation and impairment. Cost includes direct costs (materials, direct labor and work contracted out), directly attributable overhead costs and may include capitalized borrowing costs recorded during the construction phase of property, plant and equipment components.

Asset retirement obligations are capitalized as part of the cost of tangible fixed assets and expensed as either depreciation over the asset's estimated useful life or as impairment charges. The estimated useful lives of the principal property, plant and equipment categories are as follows:

<b>Asset class</b>	<b>Depreciation term</b>
Land	No depreciation
Leasehold improvements	Max. 10 years
Network equipment	7 to 20 years
Network infrastructure	20 years
Vehicles	3 years
Office equipment	4 years

Property, plant and equipment is depreciated using the straight-line method, based on estimated useful life, taking into account residual value. Land is not depreciated. Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the book value of the assets concerned may not be recoverable. An impairment loss is recognized for the amount by which the asset's book value exceeds its recoverable amount. Impairments are reversed if and to the extent that the impairment no longer exists. The recoverable amount is defined as the higher of an asset's fair value less cost to sell and its value in use.

Subsequent costs such as costs for replacement of network components are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that E-Plus Group will receive future economic benefits associated with the item and the cost can be measured reliably. The carrying amounts of replaced assets are derecognized. All other repair and maintenance costs are recognized in profit or loss when incurred.

The assets' residual values and useful lives are reviewed at least annually and adjusted if appropriate.

### **Financial assets**

E-Plus Group's financial assets include investments in companies other than subsidiaries as well as receivables from the Group's trading and investing activities. At initial recognition, E-Plus Group classifies its financial assets in one of the following categories:

- Loans and receivables; and
- Available-for-sale financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition and assesses the designation at every reporting date. All financial assets are initially recognized at fair value plus transaction costs directly attributable to the acquisition of the asset. Subsequent measurement depends on the classification of the financial asset. Reclassifications of financial assets after their initial recognition are subject to restrictions.

#### ***Loans and receivables***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and created by E-Plus Group by providing money, goods or services directly to a debtor, other than those for which E-Plus Group may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate, less an allowance for uncollectibility. Amortized cost is calculated by taking into account any discounts or premiums on acquisition and transactions costs. Effects from subsequent measurement using the effective interest rate are recognized in the consolidated statement of profit or loss under finance income.

Loans and receivables are included in current assets, except for maturities greater than 12 months after the reporting date. Loans and receivables are included in trade and other receivables in the consolidated statement of financial position. See also Notes 15 and 19.

#### ***Available-for-sale financial assets***

Shareholdings in other entities which do not result in the Group having control, joint control or significant influence over the respective other entity are allocated to available-for-sale financial assets. In case there is no active market and a fair value for such shareholdings cannot be determined reliably, shareholdings in other entities are measured at cost. As at the reporting date, there is no intention to dispose of these shares.

### **Inventories**

Inventories of resources, parts, tools and measuring instruments are valued at the lower of cost or net realizable value. The cost of inventories is determined using the weighted average cost. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Losses on the sale of handsets, which are sold for less than cost, are only recorded when the sale occurs if the normal resale value is higher than the cost of the handset. If the normal resale value is lower than costs, the difference is recognized as impairment immediately.

### **Trade and other receivables**

Receivables qualify as loans and receivables in accordance with IAS 39 (see above) and are initially recognized at fair value, and subsequently measured at amortized cost using the effective interest rate method less provisions for impairment. A provision for impairment of trade receivables is established when there is objective evidence that E-Plus Group will not be able to collect all amounts due according to the original terms of the receivables. Trade receivables are impaired applying a two-step process. In the first step, each receivable is individually evaluated, based on the customer's paying habits, solvency and historical default rates. In the second step, all receivables not impaired during step one, are impaired based on their ageing structure. The amount of the provision is the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The provision is set up through the Consolidated Statement of Profit or Loss (as other operating expenses). When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the consolidated statement of profit or loss. See Note 15 on further information on E-Plus Group's trade and other receivables.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts included in borrowings within current liabilities are also part of cash and cash equivalents.

## **Non-current assets and disposal groups classified as held for sale**

Non-current assets and disposal groups classified as held for sale as well as liabilities directly associated herewith are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. If fixed assets are transferred to held for sale, depreciation and amortization ceases. A disposal group classifies as a 'discontinued operation' based on its significance to the E-Plus Group.

See Note 17 for further information on E-Plus Group's non-current assets and disposal groups held for sale.

## **Equity**

As a limited partnership, the share capital of E-Plus is divided into fixed partnership capital and additional contributions from partners, which relate to a capital increase of kEUR 1,260,644 conducted in 2010. Effects recorded in other comprehensive income, which are not reclassified subsequently to profit or loss, are included in retained earnings. Retained earnings further include effects from the transition to IFRS in accordance with IFRS 1, the effects of which are described in the respective section of the notes (see above).

As described above, per its German GAAP statutory annual financial statements E-Plus is financially over indebted with a negative sum of 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 agreed on 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.

The limited partners' shares are treated as equity under IFRS in accordance with IAS 32. For summary quantitative data about the amount classified as equity please refer to the consolidated statement of financial position. Any profit shares attributed to the partners may be withdrawn as long as the variable accounts of the partners allow for withdrawals. The consolidated statement of financial position does not include any liabilities related to such withdrawals as no withdrawals are possible given the indebtedness of the Company.

Given the financial situation of the Company, the limited partners as holders of puttable instruments would not receive any payments in case of redemption of the instruments.

## **Financial liabilities**

E-Plus Group's financial liabilities include borrowings in the form of shareholder loans liabilities from finance lease agreements as well as payables related the Group's operating activities (trade and other payables). At initial recognition, E-Plus Group classifies its financial liabilities into one of the following categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities measured at amortized cost (referred to in IAS 39 as "other liabilities").

Financial liabilities are initially recognized at fair value, net of directly attributable transaction costs in case of financial liabilities measured at amortized cost. Subsequent measurement depends on the classification of the financial liability. Management determines the classification of the financial liabilities at initial recognition and assesses the designation at every reporting date. Reclassifications of financial liabilities after their initial recognition are subject to restrictions.

### ***Financial liabilities measured at fair value through profit or loss***

Financial liabilities measured at fair value through profit and loss are measured at fair value both at initial recognition as well as for purposes of subsequent measurement. Any gains or losses arising from subsequent measurement are recognized in the consolidated statement of profit or loss under total finance income. At E-Plus, this category comprises the shareholder loans which are designated at fair value in accordance with the respective guidance in IAS 39. For details on the shareholder loans see Notes 19 and 25.

### ***Financial liabilities measured at amortized cost***

After initial recognition, these financial liabilities are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss until maturity of the liability using the effective interest method. Amortized cost is calculated by taking into account any discounts or premiums on acquisition or issuance and transaction costs. The effective interest rate amortization is recognized in the consolidated statement of profit or loss under finance costs.

Financial liabilities are classified as current liabilities unless E-Plus Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

This category applies to E-Plus Group's trade and other payables (Note 23).

## **Offsetting financial assets and liabilities**

Financial assets and liabilities are offset and reported on a net basis on E-Plus Group's consolidated statement of financial position only when there currently is a legally enforceable right to offset the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## **Provisions for retirement benefit obligations**

### ***Pension obligations***

The liability recognized in the consolidated statement of financial position in respect of all pension and early retirement plans that qualify as defined benefit obligations is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. E-Plus Group uses actuarial calculations (projected unit credit method) to measure the defined benefit obligations and the costs related to these obligations. For the calculation, actuarial assumptions are made about demographic variables (such as employee turnover and mortality) and financial variables (such as future benefit indexation, salary increases and the discount rate). The discount rate is determined by reference to market rates. These are interest rates of high-quality corporate bonds that are denominated in the currency in which the benefit will be paid and that have terms to maturity approximating the terms of the defined benefit obligation.

A net defined benefit asset may arise where a defined benefit plan has been overfunded. E-Plus Group recognizes a net defined benefit asset in such a case only when future economic benefits are available to E-Plus Group in the form of a reduction in future contributions or a cash refund.

Actuarial gains and losses are recognized immediately in the consolidated statement of other comprehensive income. Past service costs, curtailments and settlements are recognized immediately in the consolidated statement of profit or loss.

The amount of pension costs included in operating expenses with respect to defined benefit plans consist of service cost, past service costs, curtailments and settlements and administration costs. Interest cost and expected returns on plan assets are presented as part of finance costs.

For pension plans that qualify as a defined contribution plan, E-Plus Group recognizes contributions as an expense when an employee has rendered service in exchange for those contributions.

### **Provisions for other liabilities and charges**

Provisions for items such as asset retirement obligations, restructuring costs and legal claims are recognized when E-Plus Group has a present legal or constructive obligation as a result of past events; and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. See Note 21 on E-Plus Group's provisions.

### **Statement of Cash Flows**

The consolidated statement of cash flows is prepared using the indirect method. Cash flows denominated in currencies other than the Euro are translated at average exchange rates. Cash flows relating to interest and taxes on income are included in the cash flow from operating activities. The consideration paid in cash for newly acquired E-Plus Group companies is included in the cash flow from investing activities net of cash acquired. Cash flows resulting from the acquisition or disposal of E-Plus Group companies are disclosed separately. Additions to property, plant and equipment, which are financed by sale and leaseback transactions, are included in the cash flow used in operating activities as the equipment subject to the lease qualifies as inventories by the time of its purchase. Sale and leaseback payments are part of cash flows from financing activities.



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

### 1. Revenues

In kEUR	2013	2012
Sale of goods	132,525	29,685
Revenues from services	2,972,041	3,124,952
Other revenues	38,141	44,454
<b>Total revenues</b>	<b>3,142,707</b>	<b>3,199,091</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.

### 2. Other income

In kEUR	2013	2012
Other gains	7,775	345,323
<b>Total other income</b>	<b>7,775</b>	<b>345,323</b>

In 2012 other gains include an amount of kEUR 298,163 related to income from the sale of a portfolio of mobile communication towers.

### 3. Cost of materials

The cost of materials includes the cost of sold handsets, accessories and simcards. In 2013 the cost increased due to a higher volume of sold handsets and higher prices driven by the sale of smartphones to kEUR 279,621 (2012: kEUR 176,454).

During 2013, a net amount of kEUR 2,671 (2012: kEUR 2,174) was recorded as an expense for inventories carried at net realizable value.

### 4. Work contracted out

In kEUR	2013	2012
Interconnection	350,443	452,641
Roaming	93,827	92,205
Dealer commissions	391,243	309,072
Infrastructure expenses	265,409	231,878
IT-Services	107,530	116,708
Network maintenance	68,046	61,570
Rental of technique locations and shops	50,493	54,096
Customer Care	37,562	26,579
Other	73,956	72,005
<b>Total costs of work contracted out</b>	<b>1,438,509</b>	<b>1,416,754</b>

The decision of the German Federal Network Agency on the Mobile Termination Rates (MTR) leads to a decrease of Interconnection cost in 2013. The MTR's are determined as follows:

- As of December 1, 2010 until November 30, 2012: 3.36 cent/min (for E-Plus Mobilfunk).
- As of December 1, 2012 until November 30, 2013: 1.85 cent/min (for all Mobile Network Operators).
- As of December 1, 2013 until November 30, 2014: 1.79 cent/min (for all Mobile Network Operators).

## 5. Employee benefits

In kEUR	2013	2012
Salaries and wages	213,296	218,290
Pension charges [18]	25,138	24,365
Social security contributions	15,942	18,313
<b>Total employee benefits</b>	<b>254,376</b>	<b>260,968</b>

[..] Bracketed number refers to the related note.

### *Share-based compensation*

Since 2006, KPN has granted shares and share-based awards on its shares to members of the Board of Management and Senior Management of E-Plus:

The Performance Share Plan (PSP). The conditionally granted PSP award will vest after three years if the employee is still employed with KPN. The number of share-based awards which vest depends on KPN's Total Shareholder Return (TSR) position ranking relative to its peer group of European telecommunications companies (including KPN). Since 2011, vesting is based for 75% on relative TSR and for 25% on non-financial performance measures i.e. energy reduction targets and a reputation dashboard. For any exercised or vested shares/share-based awards affecting E-Plus's plan participants, E-Plus has to compensate KPN. Since E-Plus receives the services of its plan participants but does neither settle the obligation with its own equity instruments nor has an obligation to settle the share-based payment transaction, the plan is accounted for as equity-settled share-based transaction. For the services received, a corresponding increase in equity is recognized.

In May 2012 and May 2013, an additional equity settled plan was granted to Senior Management: the KPN Restricted Share Plan. Shares under this plan will vest on January 1, 2015 and on January 1, 2016 respectively if the employee is still employed with KPN. For this plan, no other performance measures are applicable. The cost relating to these plans remain within KPN. The Restricted Share Plan is measured as equity-settled share-based payment transaction, since the awards granted are settled with KPN equity instruments and E-Plus has no obligation to settle the share-based transaction.

The share plan rules provide the possibility to adjust granted rights under the incentive plans to maintain its economic value if, subsequent to the date of grant, an issue of shares occurs. This approach is exclusively aimed at reflecting the increased number of shares following the rights issue and is in line with market practice. Therefore, the granted shares were adjusted based on a mathematically calculated adjustment factor, i.e. the cum-rights price divided by the TERP (Theoretical Ex-Rights Price) which, in case of the KPN rights issue, set the adjustment factor at 1.6494. This adjustment factor will be applicable for the existing (not yet vested) LTI plans, i.e. 2011, 2012 and 2013 and future plans.

The main features of the awards granted under the PSP and Restricted Share Plan to KPN management are summarized below:

		Maximum term	Settlement type	Vesting period	Holding period after vesting of/until
2010	Senior Management	3 years	Equity	3 years	-
2011	Senior Management	3 years	Equity	3 years	-
2012	Board of Management	5 years	Equity <sup>1)</sup>	3 years	2 years
	Senior Management	3 years	Equity	3 years	-
	Senior Management	2.7 years	Equity	2.7 years	-
2013	Board of Management	5 years	Equity <sup>1)</sup>	3 years	2 years
	Senior Management	3 years	Equity	3 years	-
	Senior Management Restricted Share Plan	2.7 years	Equity	2.7 years	-

<sup>1)</sup> Including deferred dividend.

The total compensation expense for E-Plus associated with the share plans was kEUR 173 in 2013 (2012: kEUR 174). During 2013, KPN and E-Plus granted 615,430 shares and share-based awards (2012: 252,200) to members of the Board of Management and Senior Management, including the adjustment for the rights issue.

The costs for Restricted Shares are not part of the cost of E-Plus and are settled within KPN equity (EUR 305,637 in 2013 and EUR 137,908 in 2012).

The following table presents the number of shares and share-based awards under the share plans for the year ended December 31, 2013.

Number of shares and share based awards	Total at January 1, 2012	Granted/ additional vesting <sup>2</sup>	Exercised/ Vested	Forfeited	Total at December 31, 2012	Granted/ additional vesting <sup>2-4</sup>	Exercised/ Vested	Forfeited	Total at December 31, 2013 <sup>3-4</sup>	- of which: Non-Vested
2010 Share-based awards Senior Management	<b>80,884</b>	-	-	-80,884 <sup>4</sup>	-	-	-	-	-	-
2011 Share-based awards Senior Management	<b>70,387</b>	-	-	-14,987	<b>55,400</b>	35,977	-	-22,954 <sup>4</sup>	<b>68,423</b>	68,423
2012 Share-based awards Senior Management	-	88,200 <sup>1</sup>	-	-	<b>88,200</b>	57,277	-	-36,977	<b>108,500</b>	108,500
2012 Shares Board of Management	-	44,000 <sup>1</sup>	-	-	<b>44,000</b>	28,574	-	-	<b>72,574</b>	72,574
2012 Restricted Shares Senior Management	-	120,000	-	-	<b>120,000</b>	77,928	-	-24,628	<b>173,300</b>	173,300
2013 Share-based awards Senior Management	-	-	-	-	-	75,300 <sup>1</sup>	-	-	<b>75,300</b>	75,300
2013 Shares Board of Management	-	-	-	-	-	72,574 <sup>1</sup>	-	-	<b>72,574</b>	72,574
2013 Restricted Shares Senior Management	-	-	-	-	-	267,800	-	-	<b>267,800</b>	267,800

1) On the basis of 100% grant. The equity-settled share numbers do not include any deferred dividend during the vesting period. The deferred dividend during the vesting period will be granted in additional shares.

2) At grant date, the fair value is calculated using a Monte Carlo Simulation model except for the restricted shares. At April 12, 2013 the fair value was EUR 1.06 (2012 grant: EUR 2.84) for the 2013 equity-settled share grant for Members of the Board of Management and Senior Management (excluding deferred dividend). At May 1, 2013 the fair value was EUR 1.58 for the 2013 restricted share award for Senior Management.

3) At the end of 2013, KPN held the 14th position with respect to the 2011 share grant and at the end of 2012 KPN held the 13th position with respect to the 2010 share grant. Final TSR measurement for the 2011 share grant was conducted as per February 15, 2014.

4) Granted shares were adjusted based on a mathematically calculated adjustment factor, i.e. the cum-rights price divided by the TERP (Theoretical Ex-Rights Price) which, in case of the KPN rights issue, is set at 1.6494.

The fair value of each share at the grant date is determined using the following assumptions:

	2013	2013 Restricted Shares	2012 PSP	2012 Restricted Shares
Risk-free interest rate based on euro governments bonds for remaining time to maturity of 2.7 years	0.6%	0.6%	1.2%	1.1%
Expected dividend for KPN (based on one year's historical daily data preceding the date of award)	0.0%	-	10.2%	-
Expected volatility (PSP grant based on 2.7 years daily historical daily data)	32.9%	-	20.0%	-
Share price at date of award (closing at grant date)	EUR 1.06	EUR 1.58	EUR 6.66	EUR 6.78

## 6. Depreciation, amortization and impairments

In kEUR	2013	2012
Impairment of goodwill	-	3,011
Amortization of other intangible assets	310,140	305,712
Impairment of other intangible assets	44,446	-
<b>Total amortization and impairments of goodwill and other intangible assets</b>	<b>354,586</b>	<b>308,723</b>
Depreciation of property, plant and equipment	616,712	367,943
Impairment and retirements of property, plant and equipment	-	8,772
<b>Total depreciation and impairments of property, plant and equipment</b>	<b>616,712</b>	<b>376,715</b>
<b>Total depreciation, amortization and impairments</b>	<b>971,298</b>	<b>685,438</b>

Please refer to Notes 10, 11 and 12 for further details.

## 7. Other operating expenses

In kEUR	2013	2012
Marketing and promotion expenses	249,511	168,727
Addition/release to/from the provision	-26,772	54,175
Addition/release to/from the provision for impairment of trade receivables	21,494	35,365
Consulting fees	14,611	6,270
Other	40,315	25,159
<b>Total other operating expenses</b>	<b>299,159</b>	<b>289,696</b>

In 2013, releases of provisions for asset retirement obligation in an amount of kEUR 26,147 are recognized under other operating expenses. For further explanations please refer to Note 21.

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

## 8. Total financial income

In kEUR	2013	2012
Fair value adjustment on shareholder loans	332,188	2,285,489
Interest income	831	877
Finance income	333,019	2,286,366
Interest expense	24,828	23,064
Other financial results	19,353	7,333
-thereof income from investments	15,411	7,073
-thereof other	3,942	260
Finance costs	44,181	30,397
<b>Total financial income</b>	<b>288,838</b>	<b>2,255,969</b>

Net finance costs as included in the consolidated statement of cash flows comprise the following items:

In kEUR	2013	2012
Finance income	333,019	2,286,366
Interest expense	-24,828	-23,064
Other other financial results	-3,942	-260
<b>Net finance costs</b>	<b>304,249</b>	<b>2,263,040</b>

Interest expense includes a non-cash amount of kEUR 4,108 (2012: kEUR 4,849) relating to interest on asset retirement obligations as well as kEUR 7,443 (2012: kEUR 2,151) interest expense on finance leases. Furthermore interest expense amounting to kEUR 9,124 (2012: kEUR 9,751) relates to payment solutions provided by a mayor credit card company while

expenses of kEUR 2,518 (2012: kEUR 3,269) concern to the Group's tax position. Income from investments includes profit from shares of non-controlling interests in E-Plus Service GmbH & Co. KG. The position other includes impairment charges related to other financial assets.

Please refer to Note 25 for further details on the fair value measurement of the shareholder loans.

## 9. Taxation

In Germany, income tax consists of trade tax ('Gewerbesteuer') and corporate tax (Körperschaftsteuer). Corporate tax is imposed at a uniform rate of 15% and is additionally subject to a solidarity surcharge of 5.5%, resulting in an effective tax rate of 15.825%. Municipalities impose a trade tax. Each municipality set its individual local multiplier rate, so that no uniform trade tax rate exists in Germany. Taking into account the various municipality multipliers, in most cities the trade tax rate ranges between 14% and 16%.

The E-Plus Group consist of corporations as well as of partnerships. Corporations such as limited liability companies (GmbH) are generally subject to corporate tax on its profits. A partnership such as limited partnership with a limited company as general partner (GmbH & Co. KG) is transparent for German corporate tax purposes. The taxable profits for corporate tax purposes have to be taxed by the individual partners. For trade tax purposes in general both corporations as well as partnerships are liable for taxes on its profit directly.

German tax law provides a tax consolidation for a German group of companies (tax group, Organschaft). A tax consolidation covers corporate tax and trade tax in case of certain requirements to be met, such as a profit-and-loss-pooling-agreement between the parent company (Organträger) and the subsidiary (Organgesellschaft). A partnership cannot be qualified as a subsidiary in a tax group, it only can be the parent company of a tax group.

E-Plus Mobilfunk GmbH & Co. KG as parent company is a partnership and not subject to corporate tax, but only for trade tax. As a result the taxable income of the E-Plus Group is charged with trade tax, only. Companies that are not part of the tax group are liable to pay corporate and trade tax. In the fiscal year 2013 Simyo GmbH and Blau Services GmbH are liable for corporate and trade tax with their own income. For 2012 that is also true for WiMee Connect GmbH, WiMee Plus GmbH, Cash&Phone GmbH, Ortel Mobile GmbH and Blau Mobilfunk GmbH. E-Plus 3G Luxemburg S.à.r.l atypische stille Gesellschaft (ATSP3G) is comprised of E-Plus 3G GmbH and E-Plus 3G Luxemburg S.à.r.l only for tax purposes. It is an atypical silent partnership and not subject to corporate tax, but only for trade tax.

E-Plus has considerable tax loss carry forwards for trade and corporate tax. In Germany, taxable income in a certain year, exceeding EUR 1 million, can only be offset for 60% against tax loss carry forward. Trade tax and corporate tax is payable on the remaining 40% of taxable income. On August 29, 2013 the Foundation 'Preference Shares B KPN' exercised its call option and obtained an interest in KPN's issued share capital equal to 50% minus 1 share. This event resulted in a proportional change of control from a German tax perspective and in an expiration of approximately 50% of the available German loss carry forwards, based on the "loss-trafficking rule" of German Corporate-Tax- and Trade-Tax law. During the year 2012, América Móvil, S.A.B. de C.V., Mexico, has acquired more than 25% of the shares in KPN. That indirect change of control in E-Plus also led to a proportional expiration of available losses of approximately 27.5%

### Income tax expense

In kEUR	2013	2012
Current tax	-8,248	-91,502
Changes in deferred taxes	-57,817	-397,850
<b>Income tax benefit/(charge)</b>	<b>-66,065</b>	<b>-489,352</b>

The reconciliation from the statutory tax to the effective tax rate is explained in the table below.

in kEUR	2013	2012
<b>Profit before income tax</b>	<b>233,572</b>	<b>3,009,554</b>
Expected income tax expense (benefit)	35,996	470,845
Effects from tax rate changes <sup>1</sup>	-32,217	-
Non-taxable income and non-deductible expenses	16,499	15,619
Tax effects from other income tax (corporate tax)	55	13,002
Tax effects from prior years	-18,770	18,001
Changes in recognition and measurement of deferred tax assets <sup>2</sup>	65,954	-26,302
Other tax effects	-1,452	-1,813
<b>Income tax benefit/(charge)</b>	<b>66,065</b>	<b>489,352</b>
<b>Effective tax rate</b>	<b>28.23%</b>	<b>16.26%</b>

- 1) Taxes at German statutory tax rates are calculated on the basis of profit before income tax and the applicable German trade tax rate of 15.411% in 2013 (2012: 15.645%).
- 2) The changes in recognition and measurement of deferred tax assets are mainly driven by two factors. First, the forfeiture of losses carry forward due to the "loss-trafficking rule" for 2013 (Foundation – see above) and for 2012 (AMX – see above). Second, the change of deferred tax on unrecognized differences and losses carry forward of ATSP3G and Simyo GmbH since the future realization of these deferred tax assets is not probable and the usage of tax loss carry forwards of the EPM tax group members is not feasible.

The total current tax expense is mainly driven by the forfeiture of loss carry forwards and the new assessment of the ability to realize deferred tax assets. This refers to the probability that there is no future taxable profit which can be utilized.

#### *Deferred tax assets and liabilities*

in kEUR	December 31, 2013	December 31, 2012	January 1, 2012
<b>Deferred tax assets (pre-offsetting)</b>	<b>278,263</b>	<b>346,640</b>	<b>361,060</b>
– of which: to be recovered after 12 months	221,279	288,215	300,808
– of which: to be recovered within 12 months	56,984	58,425	60,252
<b>Deferred tax liabilities</b>	<b>-2,493,787</b>	<b>-2,500,643</b>	<b>-2,107,680</b>
– of which: to be recovered after 12 months	-2,234,552	-2,236,578	-1,894,411
– of which: to be recovered within 12 months	-259,235	-264,065	-213,269
<b>Deferred tax assets and liabilities</b>	<b>-2,215,524</b>	<b>-2,154,003</b>	<b>-1,746,620</b>

At December 31, 2013, a deferred tax liability (DTL) of kEUR 2,493,787 (2012: kEUR 2,500,643) and a deferred tax assets (DTA) of kEUR 236,777 (2012: kEUR 313,462), due to timing differences, have been recognized. And in addition, a deferred tax assets with the amount of kEUR 41,486 (2012: kEUR 33,178) due to tax loss carry forwards (considered 60% due to the minimum taxation) have been recognized in the consolidated statement of financial position.

To the extent that future taxable profit will allow the deferred assets to be recovered, E-Plus recognizes DTA in its consolidated statement of financial position. E-Plus considers in its corporate planning determines the DTA by estimating future taxable income taking into account various uncertainties in regarding future cash flows, derived on the Group's goodwill which are also used in impairment testing but to the full extent if deferred tax liabilities exceeds the deferred tax assets.

#### *Deferred taxes*

In kEUR	Tax loss carry forward <sup>3</sup>	Balance sheet position						Total
		Licenses <sup>1</sup>	Goodwill <sup>3</sup>	Other assets	Shareholder Loans	Pension Accruals	Other liabilities	
<b>Balance as of January 1, 2012</b>	<b>48,354</b>	<b>-3,830</b>	<b>97,465</b>	<b>165,559</b>	<b>-2,086,015</b>	<b>1,198</b>	<b>30,649</b>	<b>-1,746,620</b>
Income statement benefit/(charge)	-15,176	-623	-18,698	-23,163	-357,565	178	4,721	-410,327
Tax charged to OCI <sup>2</sup>	-	-	-	-	-	2,944	-	2,944
<b>Balance as of December 31, 2012</b>	<b>33,178</b>	<b>-4,453</b>	<b>78,767</b>	<b>142,395</b>	<b>-2,443,579</b>	<b>4,319</b>	<b>35,370</b>	<b>-2,154,003</b>
Income statement benefit/(charge)	-8,308	518	-42,350	-41,372	-14,645	-2,390	28,313	-63,618
Tax charged to OCI <sup>2</sup>	-	-	-	-	-	2,097	-	2,097
<b>Balance as of December 31, 2013</b>	<b>41,486</b>	<b>-3,935</b>	<b>36,417</b>	<b>101,023</b>	<b>-2,458,225</b>	<b>4,026</b>	<b>63,684</b>	<b>-2,215,524</b>

1) Mainly related to UMTS licenses (3G).

2) Deferred tax charged to OCI relates to movements in pensions (IAS19R).

3) The change in the consolidated statement of profit and loss is mainly driven by a new tax-perception on goodwill referring to a step-up with a remaining amount of kEUR 210,000, as of 01.01.2013.

As of December 31, 2013 and December 31, 2012 no deferred tax liabilities were recognized on temporary differences in connection with equity interests in subsidiaries amounting kEUR 15,289 and of kEUR 69,085 as it is unlikely that these differences will be reversed in the near future.

#### *Tax loss carry forwards*

			<b>December 31, 2013</b>			<b>December 31, 2012</b>
<b>In kEUR</b>	<b>Tax loss carry forward</b>	<b>Unrecognized deferred tax assets</b>	<b>Recognized deferred tax assets</b>	<b>Tax loss carry forward</b>	<b>Unrecognized deferred tax assets</b>	<b>Recognized deferred tax assets</b>
E-Plus – trade tax <sup>1</sup>	847,738	89,158	41,486	1,435,461	191,400	33,178
E-Plus – corporate tax <sup>1</sup>	23,648	3,742	-	11,281	1,785	-
<b>Total</b>	<b>871,386</b>	<b>92,900</b>	<b>41,486</b>	<b>1,446,742</b>	<b>193,185</b>	<b>33,178</b>

1) The loss carry forward of trade tax and corporate tax can be used to offset future taxable income without any time limit. However, taxable income exceeding EUR 1 million in a certain year can only be offset for 60% against tax loss carry forward. Trade tax and corporate tax have to be paid over the remaining 40% of taxable income. On August 29, 2013 the Foundation Preference Shares B KPN obtained an interest in KPN's issued share capital equal to 50% minus 1 share which resulted in a change of control from a German tax perspective and expiration of approximately 50% of the available losses carry forward in Germany. This triggered a permanent partial release of recognized deferred tax assets for tax loss carry forward. Due to the target structure the loss carry forwards regarding corporate tax can no longer be utilized.

The deferred tax asset based on tax loss carry forward referring to trade tax amounting kEUR 89,158 as of December 31, 2013 (2012: kEUR 191,400) has not been recognized because it is not probable for ATSP3G and Simyo GmbH that future taxable profit will be available against which the both companies can utilize the benefits. Tax loss carry forward for companies that belong to the EPM tax group are unfeasible to be recognized. And in addition, a deferred tax asset with the amount of kEUR 41,486 (2012: kEUR 33,178) due to tax loss carry forwards (considered 60% due to the minimum taxation) have been recognized in the consolidated statement of financial position. The total tax loss carry forward as of January 1, 2012 amounts to kEUR 2,150,164 of which kEUR 288,076 lead to an unrecognized deferred tax asset and kEUR 48,354 lead to a recognized deferred tax asset.

Recognized deferred tax assets reflect management's estimate of realizable amounts. The amounts of tax loss carry forwards are subject to assessment by local tax authorities.

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

#### **10. Intangible assets**

The following table provides the breakdown of E-Plus Group's intangible assets:

<b>In kEUR</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Goodwill	151,305	68,237	43,660
Licenses	1,667,444	1,853,402	2,066,163
Software	156,072	158,762	109,964
Other intangible assets	25,939	68,630	58,382
<b>Total intangible assets</b>	<b>2,000,760</b>	<b>2,149,031</b>	<b>2,278,169</b>

The asset class software comprises computer software currently deployed at E-Plus Group as well as software in development, while the asset class 'other intangible assets' comprises customer relations, trade names and miscellaneous other intangible assets mostly related to prepayments on licenses transferred to the class 'licenses' in 2013.

The following table provides a reconciliation of the carrying amounts of E-Plus Group's intangible assets at the beginning and end of the periods presented in the consolidated financial statements:

In kEUR	Licenses	Computer software	Software in development	Customer relations	Trade names	Other	Total
<b>Balance as of January 1, 2012</b>	<b>2,066,163</b>	<b>72,886</b>	<b>37,078</b>	<b>5,688</b>	<b>1,579</b>	<b>51,115</b>	<b>2,234,509</b>
Additions	27,639	72,512	40,674	-	2,646	7,467	150,938
Disposals	-	-1,217	-	-	-	-	-1,217
Changes in consolidation	-	117	-	-	6,367	-	6,484
Reclassification	-	5,070	-5,070	-	-	-	0
Amortization	-239,442	-60,038	-	-2,007	-1,504	-2,721	-305,712
Impairment	-	-	-	-	-	-	-
Transferred to held for sale (net)	-958	-2,130	-1,120	-	-	-	-4,208
<b>Closing net book value</b>	<b>1,853,402</b>	<b>87,200</b>	<b>71,562</b>	<b>3,681</b>	<b>9,088</b>	<b>55,861</b>	<b>2,080,794</b>
Cost	9,028,534	794,593	71,562	14,356	18,438	77,983	10,005,466
Accumulated amortization/ Impairments	-7,175,132	-707,393	-	-10,675	-9,350	-22,122	-7,924,672
<b>Balance as of December 31, 2012</b>	<b>1,853,402</b>	<b>87,200</b>	<b>71,562</b>	<b>3,681</b>	<b>9,088</b>	<b>55,861</b>	<b>2,080,794</b>
Additions	1	88,676	23,704	-	-	-	112,381
Disposals	-	-	-	-	-1,918	-	-1,918
Changes in consolidation	-	252	-	2,172	10,232	128	12,784
Reclassification	44,836	44,339	-44,339	-	-	-44,836	0
Amortization	-230,795	-70,876	-	-3,636	-2,112	-2,721	-310,140
Impairment	-	-	-44,446	-	-	-	-44,446
<b>Closing net book value</b>	<b>1,667,444</b>	<b>149,591</b>	<b>6,481</b>	<b>2,217</b>	<b>15,290</b>	<b>8,432</b>	<b>1,849,455</b>
Cost	9,073,371	929,039	6,481	24,084	31,189	33,275	10,097,439
Accumulated amortization/ Impairments	-7,405,927	-779,448	-	-21,867	-15,899	-24,843	-8,247,984
<b>Balance as of December 31, 2013</b>	<b>1,667,444</b>	<b>149,591</b>	<b>6,481</b>	<b>2,217</b>	<b>15,290</b>	<b>8,432</b>	<b>1,849,455</b>

As of December 31, 2013 the book value of computer software and software in development comprised internally generated software amounting to kEUR 19,235 (December 31, 2012: kEUR 23,373, January 1, 2012: kEUR 13,626).

Other intangibles include among others customer relations with a carrying amount of kEUR 2,217 as of December 31, 2013 (December 31, 2012: kEUR 3,681, January 1, 2012: kEUR 5,688) and trade names with a book value of kEUR 15,290 as of December 31, 2013 (December 31, 2012: kEUR 9,088, January 1, 2012: kEUR 1,579).

In 2013, software in development 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.

In 2012, intangible assets amounting to kEUR 4,208 and related to the sale of Multiconnect were transferred to a disposal group classified as held for sale. For further details regarding the disposal group please refer to Note 17.



## 11. Goodwill

The following table provides a reconciliation of E-Plus Group's goodwill for the periods presented in the consolidated financial statements:

<b>In kEUR</b>	<b>2013</b>	<b>2012</b>
Cost	71,248	43,660
Accumulated impairments	-3,011	-
<b>Balance as of January 1</b>	<b>68,237</b>	<b>43,660</b>
Additions	83,069	33,047
Impairment	-	-3,011
Disposals	-	-3,515
Transferred to held for sale (net)	-	-1,944
<b>Closing net book value</b>	<b>151,305</b>	<b>68,237</b>
Cost	154,316	71,248
Accumulated impairments	-3,011	-3,011
<b>Balance as of December 31</b>	<b>151,305</b>	<b>68,237</b>

Per sale and purchase agreement (SPA) dated September 27, 2012 between E-Plus and Ortel Mobile Holding B. V., The Hague, Netherlands, all shares of Ortel were sold to E-Plus as of October 1, 2012. As part of this transaction, goodwill of kEUR 33,047 was allocated to E-Plus Group. As of January 1, 2013, E-Plus acquired 100% of the shares of BLAU. The acquisition of BLAU led to an allocation of goodwill to E-Plus Group at an amount of kEUR 83,069. Both these transactions were accounted for as business combinations under common control. For further details please refer to the Note 'Business Combinations and Disposals' above.

The transfer of Goodwill to held for sale amounting to kEUR 1,944 in 2012 relates to the sale of the subsidiary Multiconnect and was impaired by kEUR 3,011 following the application of IFRS 5 and IAS 36. Please refer to Notes 6 and 17 for further details.

The disposal of goodwill of kEUR 3,515 in 2012 relates to the sale-and-leaseback of a portfolio of mobile communication towers including related lease contracts for antenna space as well as ground lease contracts with landlords. Due to the fact that E-Plus Group provided transitional management services to the buyer so as to ensure the proper transition of the portfolio, the portfolio comprising the two entities E-Plus Funkturmgesellschaft mbH and Zweite E-Plus Funkturmgesellschaft mbH was considered a business, which resulted in a partial derecognition of goodwill in accordance with IAS 36, whereby the amount derecognized was determined based on the relative fair value of the tower business versus the total fair value of the single cash-generating unit E-Plus Group.

For details regarding the leaseback of antenna spaces on the towers sold please refer to the Note 'Business Combinations and Disposals' above as well as Note 28.

### **Goodwill impairment test**

For purposes of impairment testing goodwill is allocated to those cash-generating units (CGUs) that are expected to achieve benefits from the synergies inherent in a goodwill recorded in a business combination. As E-Plus Group is defined as a single cash-generating unit, goodwill is tested for impairment on Group level, the level at which goodwill is monitored for management purposes.

Goodwill is impaired if the recoverable amount of the cash-generating unit, to which it is allocated, is lower than the book value of the cash-generating unit concerned, including goodwill. Goodwill is subject to an annual impairment test. If there are indications of impairment, the impairment test is also conducted during the year. For the cash-generating unit that is E-Plus Group, the recoverable amount is based on its fair value less costs of disposal. This value was calculated using the net present value method. The main parameters are shown in the table below. The recoverable amount of the cash-generating unit was calculated using third-level input parameters, in accordance with IFRS 13 (i.e. input parameters that cannot be observed).

The measurement of the recoverable amount uses projections that are based on financial plans approved by management and used in the Group's internal reporting. The planning horizon reflects management's assumptions for short- and medium-term market developments and is selected so as to achieve a steady state towards its end so as to allow for the calculation of a perpetual annuity. Cash flows beyond the internal planning horizon are extrapolated using growth rates deemed appropriate and supportable by management.

The key assumptions on which management has based its determination of the recoverable amount include the following assumptions that were primarily derived from internal sources and are based on past experience. Any significant future changes in management's assumptions would have an impact on the fair value of the cash-generating unit.

The following table provides an overview of input parameters used as well as their classification in accordance with IFRS 13:

	Projection Period (years)	Terminal growth rate %	Discount rate %	EBITDA margin %	Capital expenditures % of revenues	Level allocation of input parameters
December 31, 2013	15	0.5%	7.15%	23.7%	18.2%	3
December 31, 2012	15	0.5%	6.95%	40.8%	18.0%	3
January 1, 2012	15	1.0%	6.35%	41.6%	18.5%	3

Additionally, a scenario analysis was performed in order to account for uncertainties regarding the future development of E-Plus. The main valuation parameters WACC, terminal growth rate, EBITDA margin and capital expenditures were varied.

In all cases the entity value based on the analysis exceeded the IFRS carrying amount of the cash-generating unit. Therefore, no evidence was found for goodwill impairment on both December 31, 2013 and December 31, 2012.

## 12. Property, plant and equipment

The following table provides a reconciliation of E-Plus Group's carrying amount of property, plant and equipment:

In kEUR	Land and buildings	Property, plant and equipment	Other tangible assets	Assets under construction	Total
<b>Balance as of January 1, 2012</b>	<b>42,133</b>	<b>2,032,831</b>	<b>5,564</b>	<b>333,235</b>	<b>2,413,763</b>
Additions	10,041	552,059	3,168	126,276	691,544
Disposals	0	-24,506	-24	-1,541	-26,071
Depreciation	-9,653	-353,591	-4,699	-8,772	-376,715
Reclassifications	76	235,645	89	-235,810	0
Change in consolidation	-386	-101,266	56	0	-101,596
Transferred to held for sale (net)	-59	-	-934	-31	-1,024
<b>Balance as of December 31, 2012</b>	<b>42,152</b>	<b>2,341,172</b>	<b>3,220</b>	<b>213,357</b>	<b>2,599,901</b>
Cost	94,233	7,479,277	80,578	222,129	7,876,217
Accumulated depreciation/impairments	-52,081	-5,138,105	-77,358	-8,772	-5,276,316
<b>Balance as of December 31, 2012</b>	<b>42,152</b>	<b>2,341,172</b>	<b>3,220</b>	<b>213,357</b>	<b>2,599,901</b>
Additions	14,089	714,942	5,901	185,696	920,628
Disposals	-	-48,810	-	-294	-49,104
Depreciation	-9,411	-587,672	-4,417	-15,212	-616,712
Reclassifications	475	118,805	4,232	-123,512	0
Change in consolidation	-	-	561	-	561
<b>Balance as of December 31, 2013</b>	<b>47,305</b>	<b>2,538,437</b>	<b>9,497</b>	<b>260,035</b>	<b>2,855,274</b>
Cost	106,716	8,215,043	91,358	260,035	8,673,152
Accumulated depreciation/impairments	-59,411	-5,676,606	-81,861	-	-5,817,878
<b>Balance as of December 31, 2013</b>	<b>47,305</b>	<b>2,538,437</b>	<b>9,497</b>	<b>260,035</b>	<b>2,855,274</b>

In 2012 property, plant and equipment transferred to the disposal group classified as held for sale amounted to kEUR 1,024 and related to assets that were used by Multiconnect. Please refer to Note 17 for further details regarding the disposal group held for sale.

In 2013 the disposal mainly refers to asset retirement obligations kEUR 47,219 (2012: kEUR 24,507). The increase in the depreciation charge 2013 as compared to 2012 relates among other to increased depreciation on handsets accounted for as finance leases (kEUR 156,591) as well as early retirements of obsolete technical equipment (kEUR 55,834).

Assets under construction mainly relate to the construction and expansion of E-Plus Group's mobile networks.

The book value of property, plant and equipment of which E-Plus as the lessee is the beneficial owner under finance lease programs amounted to kEUR 328,902 as of December 31, 2013 (December 31, 2012: kEUR 128,662, January 1, 2012: kEUR 2,516). For further details please refer to Note 18.

### 13. Other non-current assets

The following note provides an overview of other non-current assets split into financial non-current assets and non-financial non-current assets:

The balance of other non-current assets (financial) as of the reporting date included the following items:

In kEUR	December 31, 2013	December 31, 2012	January 1, 2012
Receivables from finance leases	-	131	1,027
Other investments and loans	8,374	6,093	885
<b>Total</b>	<b>8,374</b>	<b>6,224</b>	<b>1,912</b>

Other investments and loans mainly include investments in unconsolidated entities and as of December 31, 2013 contingent consideration resulting from the sale of Multiconnect (see also Note 25).

The balance of other non-current assets (non-financial) as of the reporting date included the following items:

In kEUR	December 31, 2013	December 31, 2012	January 1, 2012
Accrued income and prepayments	38,801	40,806	42,267
Pension Reinsurance Claim	4,849	4,954	5,841
<b>Total</b>	<b>43,650</b>	<b>45,760</b>	<b>48,108</b>

Accrued income and prepayments mainly consist of prepaid rent recognized at net present value.

### 14. Inventories

In kEUR	December 31, 2013	December 31, 2012	January 1, 2012
Trading inventory	59,407	35,328	42,750
<b>Total inventories, gross</b>	<b>59,407</b>	<b>35,328</b>	<b>42,750</b>
Provision for obsolescence	-9,470	-9,783	-9,674
<b>Total inventories, net</b>	<b>49,937</b>	<b>25,545</b>	<b>33,076</b>

Trading inventory includes mainly smartphones and phone accessories. Inventories in the amount of kEUR 279,621 (previous year kEUR 176,454) were recognized as an expense during the period 2013.

The amounts of write-downs of inventories recognized as an expense in 2013 are kEUR 9,470 (previous year kEUR 9,783).

### 15a. 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	December 31, 2013	December 31, 2012	January 1, 2012
Trade receivables	261,008	221,753	271,421
Other financial receivables	9,427	21,706	17,231
<b>Total</b>	<b>270,435</b>	<b>243,459</b>	<b>288,652</b>
Trade receivables, gross	315,807	283,229	328,416
Provision for doubtful receivables	54,799	61,476	56,995
<b>Total</b>	<b>261,008</b>	<b>221,753</b>	<b>271,421</b>

The ageing of the gross trade receivables at the reporting date was as follows:

In kEUR	December 31, 2013		December 31, 2012		January 1, 2012	
	Gross	Provision	Gross	Provision	Gross	Provision
Amounts undue	197,517	18,350	182,285	0	184,327	
Past due 0-30 days	42,370	270	19,403	1,346	33,958	5,250
Past due 31-60 days	11,447	3,843	4,192	1,136	5,344	271
Past due 61-90 days	4,244	143	1,730	77	2,961	303
Past due 91-180 days	10,270	643	7,538	379	18,952	2,739
Past due 181-270 days	4,963	534	5,761	4,480	6,268	1,587
Past due 271-360 days	3,406	541	4,839	3,674	1,091	600
More than one year	41,590	30,475	57,481	50,384	75,515	46,245
<b>Total</b>	<b>315,807</b>	<b>54,799</b>	<b>283,229</b>	<b>61,476</b>	<b>328,416</b>	<b>56,995</b>
Trade receivables, net	261,008		221,753		271,421	

Movements in the Group's provision for impairment of trade receivables are as follows:

In kEUR	2013	2012
<b>Balance as of January 1</b>	<b>61,476</b>	<b>56,995</b>
Net additions (+) / reversals (-)	21,494	35,365
Use	-28,171	-30,614
<b>Balance as of December 31</b>	<b>54,799</b>	<b>61,476</b>

For a discussion of E-Plus Group's policies to reduce credit risk on trade receivables as well as concentrations of the credit risk, please refer to Note 26. Postpaid mobile services are considered to have the highest credit risks within the business of E-Plus. Overall, concentrations of credit risk with respect to trade receivables are limited due to the Group's large and unrelated customer base. The provision for doubtful trade receivables is predominantly collectively determined based on ageing and is reviewed periodically. The gross amount due from trade receivables in postpaid mobile services business at December 31, 2013 was kEUR 243,370 (December 31, 2012: kEUR 215,655, January 1, 2012: kEUR 234,775) for which a provision of kEUR 45,819 (December 31, 2012: kEUR 55,891, January 1, 2012: kEUR 53,381) was recorded. The provision for doubtful receivables has been determined on an individual basis.

#### 15b. Other current assets

The balance of other current assets as of the reporting date included the following items:

In kEUR	December 31, 2013	December 31, 2012	January 1, 2012
Social security and other taxes	21,272	24,362	20,127
Other receivables	38,911	30,973	24,136
Prepayments	5,929	7,272	8,297
<b>Total</b>	<b>66,112</b>	<b>62,606</b>	<b>52,560</b>

#### 16. Cash and cash equivalents

At December 31, 2013, cash and cash equivalents amounted to kEUR 484,270 (December 31, 2012: kEUR 617,847, January 1, 2012: kEUR 318,039). These consist of bank balances of kEUR 482,867 (December 31, 2012: kEUR 616,899, January 1, 2012: kEUR 317,327) and cash on hand in the amount of kEUR 1,403 (December 31, 2012: kEUR 948, January 1, 2012: kEUR 713).

Significant cash investing activities during the year relate to the purchase of BLAU Mobile GmbH in the amount of kEUR 100,054 and investments in property, plant and equipment in the amount of kEUR 519,234 that mainly relate to the expansion of the mobile network. Cash flow from financing activities includes the repayment of the shareholder loan of kEUR 145,000. The financial funds decreased in the reporting year by kEUR 133,577 to kEUR 484,270 at the reporting date.

## 17. Assets and liabilities of disposal groups classified as held for sale

### *Multiconnect GmbH*

On August 31, 2012, E-Plus and the purchaser entered into a share purchase agreement regarding the sale of 100% shares of Multiconnect GmbH. The entity is an advisor for communication approaches regarding marketing, sales and customer relationship. The disposal group was sold in January 2013. In 2012, impairment loss of goodwill recognized in depreciation, amortization and impairment amounts to kEUR 3,011. Please refer to Notes 6 and 11.

### *SNT Inkasso & Forderungsmanagement GmbH*

On November 11, 2011 E-Plus and the purchaser entered into a share purchase agreement regarding the sale of 100% shares of SNT Inkasso & Forderungsmanagement GmbH. The entity is a provider of debt collection services. The disposal group was sold in June 2012. The deconsolidation gain recognized in other income amounts to kEUR 16,230.

### *Assets and liabilities of the disposal groups classified as held for sale*

The assets and liabilities of Multiconnect GmbH and SNT Inkasso & Forderungsmanagement GmbH are presented as follows:

<b>Assets of disposal groups classified as held for sale</b>			
<b>In kEUR</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Goodwill	-	1,944	2,293
Intangible assets	-	4,208	95
Property, plant and equipment	-	1,024	24
Trade accounts receivable	-	8,102	13,415
Other non-financial assets	-	1,970	3,436
Cash and cash equivalents	-	266	-
<b>Total</b>	<b>-</b>	<b>17,514</b>	<b>19,263</b>

<b>Liabilities of disposal groups classified as held for sale</b>			
<b>In kEUR</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Other provisions	-	30	-
Current income tax liabilities	-	-	6,293
Other current taxes	-	54	57
Trade accounts payable	-	1,098	25
Other accruals	-	2,847	203
Other non-financial liabilities	-	857	159
<b>Total</b>	<b>-</b>	<b>4,886</b>	<b>6,737</b>

### *E-Plus Funkturmgesellschaft mbH and Zweite E-Plus Funkturmgesellschaft mbH*

The disposal of mobile communication towers effected through the sale of E-Plus Funkturmgesellschaft mbH and Zweite E-Plus Funkturmgesellschaft mbH in December 2012 is described above (see Note 'Business combinations and Disposals' as well as Note 28). The disposal group did not qualify for presentation under IFRS 5 at any of the dates for which information on the financial position of the Group is presented and as such is not included in the table above. The deconsolidation gain recognized in other income amounts to kEUR 298,163 recorded in the annual period 2012.

## 18. 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:

<b>In kEUR</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<b>Finance lease liabilities</b>	<b>352,533</b>	<b>132,993</b>	<b>2,462</b>
- of which: non-current <sup>1</sup>	109,394	53,240	733
- of which: current	243,139	79,753	1,729

1) The non-current minimum lease payments are all due within 1-5 years

### *Sale and leaseback transactions*

Handsets in the amount of kEUR 410,342 (prior year: kEUR 237,506) were sold in 2013 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 (see below as well as Note 12). The purpose of these leasing transactions mainly lies in the optimization of the Group's liquidity. The lease terms are two years, feature fixed rentals based on the cost of the handsets to the lessor and include neither purchase nor renewal options.

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:

<b>In kEUR</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Gross finance lease liabilities – minimum lease payments:			
Less than 1 year	254,728	85,871	1,899
1- 5 years	114,394	57,558	911
More than 5 years	-	-	-
<b>Total</b>	<b>369,122</b>	<b>143,429</b>	<b>2,810</b>
Future finance charges on finance lease liabilities	-16,589	-10,436	-348
<b>Present value of finance lease liabilities</b>	<b>352,533</b>	<b>132,993</b>	<b>2,462</b>

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

<b>In kEUR</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Cost-capitalized finance lease	552,673	162,252	-
Accumulated depreciation	223,771	33,590	-
<b>Total</b>	<b>328,902</b>	<b>128,662</b>	<b>-</b>

The Group subleases these handsets to customers as part of postpaid contracts with a 2 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:

<b>In kEUR</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Less than 1 year	224,284	91,560	-
1- 5 years	84,616	53,808	-
More than 5 years	-	-	-
<b>Total</b>	<b>308,900</b>	<b>145,368</b>	<b>-</b>

The future minimum lease payments receivable from customers are pledged to the buyer-lessor of the handsets. Please refer also to Note 28 for details on future minimum sublease payments receivable by E-Plus Group.

### **19. Borrowings**

The carrying amounts of borrowings are as follows:

<b>In kEUR</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Shareholder loans	6,143,874	6,612,062	9,544,512
Other loans	42,825	46,508	32,152
<b>Total</b>	<b>6,186,699</b>	<b>6,658,570</b>	<b>9,576,664</b>
- of which: current	42,825	46,508	32,152
- of which: non-current	6,143,874	6,612,062	9,544,512

For details on the shareholder loans please refer to Note 25. Other loans comprise non-controlling interests in E-Plus Service GmbH & Co. KG classified as liabilities amounting to kEUR 37,176 as of December 31, 2013 (kEUR 32,142 as of December 31, 2012, kEUR 26,881 as of January 1, 2012) as well as a loan provided by KPN which is repayable on demand and amounts to kEUR 5,271 as of December 31, 2013 (kEUR 5,271 as of December 31, 2012, kEUR 5,271 as of January 1, 2012).

## 20. Provisions for retirement benefit obligations

The regulatory framework in Germany for defined benefit plans is the Betriebsrentengesetz (German pension law). The defined benefit pension plans are operated on employee pensionable earnings and lengths of service. The plan assets consist exclusively of congruent insurance pension contracts and are not traded on an active market. They are pledged to the pension holders and are funded with a single contribution.

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

<b>In kEUR</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Pensions	34,485	45,033	24,244
Partial retirement	2,097	3,375	3,528
<b>Total</b>	<b>36,582</b>	<b>48,408</b>	<b>27,772</b>

### *Pensions*

The pension obligations at E-Plus are based on pension commitments to 262 current and former members of the Board of Management and employees of whom 139 are still active, 104 are former employees and 19 are retired. The pension commitments are fully vested.

*Net defined benefit liability (asset)*

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

<b>In kEUR</b>	<b>Defined benefit obligation</b>	<b>Fair value of plan assets</b>	<b>Net defined benefit liability (asset)</b>
<b>Balance as of January 1, 2012</b>	<b>31,169</b>	<b>-6,925</b>	<b>24,244</b>
<b>Included in profit or loss</b>			
– Operating expense:			
current service costs	1,103	-	1,103
– Interest cost (income)	1,482	-328	1,154
<b>Total</b>	<b>2,585</b>	<b>-328</b>	<b>2,257</b>
<b>Included in OCI</b>			
Remeasurements loss (gain):			
– Actuarial loss (gain) arising from:			
Change in financial assumptions	17,156	-	17,156
Experience adjustment	2,993	-	2,993
– Return on plan assets excluding interest income		-1,331	-1,331
<b>Total</b>	<b>20,149</b>	<b>-1,331</b>	<b>18,818</b>
<b>Other</b>			
Benefits paid	-494	208	-286
<b>Balance as of December 31, 2012</b>	<b>53,409</b>	<b>-8,376</b>	<b>45,033</b>
<b>Included in profit or loss</b>			
– Operating expense:			
current service costs	1,646	-	1,646
– Interest costs (income)	1,646	-256	1,390
<b>Total</b>	<b>3,292</b>	<b>-256</b>	<b>3,036</b>
<b>Included in OCI</b>			
Reameasurements loss (gain):			
– Actuarial loss (gain) arising from:			
Change in financial assumptions	-7,934	-	-7,934
Experience adjustment	-4,421	-	-4,421
– Return on plan assets excluding interest income	-	-947	-947
<b>Total</b>	<b>-12,355</b>	<b>-947</b>	<b>-13,302</b>
Benefits paid	-496	214	-282
<b>Balance as of December 31, 2013</b>	<b>43,850</b>	<b>-9,365</b>	<b>34,485</b>

There was no impact in 2013 or 2012 on the net defined benefit liability from minimum funding requirements or asset ceiling.

*Principal Actuarial assumptions*

The key actuarial assumptions used in the calculation of the defined benefit obligations are as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Discount rate (%)	3.8%	3.1%
Expected salary increases (%)	2.5%	2.5%
Expected benefit increase/indexation (%)	2.0%	2.0%
Life expectancy for pensioners at the age of 65 in years		
– Male	18.8	18.6
– Female	22.8	22.7



The measurement of defined benefit obligations is based on the mortality tables 2005G from Dr. Klaus Heubeck which include projected improvement rates varying by year of birth, corrected for fund specific circumstances. For example, the life expectancy at the age of 65 is expected to increase in the next 20 years with approximately 2 years. The measurement date for the defined benefit plans is December 31. The discount rate is based on yield curves of euro denominated AA corporate bonds with maturities equal to the duration of the benefit obligations in Euro.

At December 31, 2013, the duration of the defined benefit obligation was 20 years (2012: 20 years). The benefit payments for the annual period of 2014 are expected in the amount of kEUR 289.

#### ***Risk exposure***

The defined benefit plans expose E-Plus to a number of risks, none of which are unusual or plan specific. The most significant risks are summarized below:

- Interest rate risk: the plans' liabilities are calculated for IFRS purposes using a discount rate set with reference to corporate bond yields; a decrease in corporate bond yields will increase the plans' liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
- Inflation risk: pension liabilities are to a certain extent adjusted to consumer price indices. Therefore E-Plus's pension plans are exposed to inflation risk.
- Life expectancy: E-Plus pension plans provides live long benefit payments, so increases in life expectancy will result in an increase in the plans' liabilities.

#### ***Sensitivity analysis***

The table below shows the approximate impact on the defined benefit obligation of a change in the key actuarial assumptions of 0.5% as at December 31, 2013.

<b>In kEUR</b>	<b>Increase</b>	<b>Decrease</b>
Discount rate	-1,825	5,892
Expected benefit increases	3,985	-3,649

The sensitivities in the table above were estimated by actuaries based on the defined benefit obligations per December 31, 2013. If more than one of the assumptions change, the impact would not necessarily be equal to the total impact of changes in those assumptions in isolation. The change of life expectancies of +/- 1 year has no material impact on the defined benefit obligation. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method) has been applied as when calculating the post-employment benefit obligation recognized in the consolidated statement of financial position.

#### ***Defined contribution plans***

The employer's contribution paid to the statutory pension scheme (*Deutsche Rentenversicherung*) in Germany amounted to kEUR 18,669 in 2013 (2012: kEUR 18,969). Contributions of kEUR 3,433 (2012: kEUR 3,139) to additional defined contribution plans were recognized in the income statement in 2013.

#### ***Early retirement programs***

E-Plus agreed on early retirement arrangements (German "Altersteilzeit") with varying terms and conditions, predominantly based on what is known as the German block model. The participant in the early retirement arrangement works full-time for half of the Altersteilzeit period (the "active period"), and then does not work for the remaining half (the "inactive period") receiving 50 percent of his/her last salary received while still fully employed each year during the entire Altersteilzeit period (covering both the active and the inactive period). Additionally employees taking part in the arrangement receive step-up payments which ensure that employees in early retirement receive 85% of their last monthly net salary received while still in full-time employment. The partial retirement arrangements are modeled based on the law governing pre-retirement.

The obligations from partial retirement are partially covered by employer contributions into insurance contracts that do not qualify as plan assets even though they are subject to restrictions because under the law governing pre-retirement, scheme credits have to be protected against the risk of insolvency.

## 21. 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	December 31, 2013	December 31, 2012	January 1, 2012
Restructuring provisions	13,917	38,881	-
Asset retirement obligations	156,338	219,263	254,303
Other provisions	16,972	21,074	10,395
<b>Balance</b>	<b>187,227</b>	<b>279,218</b>	<b>264,698</b>
– of which: non-current	165,464	236,095	259,489
– of which: current	21,763	43,123	5,209

### *Restructuring provisions*

Restructuring provisions amounting to kEUR 13,917 (2012: kEUR 38,881) consist of personnel (redundancy obligations) and contractual obligations related to rental contracts.

During 2013 and 2012, E-Plus continued to substantially reduce its staff. The restructuring provision relating to full-time-equivalent reduction amounted to kEUR 8,641 as at December 31, 2013. As at December 31, 2013, the restructuring provision set up for termination pay and exemption amounted to kEUR 7,103.

The movements in restructuring provisions are as follows:

In kEUR	2013	2012
<b>Balance as of January 1</b>	<b>38,881</b>	<b>-</b>
-of which current portion	31,681	-
Additions	7,103	38,881
Releases	-7,105	-
Usage	-24,962	-
<b>Balance as of December 31</b>	<b>13,917</b>	<b>38,881</b>
-of which current portion	10,954	31,681

### *Asset retirement obligations*

The movements in asset retirement obligations are as follows:

In kEUR	2013	2012
<b>Balance as of January 1</b>	<b>219,263</b>	<b>254,303</b>
Additions	6,333	7,119
Disposals	-	-22,471
Change in estimate	-73,366	-24,507
Interest	4,108	4,849
Transferred to held for sale	-	-30
<b>Balance as of December 31</b>	<b>156,338</b>	<b>219,263</b>

With regard to asset retirement obligations for mobile communication tower sites, E-Plus distinguishes between towers (large tower constructions, placed on churches, silos, etc.), rooftops (small towers with equipment placed on rooftops) and antenna slots rented within sublease agreements. For all of those sites, E-Plus has the legal obligation to dismantle and remove the tower or equipment and restore the site on which it is located.

The asset retirement obligation as of December 31, 2013 amounted to kEUR 156,338 (December 31, 2012: kEUR 219,263, January 1, 2012: kEUR 254,303). In 2013, estimates regarding the calculation of the asset retirement obligation were changed due to new information obtained by E-Plus. Subsequently, the asset retirement obligation was reduced as a result of this change in estimate by kEUR 73,366 in 2013 (2012: kEUR 24,507). In 2013, the amount of kEUR 26,147 is recognized as a gain under other operating expenses and the amount of kEUR 47,219 is recognized as a disposal under property, plant and equipment in Note 12.

In 2012, E-Plus Group sold a portfolio of 2,031 mobile communication towers to Germany Tower Interco B.V. As part of the transfer of the portfolio asset retirement obligations amounting to kEUR 22,471 were derecognized. For further details, please refer to Note 17.

The main assumptions regarding the calculation of the asset retirement obligation relate to the number of mobile sites to be dismantled in the future, the dismantling costs per site, the duration of those mobile sites, the indexation and discount rate, which vary per type of asset.

The discount rates for the obligation recorded are based on the Euro mid-swap rates. In connection with the duration of the mobile sites, they vary based on the expected remaining usage of the sites:

Discount rate	1-10 years	11-20 years	21-30 years	31-40 years	41-50 years
2013	1.02%	2.33%	2.53%	2.54%	2.58%

In 2012 the discount rate for 20 years was set to 2.11%. The inflation rate for 2013 was set to 2.0% (2012: 2.0 %).

#### **Other Provisions**

The movements in other provisions are as follows:

In kEUR	2013	2012
<b>Balance as of January 1</b>	<b>21,074</b>	<b>10,395</b>
Additions	10,239	16,558
Usage	-3,479	-4,615
Release	-10,862	-1,264
<b>Balance as of December 31</b>	<b>16,972</b>	<b>21,074</b>

Other provisions relate to various risks and commitments as well as onerous contracts. One of these risks refers to the tax field audit (years 2002-2005 finalized; years 2006-2010 ongoing) with an amount of kEUR 8,271 (2012: kEUR 5,707). Approximately kEUR 10,809 of other provisions had a term of less than one year (2012: kEUR 11,442) and kEUR 6,163 had a term more than one year (2012: kEUR 9,632).

#### **22. Other payables and deferred income**

In kEUR	December 31, 2013	December 31, 2012	January 1, 2012
Non-interest bearing accruals	8,968	15,711	13,386
<b>Total</b>	<b>8,968</b>	<b>15,711</b>	<b>13,386</b>

Deferred income concerns amounts received in advance for deferred connections fees and other revenues that will be recognized in the future.

#### **23. Trade and other payables**

In kEUR	December 31, 2013	December 31, 2012	January 1, 2012
Trade payables	477,693	495,182	439,374
Deferred income	192,371	128,791	116,831
Accrued expenses	271,463	230,562	230,892
Social security and other taxes payable	4,471	4,397	3,425
Other payables	7,767	14,091	11,172
<b>Total</b>	<b>953,765</b>	<b>873,023</b>	<b>801,694</b>

Trade payables mainly relate to the purchase of handsets and infrastructure services while deferred income mainly concerns amounts billed in advance for fixed fees such as one-time connection fees, customer prepaid call credits and subscription income that will be recognized in the future. Accrued expenses comprise accrued personnel expenses, infrastructure, maintenance, promotion and marketing expenses as well as rental fees.

#### IV. OTHER DISCLOSURES

##### 24. Cash Flow

###### *Net cash flow 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 (Ortel in 2012 and BLAU in 2013), the cash flows of which are reported under cash flows from investing activities. For the year 2013 net cash flow used in operating activities amounted to kEUR 526,109 (2012: kEUR 1,085,340).

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

In 2013, the amount of acquisitions of subsidiaries in the consolidated statement of cash flows mainly 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 2012, the amount of acquisitions of subsidiaries comprised the acquisition of 100% of the shares in Ortel for kEUR 31,714 (kEUR 40,675 original purchase price paid net of cash and cash equivalents acquired of kEUR 8,961).

In 2013 and 2012, the investments in property, plant and equipment include cash-outflows for the build-up of new infrastructure of kEUR 519,234 (2012: kEUR 521,941). The investments are adjusted for non-cash transactions (asset retirement obligation). The investments in intangible assets are mainly comprised of computer software (see also Note 10). In 2012, the disposal of subsidiaries to be consolidated comprised cash-inflows of kEUR 423,192 for the sale of E-Plus Funkturmgesellschaft mbH and Zweite E-Plus Funkturmgesellschaft mbH and SNT Inkasso net of transaction costs (see also Note 'Business Combinations and Disposals' and Note 15).

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

On December 30, 2013, E-Plus exceptionally repaid kEUR 145,000 of the shareholder loan liabilities. Shareholder loan liabilities of kEUR 637,961 were exceptionally repaid in 2012. In 2012, short-term debt of kEUR 8,991 was raised from BLAU under a Cash Pooling agreement. In 2013 and 2012, cash inflows from new loans of kEUR 390,421 (2012: kEUR 171,243) resulted from sale-and-lease-back transactions on handsets while finance lease obligations of kEUR 171,912 and kEUR 32,279 (including interest payments), respectively, were redeemed under a sale-and-lease-back contract with a German leasing company (see also Note 16).

## 25. 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	December 31, 2013		December 31, 2012		January 1, 2012		Fair Value Level
	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value	
<b>Financial assets</b>							
<i>Loans and receivables</i>							
Trade and other receivables [15a]							
Trade receivables <sup>1</sup>	261,008	-	221,753	-	271,421	-	-
Other receivables							
thereof financial instruments <sup>1</sup>	8,580	-	21,706	-	17,231	-	-
Cash and cash equivalents[16] <sup>1</sup>	484,270	-	617,847	-	318,039	-	-
<i>Available-for-sale financial assets</i>							
Other receivables [15a]							
thereof financial instruments	847	847	-	-	-	-	3
Other non-current assets [13]							
thereof financial instruments (measured at cost) <sup>2</sup>	786	-	6,093	-	885	-	-
thereof financial instruments	7,588	7,588	-	-	-	-	3
<b>No category of IAS 39</b>							
Finance lease receivables [13]	-	-	131	131	1,027	1,027	
<b>Total financial assets</b>	<b>763,079</b>		<b>867,530</b>		<b>608,603</b>		
<b>Financial liabilities</b>							
<i>At fair value through profit or loss</i>							
Borrowings [19]	6,143,874	6,143,874	6,612,062	6,612,062	9,544,512	9,544,512	3
<i>Measured at amortized cost</i>							
Borrowings [19] <sup>1</sup>	42,825	-	46,508	-	32,152	-	-
Trade and other payables [23]							
Trade payables <sup>1</sup>	477,693	-	495,182	-	439,374	-	-
Other payables							
thereof financial instruments <sup>1</sup>	190,344	-	183,152	-	193,642	-	-
<b>No category of IAS 39</b>							
Finance lease liabilities [18]	352,533	363,191	132,993	139,519	2,462	2,539	2
<b>Total financial liabilities</b>	<b>7,207,269</b>		<b>7,469,897</b>		<b>10,212,142</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).

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**

As of January 1, 2013, Multiconnect was sold to its former director for a purchase price amounting to kEUR 12,628 subject to adjustments in the company's gross profit. In 2013, adjustments of kEUR 3,483 to the value of the consideration were recorded as revisions of cash flow estimates. The same year, parts of the purchase price amounting to kEUR 709 were settled. The remaining consideration amounting to kEUR 8,435 is split in a current portion amounting to kEUR 847 and a non-current portion amounting to kEUR 7,588. Given the input parameters and the valuation method used, fair value measurements of the receivable from contingent consideration are categorized within Level 3 of the fair value hierarchy.

#### **Shareholder loans**

One of the intermediate parent companies of E-Plus granted E-Plus Group several shareholder loans, which amounted to kEUR 22,094,978 (December 31, 2012: kEUR 22,239,978, January 1, 2012: kEUR 22,877,939) 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 December 31, 2013.

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. The shareholder loans were partially repaid through unscheduled repayments in an amount of kEUR 145,000 in 2013 (2012: kEUR 637,961).

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 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.

	<b>Projection Period (years)</b>	<b>Terminal growth rate %</b>	<b>Discount rate %</b>	<b>Level allocation of input parameters</b>
December 31, 2013	15	0.5%	7.15%	3
December 31, 2012	15	0.5%	6.95%	3
January 1, 2012	15	1.0%	6.35%	3

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

<b>In kEUR</b>	<b>2013</b>	<b>2012</b>
<b>Balance as of January 1</b>	<b>6,621,062</b>	<b>9,544,512</b>
Gains recognized in profit or loss [8]	-332,188	-2,285,489
Redemption	-145,000	-637,961
<b>Balance as of December 31</b>	<b>6,143,874</b>	<b>6,621,062</b>

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 (and retained earnings as of January 1, 2012) of changes in those input factors:

<b>Change in</b>	<b>December 31, 2013<sup>1)</sup></b>	<b>December 31, 2012<sup>1)</sup></b>	<b>January 1, 2012<sup>2)</sup></b>
Discount factor			
+0.25%	-258,941	-270,713	-410,344
-0.25%	279,530	292,606	450,214
Terminal growth rate of cash flows			
+0.5%	219,095	218,614	399,990
-0.5%	-188,433	-187,179	-331,638
Cash flows in projection period			
+10%	345,095	424,519	583,524
-10%	-345,095	-424,519	-583,524

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

<sup>2)</sup> Effect on retained earnings (increase (+), decrease (-))

The following table, which is classified according to the measurement categories of IAS 39, presents the net gains and losses (before taxes) from financial instruments reported in the consolidated statement of comprehensive income:

<b>In kEUR</b>	<b>2013</b>	<b>2012</b>
Loans and receivables	-36,243	-44,215
Available-for-sale financial assets	-13,859	-1,587
Financial instruments at fair value through profit and loss	332,188	2,285,489
Financial liabilities measured at amortized cost	-5,326	-5,388
<b>Net gain/(loss)</b>	<b>276,760</b>	<b>2,234,299</b>

Net gains and losses on financial instruments cover income and expenses related to interest, fair value changes, adjustments and impairments. Net losses on loans and receivables relate to impairments of receivables and interest income on financial assets.

Financial Instruments at fair value through profit and loss include changes of fair value and interest payments on the shareholder loan.

The losses on available-for-sale financial assets relate to the Group's shareholding in the unconsolidated entity Shortcut GmbH & Co. KG (Shortcut), which was impaired in both periods presented due to insufficient earnings perspectives. The shareholding in Shortcut can not be measured at fair value as the company is a startup venture whose valuation is subject to a significant degree of fluctuation in possible fair value measurements. This means that a fair value for the shareholding can not be determined reliably and that further, due to its nature there is no active market for the shares in the company. The increase in the carrying amount of the investment for the year ended December 31, 2012 relates to a capital increase in Shortcut being made during the period.

Additional losses on available-for-sale financial assets result from revisions of cash flows estimates related to the contingent consideration resulting from the sale of Multiconnect (see above).

Net losses on financial liabilities measured at amortized cost contain interest expenses in relation to non-controlling interests that are accounted for as financial liabilities.

## **26. Capital and financial risk management**

### ***Capital Management***

The objective of capital management is to provide a sound financial profile. In particular, the ability to meet our current payment obligations, our debt service for external creditors and appropriate investments in new technologies and business trends. Furthermore, E-Plus intends to retain sufficient financial leeway to continue on its course of growth.

E-Plus Group's capital management objective is to maintain its ability to continue as a going concern as well as repay the shareholder loans whenever sufficient free liquidity is available for such repayments. Given the key features of the shareholder loan agreements (interest cap agreement, subordination and waiver of claims by the lender), E-Plus regards these loans as part of its capital.

The Group is dependent on the continued existence of its current capital setup and further is fully integrated into the financing of KPN. Accordingly, decisions on the Group's financing are subject to approval by KPN, while the Group mainly focuses on improving its performance as measured by operational key indicators.

E-Plus uses revenues, EBITDA, ARPU (Average Revenue per User), market share of E-Plus' customer base, free cash flow (FCF) and capital expenditure (CapEx) as central performance indicators. EBITDA is defined as earnings before interest, corporate income tax, depreciation and amortization. CapEx is defined as all investments in property, plant and equipment as well as software. FCF is excess cash whereby all payments (and receipts) of corporate income tax, interest, CapEx and all movements in provisions/long term liabilities and working capital are deducted from (added to) EBITDA. Changes in FCF and EBITDA are used to measure the operating performance and profitability of E-Plus' business activities.

### ***Financial risk management***

E-Plus Group is exposed to a variety of financial risks: market risk (including the risk of changes in interest rates and exchange rates, credit risk and liquidity risk). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on E-Plus Group's financial position and performance.

Risk management is carried out by the operational units and is regularly monitored by E-Plus Group. Certain areas, such as the handling of interest rate and credit risk, the use of non-derivative financial instruments and investment of excess liquidity are discussed regularly.

The financial risks are managed by E-Plus Group's treasury department under policies approved by the Board of Management. These policies are established to identify and analyze financial risks faced by E-Plus Group, to set appropriate risk limits and controls, and to monitor adherence to those limits. Treasury manages these risks in close cooperation with the Group companies, business operations and other corporate departments. During 2012 and 2013, several treasury policies have been reviewed and approved by the Board of Management.

E-Plus Groups' main risks are illustrated in the following:

#### ***Market Risk***

E-Plus Group is exposed to various kinds of market risks in the ordinary course of business. These risks include:

- Foreign currency exchange rate risks
- Interest rate risks

#### ***Foreign currency exchange rate risks***

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates primarily within the European Union and conducts the vast majority of its business in Euro. Due to the insignificance of other currencies than the Euro for the Group's business no active risk management is operated. No material effects to the Group's financial position or its profit for the year would arise from reasonable changes in exchange rates of other currencies to the Euro for all periods presented.

#### ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group holds cash and cash equivalents the return on which is subject to changes in market interest rates. Given the low yield on these investments (see also Note 8), reasonable changes in market interest rates on these investments would have no material impact on the Group's profit for the year.

With regard to the Group's financial liabilities, interest payments on the shareholder loans are fixed to kEUR 218 per year and as such are not susceptible to changes in market interest rates. However, the Group measures these shareholder loans at fair value as described above in Note 25. Therefore, changes in market interest rates can have an impact on the cost of capital assumed in measuring the shareholder loan at fair value. Such changes in market interest rates would highly correlate with changes to the discount factor used in fair valuing the shareholder loans. Accordingly, a change in market interest rates by +/- 0.25%, assuming all other conditions remain unchanged, would result in the following impact on consolidated profit before income tax for the period:

<b>Change in</b>	<b>Effect on profit before income tax for 2013</b>	<b>Effect on profit before income tax for 2012</b>
Market interest rate		
+0.25%	-258,941	-270,713
-0.25%	279,530	292,606

#### ***Credit risk***

E-Plus Group is exposed to credit risk from its operating activities. Concentrations of credit risk with respect to trade receivables are limited given that the Group's customer base is large and unrelated. Accordingly, management believes there is no further credit risk provision required in excess of the normal provision for impairment of trade receivables. Thus, the credit risk corresponds to the carrying amount of E-Plus Group's trade receivables. Regarding the ageing of trade receivables that are past due and provisions for doubtful receivables that have been established thereupon, please refer to Note 15. The Group also pursues business policies that limit this risk to a specific amount for individual contracting parties.



Regarding the impairment of the investment in Shortcut that was individually determined, please refer to Note 25.

No significant other agreements reducing the maximum exposure to the credit risks of other financial assets exist. The maximum exposure to credit risk of the other financial assets thus corresponds to their carrying amounts.

### **Liquidity Risk**

Liquidity risk is regarded as being the risk that E-Plus Group does not have sufficient funds to meet its payment obligations. The risk is countered by regular monitoring and updating of the Group's cash planning. The Group's objective is to cover the long-term assets bound by a long-term financing and to provide, in all other respects, sufficient lines of credit in order to secure short-term cash requirements. In accordance with the current financial and liquidity planning, E-Plus Group will have sufficient resources to continue business in 2014. The Supervisory Board is regularly informed of the liquidity situation of E-Plus Group.

The table below provides a maturity analysis of the financial liabilities based on the remaining contractual maturities as of December 31, 2013:

<b>In kEUR</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Trade payables	477,693	-	-	477,693
Other payables	7,767	-	-	7,767
Shareholder loan <sup>1</sup>	218	-	22,094,978	22,095,196
Finance lease liabilities	243,139	109,394	-	352,533
<b>Total financial liabilities</b>	<b>728,817</b>	<b>109,394</b>	<b>22,094,978</b>	<b>22,933,189</b>

<sup>1)</sup> For details regarding the maturity of the shareholder loan please see below.

The table below provides a maturity analysis of the financial liabilities based on the remaining contractual maturities as of December 31, 2012:

<b>In kEUR</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Trade payables	495,182	-	-	495,182
Other payables	14,091	-	-	14,091
Shareholder loan <sup>1</sup>	218	-	22,239,978	22,240,196
Finance lease liabilities	79,753	53,240	-	132,993
<b>Total financial liabilities</b>	<b>589,244</b>	<b>53,240</b>	<b>22,239,978</b>	<b>22,882,462</b>

<sup>1)</sup> For details regarding the maturity of the shareholder loan please see below.

The table below provides a maturity analysis of the financial liabilities based on the remaining contractual maturities as of January 1, 2012:

<b>In kEUR</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Trade payables	439,374	-	-	439,374
Other payables	11,172	-	-	11,172
Shareholder loan <sup>1</sup>	218	-	22,877,939	22,878,157
Finance lease liabilities	1,899	911	-	2,810
<b>Total financial liabilities</b>	<b>452,663</b>	<b>911</b>	<b>22,877,939</b>	<b>23,331,513</b>

<sup>1)</sup> For details regarding the maturity of the shareholder loan please see below.

The shareholder loans are repayable on demand but have been modified so as to include a waiver on any claims for payment of both principal and interest on the loans as long as the state of over indebtedness of E-Plus is not remedied. Taking this fact into consideration and given the free cash flow planning of E-Plus Group, payments of either principal or interest on the shareholder loans would not be possible in the immediate future. As such, the nominal amounts outstanding including any accrued interest as of the respective reporting date for the shareholder loans have been included within the category 'more than 5 years'. As the interest rate cap agreement included in the shareholder loans can be continued for consecutive one-year periods, payments related to this agreement have only been included within the category 'less than 1 year'. No further contractual payments expected on the shareholders loans once the term of the interest rate cap would have expired have been included in the tables above given the above mentioned waiver on any claims for payment of both principal and interest on the loans.

### *Insolvency*

As mentioned above, to avoid the Group's insolvency status due to over-indebtedness and to ensure the going-concern of E-Plus Group, the shareholder loans and the interest accrued thereon are subordinated and subject to a waiver on any claims for payment. Furthermore, interest payments are limited to kEUR 218 p.a. under an interest cap agreement entered into with the lenders of the shareholder loans.

### *Available financing sources 2013*

As of December 31, 2013, E-Plus Group's net cash and cash equivalents position amounted to kEUR 484,270 (prior year kEUR 617,847). Due to German capital maintenance rules, E-Plus Group is committed to keep certain funds available at E-Plus Group. In principle, net cash and cash equivalents are at disposal to E-Plus Group on a group level, except for limited amounts of cash held at local subsidiaries.

## **27. Offsetting financial assets and financial liabilities**

### **Financial assets**

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements:

<b>As of December 31, 2013</b>	<b>Gross amount of recognized financial assets</b>	<b>Gross amount of recognized financial liabilities set off in the balance sheet</b>	<b>Net amounts of financial assets presented in the balance sheet</b>
Trade receivables	274,737	13,729	261,008

<b>As of December 31, 2012</b>	<b>Gross amount of recognized financial assets</b>	<b>Gross amount of recognized financial liabilities set off in the balance sheet</b>	<b>Net amounts of financial assets presented in the balance sheet</b>
Trade receivables	224,577	2,824	221,753

<b>As of January 1, 2012</b>	<b>Gross amount of recognized financial assets</b>	<b>Gross amount of recognized financial liabilities set off in the balance sheet</b>	<b>Net amounts of financial assets presented in the balance sheet</b>
Trade receivables	279,837	8,416	271,421

### *Financial liabilities*

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

<b>As of December 31, 2013</b>	<b>Gross amount of recognized financial liabilities</b>	<b>Gross amount of recognized financial liabilities set off in the balance sheet</b>	<b>Net amounts of financial assets presented in the balance sheet</b>
Trade payables	491,422	13,729	477,693

<b>As of December 31, 2012</b>	<b>Gross amount of recognized financial liabilities</b>	<b>Gross amount of recognized financial liabilities set off in the balance sheet</b>	<b>Net amounts of financial assets presented in the balance sheet</b>
Trade payables	498,006	2,824	495,182

<b>As of January 1, 2012</b>	<b>Gross amount of recognized financial liabilities</b>	<b>Gross amount of recognized financial liabilities set off in the balance sheet</b>	<b>Net amounts of financial assets presented in the balance sheet</b>
Trade payables	447,790	8,416	439,374

For financial assets and liabilities summarized above, net settlement (of the relevant assets and liabilities) is allowed for each agreement between E-Plus and the counterparty when both parties elect to settle on a net basis. If parties chose not to settle on a net basis, the financial assets and liabilities will be settled on a gross basis.

## 28. Commitments

### Commitments

The following table provides an overview of E-Plus Group's commitments for the periods presented in the consolidated financial statements:

In kEUR	Less than 1 year	1-5 years	More than 5 years	Total December 31, 2013	Total December 31, 2012	Total December 31, 2011
Capital and purchase commitments	412,094	60,715	-	472,809	549,878	543,079
Retail and operational lease contracts	229,854	537,818	568,327	1,335,999	1,378,198	1,167,626
<b>Total commitments</b>	<b>641,948</b>	<b>598,533</b>	<b>568,327</b>	<b>1,808,808</b>	<b>1,928,076</b>	<b>1,710,705</b>

### Capital and purchase commitments

The decrease in capital and purchase commitments is mainly related to the change of E-Plus Group's supplier regarding the rollout and maintenance of the Group's network infrastructure.

As of December 31, 2013 kEUR 226,372 (December 31, 2012: kEUR 243,899, January 1, 2012: kEUR 284,297) in purchase commitments relate to property, plant and equipment.

### Operating lease commitments

The Group's operating lease commitments are mainly related to lease contracts for antenna space as well as ground lease contracts with landlords under non-cancellable operating lease agreements. Lease contracts for antenna space relate to a significant degree to the sale of the two companies E-Plus Funkturmgesellschaft mbH and Zweite E-Plus Funkturmgesellschaft mbH (see Note 'Business Combinations and Disposals' and Note 17) and subsequent leaseback of antenna slots in the 2,031 towers sold. The leaseback contracts can be terminated upon short notice for individual tower sites, while E-Plus pays a minimum guaranteed amount of kEUR 22,784 p.a. for the tower portfolio over 15 years which is indexed to increase by a minimum of 1% p.a. and is included in the minimum lease payments shown in the table below. There are no purchase options regarding the towers or individual antenna slots in the towers.

The future aggregate minimum lease payments under all non-cancellable operating leases are as follows:

In kEUR	December 31, 2013	December 31, 2012	January 1, 2012
Less than 1 year	229,854	292,736	225,892
1- 5 years	537,818	512,743	333,206
More than 5 years	568,327	572,719	608,528
<b>Total</b>	<b>1,335,999</b>	<b>1,378,198</b>	<b>1,167,626</b>

As of December 31, 2013, the future minimum non-cancellable sublease payments expected to be received amount to kEUR 447,377 (December 31, 2012: kEUR 277,486, January 1, 2012: kEUR 251,869), of which kEUR 308,900 (December 31, 2012: kEUR 145,368, January 1, 2012: kEUR -) relate to subleases of handsets (see Note 18), while the remainder mainly relates to subleases of buildings and site sharing arrangements.

In 2013, lease expenses of kEUR 322,446 (prior year: kEUR 311,236) were recognized, while income from subleases amounted to kEUR 217,786 (prior year: kEUR 44,737).

## 29. Contingent assets and liabilities

### Guarantees

E-Plus Group could be contractually obligated to guarantee for liabilities that can't be settled by its ultimate parent. This guarantee amounts to E-Plus Group's Cash Pooling account amounting to kEUR 302,676 with The Royal Bank of Scotland plc, The Netherlands. As of today, there are no indications that the outflow of resources for settlement is probable taking into account the economic situation of E-Plus Group's ultimate parent company.

### Claims and Litigation

In 2006, several companies sued E-Plus Group in relation to the allocation of data and air-time frequencies in the 900 MHz range. All of these claims were dismissed subsequently. Only the plaintiff Air Data AG appealed on a point of law. E-Plus Group expects the appeal to be dismissed.

Regarding the German spectrum auction in relation to the frequencies in the 1.8 GHz range, 2.0 GHz range and 2.6 GHz range in 2010, several companies including E-Plus Group and Air Data AG, sued against the allocation conditions of the auction. Except for the claim Air Data, all claims were dismissed subsequently. Should the court decide in favor of Air Data, E-Plus could be obligated to return all frequencies acquired in the 2010 spectrum auction.

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.

### ***Restructuring plans***

E-Plus Group plans to shut-down several business locations. The affected employees will be transferred to another location in the future. The intention of this restructuring activity is not to decrease the number of employees, but to save rental cost for the buildings. As of December 31, 2013, no provision in relation to this activity has been recognized in these consolidated financial statements.

### ***Claim for VAT refund***

In December 2013, E-Plus submitted an application letter to the German taxation authorities for the refund of VAT payments made by E-Plus on the confiscation of unredeemed call credit amounts during the periods 2007 to 2013. As of the reporting date, it is not virtually certain that the taxation authorities will refund the amounts claimed by E-Plus, which leads to a contingent asset of kEUR 13,595 in VAT to be refunded and kEUR 1,187 of interest for a total of kEUR 14,782.

## **30. Related-party transactions**

E-Plus Mobilfunk Geschäftsführungs GmbH, Duesseldorf, the general partner and direct parent to the Company, has an interest of 22.5% (kEUR 2,250) and KPN Mobile Germany III B.V., The Hague, Netherlands, has an interest of 77.5% (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).

In the normal course of its business activities, E-Plus Group enters into agreements and transactions with its shareholders and other entities of KPN Group (defined as KPN and its subsidiaries, joint ventures and associated companies) for various business purposes, including the furnishing of services or financing of operating activities. These related-party transactions are described below.

Transactions within E-Plus Group are not included in the description as these are eliminated in the consolidated financial statements. There were no transactions with entities controlled by E-Plus but not consolidated for reasons of materiality.

The following transactions were carried out with related parties:

### ***Sales of Services and other income***

<b>In kEUR</b>	<b>2013</b>	<b>2012</b>
Other related parties	13,670	221,931
Direct parent	24	85
<b>Total</b>	<b>13,694</b>	<b>222,016</b>

Sales of services to related parties within KPN Group amount to kEUR 13,670 (2012: kEUR 221,931) and include traffic in the form of received roaming fees and chargeable minutes as well as subscription fees for the usage of E-Plus Group's network.

### ***Purchases of services and other expenses***

<b>In kEUR</b>	<b>2013</b>	<b>2012</b>
Other related parties	83,960	136,584
Direct parent	1,194	1,984
<b>Total</b>	<b>85,154</b>	<b>138,568</b>

Purchases of services from related parties within KPN Group, excluding the direct parent of E-Plus, amount to kEUR 83,960 (2012: kEUR 136,584) and mainly include costs for roaming, interconnection fees and call center services. Amounts reported for the annual period 2012 include commissions paid to BLAU in the amount of kEUR 54,389.

Other expenses in the amount of kEUR 1,194 (2012: kEUR 1,984) relate to the compensation for management services provided by the direct parent of E-Plus as well as interest expense in connection with a minority shareholding in E-Plus Service GmbH & Co. KG held by that entity.

*Year-end balances arising from transactions with related parties*

<b>In kEUR</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Receivables from other related parties	1,982	3,348	2,454
Receivables from direct parent	8,524	10,617	10,410
<b>Total</b>	<b>10,506</b>	<b>13,965</b>	<b>12,864</b>
Payables to related parties	6,157,810	6,719,341	9,631,099
Payables to direct parent	37,176	32,142	26,881
<b>Total</b>	<b>6,194,986</b>	<b>6,751,483</b>	<b>9,657,980</b>

Accounts receivable and payable to related parties arise mainly from the rendering of services and bear no interest except for the shareholder loan which is included in payables to related parties. For detailed information regarding the shareholder loan please refer to Note 25.

**Key management personnel compensation**

The Group's key management personnel is defined as those individuals that have authority and responsibility for planning, directing and controlling the activities of the Group. At E-Plus Group, key management personnel consists of the members of the Board of Management (as represented by the executive directors of the general partner of E-Plus, E-Plus Mobilfunk Geschäftsführungs GmbH) as well as the members of the Supervisory Board of E-Plus. The compensation of key management for employee services is shown below:

<b>In kEUR</b>	<b>2013</b>	<b>2012</b>
Salaries and other short-term employee benefits	2,380	2,692
Post-employment benefits	229	194
Share based payments	346	-73
<b>Total</b>	<b>2,955</b>	<b>2,813</b>

**31. Subsequent events**

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

As part of a share transfer agreement between E-Plus 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 the Company as a contribution in kind.

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

As part of a shareholders' meeting held on February 4, 2014, 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. 3G Lux has been liquidated in the meantime.

**32. 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.

Duesseldorf, May 2nd, 2014

Board of Directors

Thorsten Dirks

Godert Vinkesteyn

Kay Schwabedal

Andreas Pfisterer

Alfons Lösing

## AUDIT OPINION

### Independent Auditor's Report

To E-Plus Mobilfunk GmbH & Co. KG, Duesseldorf

We have audited the accompanying consolidated financial statements of E-Plus Mobilfunk GmbH & Co. KG, Duesseldorf, and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in group equity and consolidated statement of cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of E-Plus Mobilfunk GmbH & Co. KG, Duesseldorf, and its subsidiaries as at December 31, 2013, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

Duesseldorf, May 2, 2014

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Lutz Granderath  
Wirtschaftsprüfer  
(German Public Auditor)

Thomas Tandetzki  
Wirtschaftsprüfer  
(German Public Auditor)