

**PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF TELEFÓNICA DEUTSCHLAND  
HOLDING AG FOR THE YEAR ENDED DECEMBER 31, 2013 AND AS OF AND FOR THE  
SIX MONTHS ENDED JUNE 30, 2014**

## 1. Introduction

In a sale and purchase agreement (the “SPA”) dated July 23, 2013, as amended on August 26, 2013, August 28, 2013, December 5, 2013 and March 24, 2014 among Koninklijke KPN N.V. (“KPN”, and together with its direct and indirect subsidiaries, the “KPN Group”), Telefónica, S.A. and Telefónica Deutschland Holding AG (the “Company”, and together with its direct and indirect subsidiaries and joint operations “Telefónica Deutschland”), the Company agreed to purchase E-Plus Mobilfunk GmbH & Co. KG (“New E-Plus KG”, formerly E-Plus Transition GmbH & Co. KG) following the transfer of all business activities, assets and certain liabilities of KPN Mobile Germany GmbH & Co. KG (“KPN Mobile Germany”, formerly E-Plus Mobilfunk GmbH & Co. KG, and together with its direct and indirect subsidiaries the “Original E-Plus Group”) into New E-Plus KG (the “Acquisition”). Since this transfer, which became effective on June 23, 2014, New E-Plus KG, including its direct and indirect subsidiaries (the “New E-Plus Group”), has conducted the business activities of KPN Group on the German mobile telecommunications market.

The closing of the Acquisition (“Closing”) is subject to the occurrence or waiving of certain conditions precedent and is expected to occur in the second half of 2014. In the SPA, KPN agreed to restructure the Original E-Plus Group prior to Closing (the “Pre-Closing Restructuring”). The Pre-Closing Restructuring included measures such as the restructuring and/or merger of subsidiaries as well as establishing a new holding company, i.e., New E-Plus KG (founded under the name E-Plus Transition GmbH & Co. KG and subsequently renamed E-Plus Mobilfunk GmbH & Co. KG), to which, by way of a spin-off under the German Transformation Act (*Umwandlungsgesetz*), KPN Mobile Germany contributed all its assets, liabilities and contracts except all shareholder loans (including all liabilities thereunder, in particular principal, accrued interest, gains and losses) existing between KPN Mobile Germany on the one side and KPN and companies affiliated with KPN on the other side, as well as all tax liabilities of KPN Mobile Germany for periods prior to January 1, 2014 (irrespective of whether due, assessed, contingent or arising in the future).

Since the Acquisition is expected to have a material impact on the assets, financial position and results of operations of Telefónica Deutschland, the following pro forma consolidated financial information was prepared by the Company, comprising pro forma consolidated income statements for the periods from January 1, 2013 to December 31, 2013 and January 1, 2014 to June 30, 2014, a pro forma consolidated statement of financial position as of June 30, 2014 and pro forma notes (together, the “Pro Forma Consolidated Financial Information”).

The purpose of the Pro Forma Consolidated Financial Information is to show the material effects that the Acquisition of the New E-Plus Group would have had on the historical consolidated financial statements of the Company if Telefónica Deutschland had already existed in the structure created by the Acquisition as of January 1, 2013 with respect to the pro forma consolidated income statements and as of June 30, 2014 with respect to the pro forma consolidated statement of financial position.

The presentation of the Pro Forma Consolidated Financial Information of the Company is based on certain pro forma assumptions and is intended for illustrative purposes only. The Pro Forma Consolidated Financial Information of the Company assumes, in particular, that the Rights Offering (as defined in section 3.2. of the Pro Forma Consolidated Financial Information), the Pre-Closing Restructuring and the subsequent Acquisition of the New E-Plus Group by the Company had taken place on January 1, 2013 for purposes of the pro forma consolidated income statements of the Company for the periods from January 1, 2013 to December 31, 2013 and from January 1, 2014 to June 30, 2014. For purposes of the pro forma consolidated statement of financial position of the Company as of June 30, 2014, the Rights Offering, the Pre-Closing Restructuring and the subsequent Acquisition of the New E-Plus Group by the Company are presented as if they had taken place on June 30, 2014.

Therefore, the Pro Forma Consolidated Financial Information describes only a hypothetical situation and thus, due to its nature, the presentation does not reflect the actual net assets, financial position and results of operations of the Company after completion of the Acquisition. In addition, the Pro Forma Consolidated Financial Information does not represent a forecast of the net assets, financial position and results of operations of the Company at a future time. Furthermore, the Pro Forma Consolidated Financial Information is only meaningful in conjunction with the historical consolidated financial statements of the Company as of and for the financial year ended December 31, 2013 and the historical interim condensed consolidated financial statements of the Company as of and for the six-month period ended June 30, 2014.

## 2. Historical financial information

### 2.1. Historical financial information used

The pro forma consolidated income statement for the period from January 1, 2013 to December 31, 2013 is based on the following historical financial information:

- The audited and published consolidated financial statements of the Company as of and for the financial year ended December 31, 2013, prepared on the basis of the International Financial Reporting Standards, as adopted by the EU (“IFRS”), and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (*Handelsgesetzbuch*, HGB).
- The unaudited and unpublished IFRS consolidated income statement of New E-Plus KG for the period from January 1, 2013 to December 31, 2013, which was derived from the audited consolidated financial statements of KPN Mobile Germany as of and for the financial year ended December 31, 2013, included in the prospectus relating to the offering of new ordinary non-par value registered shares of the Company as well as the admission to trading of new

ordinary non-par value registered shares of the Company on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange and on the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) (the “**Prospectus**”) together with the Pro Forma Consolidated Financial Information and prepared on the basis of IFRS, and subsequently adjusted to reflect the acquisition structure agreed in the SPA and the accounting policies of the Company for purposes of the Pro Forma Consolidated Financial Information.

The pro forma consolidated income statement for the period from January 1, 2014 to June 30, 2014 and the pro forma consolidated statement of financial position as of June 30, 2014 are based on the following historical financial information:

- The unaudited and published interim condensed consolidated financial statements of the Company as of and for the six-month period ended June 30, 2014, prepared on the basis of IFRS on interim financial reporting (IAS 34).
- The unaudited and unpublished IFRS consolidated income statement of New E-Plus KG for the period from January 1, 2014 to June 30, 2014 and the unaudited and unpublished IFRS consolidated statement of financial position of New E-Plus KG as of June 30, 2014, which were derived from the unaudited interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014, included in the Prospectus together with the Pro Forma Consolidated Financial Information and prepared on the basis of IFRS on interim financial reporting (IAS 34), and subsequently adjusted to reflect the acquisition structure agreed in the SPA and the accounting policies of the Company for purposes of the Pro Forma Consolidated Financial Information.

The historical financial information of the Pro Forma Consolidated Financial Information was prepared on the basis of IFRS and the accounting policies consistently applied by the Company as described in the notes to its IFRS consolidated financial statements as of and for the financial year ended December 31, 2013 and its IFRS interim condensed consolidated financial statements as of and for the six-month period ended June 30, 2014.

## 2.2. Reconciliation of the historical financial information of the New E-Plus Group

The following tables summarize the adjustments to the historical financial information of the New E-Plus Group for the periods from January 1, 2013 to December 31, 2013 as well as from January 1, 2014 to June 30, 2014 and as of June 30, 2014 related to the Pre-Closing Restructuring as described in section 2.3. and to harmonize the accounting policies as described in section 2.4. of the Pro Forma Consolidated Financial Information.

### 2.2.1. Historical financial information of the New E-Plus Group for the period from January 1, 2013 to December 31, 2013

January 1 to December 31, 2013	Original E-Plus Group	2.3.2. Pre-Closing Restructuring	2.4. Accounting policy adjustments		New E-Plus Group
			2.4.1.1. Presentation adjustments	2.4.2.1. Accounting and valuation adjustments	
€ in thousands					
Revenues	3,142,707	-	(9,949)	119,408	3,252,166
Other income <sup>(a)</sup>	44,990	-	11,705	-	56,695
Supplies <sup>(b)</sup>	(1,718,130)	-	993,184	(302,413)	(1,027,359)
Personnel expenses <sup>(c)</sup>	(254,376)	-	-	-	(254,376)
Other expenses <sup>(d)</sup>	(299,159)	-	(1,003,233)	(37,109)	(1,339,501)
<b>Operating income before depreciation and amortization (OIBDA)</b>	<b>916,032</b>	<b>-</b>	<b>(8,293)</b>	<b>(220,114)</b>	<b>687,625</b>
Depreciation and amortization <sup>(e)</sup>	(971,298)	-	-	132,713	(838,585)
<b>Operating income</b>	<b>(55,266)</b>	<b>-</b>	<b>(8,293)</b>	<b>(87,401)</b>	<b>(150,960)</b>
Finance income	333,019	(332,188)	-	7,747	8,578
Exchange gains	-	-	108	-	108
Finance costs <sup>(f)</sup>	(44,181)	-	8,257	(12,751)	(48,675)
Exchange losses	-	-	(72)	-	(72)
<b>Net financial income/(expense)</b>	<b>288,838</b>	<b>(332,188)</b>	<b>8,293</b>	<b>(5,004)</b>	<b>(40,061)</b>
<b>Profit/(loss) before tax from continuing operations</b>	<b>233,572</b>	<b>(332,188)</b>	<b>-</b>	<b>(92,405)</b>	<b>(191,021)</b>
Income tax	(66,065)	66,065	-	-	-
<b>Profit/(loss) after taxes for the year from continuing operations</b>	<b>167,507</b>	<b>(266,123)</b>	<b>-</b>	<b>(92,405)</b>	<b>(191,021)</b>
<b>Total profit/(loss) for the year</b>	<b>167,507</b>	<b>(266,123)</b>	<b>-</b>	<b>(92,405)</b>	<b>(191,021)</b>

- (a) Consists of other income (€7,775 thousand) and own work capitalized (€37,215 thousand) as reported in the audited IFRS consolidated financial statements of KPN Mobile Germany as of and for the financial year ended December 31, 2013.
- (b) Consists of cost of materials (€279,621 thousand) and work contracted out (€1,438,509 thousand) as reported in the audited IFRS consolidated financial statements of KPN Mobile Germany as of and for the financial year ended December 31, 2013.
- (c) Consists of employee benefits (€254,376 thousand) as reported in the audited IFRS consolidated financial statements of KPN Mobile Germany as of and for the financial year ended December 31, 2013.
- (d) Consists of other operating expenses (€299,159 thousand) as reported in the audited IFRS consolidated financial statements of KPN Mobile Germany as of and for the financial year ended December 31, 2013.
- (e) Consists of depreciation, amortization and impairments (€971,298 thousand) as reported in the audited IFRS consolidated financial statements of KPN Mobile Germany as of and for the financial year ended December 31, 2013.
- (f) Consists of finance costs (€24,828 thousand) and other financial result (€19,353 thousand) as reported in the audited IFRS consolidated financial statements of KPN Mobile Germany as of and for the financial year ended December 31, 2013.

2.2.2. Historical financial information of the New E-Plus Group for the period from January 1, 2014 to June 30, 2014

January 1 to June 30, 2014	Original E-Plus Group	2.3.2. Pre-Closing Restructuring	2.4. Accounting policy adjustments		New E-Plus Group
			2.4.1.2. Presentation adjustments	2.4.2.2. Accounting and valuation adjustments	
€ in thousands					
Revenues	1,582,980	-	(7,981)	3,904	1,578,903
Other income <sup>(a)</sup>	19,525	-	5,183	-	24,708
Supplies <sup>(b)</sup>	(807,790)	-	500,020	(199,890)	(507,660)
Personnel expenses <sup>(c)</sup>	(145,661)	-	-	-	(145,661)
Other expenses <sup>(d)</sup>	(164,648)	-	(501,176)	(6,465)	(672,289)
<b>Operating income before depreciation and amortization (OIBDA)</b>	<b>484,406</b>	<b>-</b>	<b>(3,954)</b>	<b>(202,451)</b>	<b>278,001</b>
Depreciation and amortization <sup>(e)</sup>	(499,365)	-	-	138,235	(361,130)
<b>Operating income</b>	<b>(14,959)</b>	<b>-</b>	<b>(3,954)</b>	<b>(64,216)</b>	<b>(83,129)</b>
Finance income	370	-	-	4,075	4,445
Exchange gains	-	-	18	-	18
Finance costs <sup>(f)</sup>	(625,441)	603,315	3,969	(9,331)	(27,488)
Exchange losses	-	-	(33)	-	(33)
<b>Net financial income/(expense)</b>	<b>(625,071)</b>	<b>603,315</b>	<b>3,954</b>	<b>(5,256)</b>	<b>(23,058)</b>
<b>Profit/(loss) before tax</b>	<b>(640,030)</b>	<b>603,315</b>	<b>-</b>	<b>(69,472)</b>	<b>(106,187)</b>
Income tax	260,085	(260,085)	-	-	-
<b>Total profit/(loss) for the period</b>	<b>(379,945)</b>	<b>343,230</b>	<b>-</b>	<b>(69,472)</b>	<b>(106,187)</b>

- (a) Consists of other income (€1,443 thousand) and own work capitalized (€18,082 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.
- (b) Consists of cost of materials (€103,739 thousand) and work contracted out (€704,051 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.
- (c) Consists of employee benefits (€145,661 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.
- (d) Consists of other operating expenses (€164,648 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.
- (e) Consists of depreciation, amortization and impairments (€499,365 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.
- (f) Consists of finance costs (€619,148 thousand) and other financial result (€6,293 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.

2.2.3. Historical financial information of the New E-Plus Group as of June 30, 2014

As of June 30, 2014	Original E-Plus Group	2.3.3. Pre-Closing Restructuring	2.4. Accounting policy adjustments		New E-Plus Group
			2.4.1.4. Presentation adjustments	2.4.2.3. Accounting and valuation adjustments	
€ in thousands					
<b>Assets</b>					
<b>A) Non-current assets</b>	<b>4,779,677</b>	<b>16,135</b>	-	<b>(423,843)</b>	<b>4,371,969</b>
Goodwill	151,305	-	-	-	151,305
Intangible assets <sup>(a)</sup>	1,732,092	-	-	-	1,732,092
Property, plant and equipment <sup>(b)</sup>	2,846,210	-	-	(547,289)	2,298,921
Other non-current financial assets <sup>(c)</sup>	50,070	-	-	123,446	173,516
Deferred tax assets	-	16,135	-	-	16,135
<b>B) Current assets</b>	<b>820,594</b>	-	-	<b>272,066</b>	<b>1,092,660</b>
Inventories	25,159	-	-	-	25,159
Trade and other receivables <sup>(d)</sup>	440,682	-	-	272,066	712,748
Other current financial assets	-	-	-	-	-
Cash and cash equivalents	354,753	-	-	-	354,753
<b>Total assets (A+B)</b>	<b>5,600,271</b>	<b>16,135</b>	-	<b>(151,777)</b>	<b>5,464,629</b>
<b>Equity and liabilities</b>					
<b>A) Equity</b>	<b>(4,625,417)</b>	<b>8,828,284</b>	-	<b>(192,570)</b>	<b>4,010,297</b>
Common stock <sup>(e)</sup>	10,102	-	-	-	10,102
Additional paid-in capital <sup>(f)</sup>	1,434,630	-	-	-	1,434,630
Retained earnings	(6,070,149)	8,830,766	-	(192,570)	2,568,047
Other components of equity	-	(2,482)	-	-	(2,482)
<b>Equity attributable to owners of the parent</b>	<b>(4,625,417)</b>	<b>8,828,284</b>	-	<b>(192,570)</b>	<b>4,010,297</b>
<b>B) Non-current liabilities</b>	<b>9,027,982</b>	<b>(8,696,414)</b>	-	<b>17,956</b>	<b>349,524</b>
Non-current interest-bearing debt <sup>(g)</sup>	6,747,189	(6,747,189)	-	-	-
Other payables <sup>(h)</sup>	115,350	-	(1,784)	29,689	143,255
Non-current provisions <sup>(i)</sup>	216,218	-	-	(13,748)	202,470
Deferred income	-	-	1,784	2,015	3,799
Deferred tax liabilities <sup>(j)</sup>	1,949,225	(1,949,225)	-	-	-
<b>C) Current liabilities</b>	<b>1,197,706</b>	<b>(115,735)</b>	-	<b>22,837</b>	<b>1,104,808</b>
Current interest-bearing debt <sup>(k)</sup>	5,271	-	-	-	5,271
Trade payables <sup>(l)</sup>	775,369	-	(225,001)	-	550,368
Other payables <sup>(m)</sup>	403,397	(115,735)	24,100	27,274	339,036
Current provisions <sup>(n)</sup>	13,669	-	-	-	13,669
Deferred income	-	-	200,901	(4,437)	196,464
<b>Total equity and liabilities (A+B+C)</b>	<b>5,600,271</b>	<b>16,135</b>	-	<b>(151,777)</b>	<b>5,464,629</b>

<sup>(a)</sup> Consists of licenses (€1,552,046 thousand), software (€157,888 thousand) and other intangible assets (€22,158 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.

<sup>(b)</sup> Consists of land and buildings (€44,197 thousand), property, plant and equipment (€2,550,496 thousand), other tangible assets (€7,991 thousand) and assets under construction (€243,526 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.

<sup>(c)</sup> Consists of other non-current assets (€50,070 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.

- (d) Consists of trade and other financial receivables (€322,647 thousand) and other current assets (€118,035 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.
- (e) Consists of fixed partnership capital (€10,102 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.
- (f) Consists of additional contributions from partners (€1,434,630 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.
- (g) Consists of non-current borrowings (€6,747,189 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.
- (h) Consists of non-current finance lease liabilities (€107,178 thousand) and other payables and deferred income (€8,172 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.
- (i) Consists of provisions for retirement benefit obligations (€48,262 thousand) and provisions for other liabilities and charges (€167,956 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.
- (j) Consists of deferred income tax liabilities (€1,949,225 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.
- (k) Consists of current borrowings (€5,271 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.
- (l) Consists of trade and other payables (€775,369 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.
- (m) Consists of current finance lease liabilities (€287,662 thousand) and income tax payables (€115,735 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.
- (n) Consists of provisions for other liabilities and charges (€13,669 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.

### **2.3. Adjustments to the historical financial information of the New E-Plus Group related to the Pre-Closing Restructuring**

As described in section 3.2 of the Pro Forma Consolidated Financial Information, the acquisition structure agreed in the SPA provided that the business of the Original E-Plus Group was contributed into New E-Plus KG by way of a spin-off under the German Transformation Act (*Umwandlungsgesetz*). The historical financial information of the New E-Plus Group, which was derived from the audited IFRS consolidated financial statements of KPN Mobile Germany as of and for the financial year ended December 31, 2013 and the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014, was adjusted to reflect the consolidated financial information of New E-Plus KG acquisition vehicle as if the Pre-Closing Restructuring had taken place on January 1, 2013 for purposes of the pro forma consolidated income statements and on June 30, 2014 for purposes of the pro forma consolidated statement of financial position.

#### **2.3.1. Treatment of the Pre-Closing Restructuring**

The contribution of the business of the Original E-Plus Group into New E-Plus KG as part of the Pre-Closing Restructuring was treated as a transaction of entities under common control applying the predecessor accounting method. This method for establishing the agreed acquisition structure of New E-Plus KG comprised the following measures:

- The assets and liabilities of the combining entities, unless excluded, were reflected at their carrying amounts. No adjustments were made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method.
- No 'new' goodwill was recognized as a result of the combination. The only goodwill that was recognized was any existing goodwill relating to either of the combining entities.
- The consolidated income statements reflect the results of the combining entities unless excluded for the full year and the full six-month period, respectively, irrespective of when the combination took place.

In accordance with the SPA, the contribution of the business of the Original E-Plus Group into New E-Plus KG was performed at fair market values for German income tax purposes as a spin-off with retrospective effect as of December 31, 2013. For purposes of the pro forma consolidated income statements, the historical financial information of the New E-Plus Group is presented as if the spin-off had taken place on January 1, 2013. For purposes of the pro forma consolidated statement of financial position, the historical financial information of the New E-Plus Group is presented as if the spin-off had taken place on June 30, 2014.

The historical financial information of the New E-Plus Group was furthermore adjusted to reflect the acquisition structure agreed in the SPA and in doing so the consolidated financial information of the New E-Plus Group for the financial year ended December 31, 2013 and as of and for the six-month period ended June 30, 2014 was adjusted to exclude all shareholder

loans (including all accrued interest, gains and losses) existing between KPN Mobile Germany on the one side and KPN and companies affiliated with KPN on the other side, as well as all tax liabilities of KPN Mobile Germany for periods prior to January 1, 2014 (irrespective of whether due, assessed, contingent or arising in the future), and related income and expenses.

### *2.3.2. Explanation of adjustments related to the Pre-Closing Restructuring in the consolidated income statements*

For purposes of the historical consolidated income statements of the New E-Plus Group, gains and losses related to the shareholder loans of the Original E-Plus Group were eliminated. In the IFRS consolidated financial statements of KPN Mobile Germany, the shareholder loans were measured at fair value both at initial recognition as well as for purposes of subsequent measurement. Any gains or losses arising from subsequent measurement were recognized in the consolidated income statement of KPN Mobile Germany.

Consequently, finance income amounting to €332,188 thousand relating to the change in fair value of the shareholder loans recognized through profit and loss in the consolidated income statement of KPN Mobile Germany was eliminated for purposes of the historical consolidated income statement of the New E-Plus Group for the period from January 1, 2013 to December 31, 2013. Furthermore, deferred tax expenses of €14,645 thousand related to the shareholder loans recognized in the consolidated income statement of KPN Mobile Germany for the period from January 1, 2013 to December 31, 2013 were eliminated. As KPN Mobile Germany incurred a tax loss for the period from January 1, 2013 to December 31, 2013, no additional income tax effect was recognized in connection with the removal of the finance income for purposes of the historical consolidated income statement of the New E-Plus Group.

Furthermore, historical deferred tax income of KPN Mobile Germany on tax losses carried forward amounting to €8,308 thousand was eliminated due to the loss of tax losses carried forward in connection with the spin-off. In addition, other historical deferred and current tax expenses of KPN Mobile Germany in the amount of €59,728 thousand were eliminated to reflect the changes in the underlying tax position due to the Pre-Closing Restructuring and the contribution of the business of the Original E-Plus Group into New E-Plus KG at fair market values. The net tax adjustment in connection with the effects of the Pre-Closing Restructuring resulted in an income tax benefit amounting to €66,065 thousand for the financial year ended December 31, 2013.

For purposes of the historical consolidated income statement of the New E-Plus Group for the period from January 1, 2014 to June 30, 2014, finance costs amounting to €603,315 thousand relating to the change in fair value of the shareholder loans recognized through profit and loss in the consolidated income statement of KPN Mobile Germany were eliminated. Furthermore, deferred tax income of €92,960 thousand related to the shareholder loans recognized in the consolidated income statement of KPN Mobile Germany for the period from January 1, 2014 to June 30, 2014 was eliminated. Even under consideration of the elimination of the finance costs for tax purposes, KPN Mobile Germany incurred a tax loss for the period from January 1, 2014 to June 30, 2014. Consequently, no additional income tax effect was recognized in connection with the removal of the finance costs for purposes of the historical consolidated income statement of the New E-Plus Group.

Furthermore, historical deferred tax income of KPN Mobile Germany on tax losses carried forward amounting to €13,142 thousand was eliminated due to the loss of tax losses carried forward in connection with the spin-off. In addition, other historical deferred tax income and current tax expenses of KPN Mobile Germany in the net amount of €153,983 thousand were eliminated to reflect the changes in the underlying tax position due to the Pre-Closing Restructuring and the contribution of the business of the Original E-Plus Group into New E-Plus Group at fair market values. The net tax adjustment in connection with the effects of the Pre-Closing Restructuring resulted in income tax expenses amounting to €260,085 thousand for the six-month period ended June 30, 2014.

### *2.3.3. Explanation of adjustments related to the Pre-Closing Restructuring in the consolidated statement of financial position*

For purposes of the historical consolidated statement of financial position of the New E-Plus Group as of June 30, 2014, all shareholder loans of the Original E-Plus Group amounting to €6,747,189 thousand within non-current interest-bearing debt and related deferred tax liabilities amounting to €2,365,264 thousand were eliminated.

Furthermore, historical deferred tax assets of KPN Mobile Germany (presented net of deferred tax liabilities in its consolidated financial statements) on tax losses carried forward amounting to €28,344 thousand were eliminated due to the loss of tax losses carried forward in connection with the spin-off. In addition, other historical deferred tax assets of KPN Mobile Germany in the amount of €387,695 thousand were eliminated as they ceased to be realizable due to the effects of the Pre-Closing Restructuring. The net tax adjustment in connection with the effects of the Pre-Closing Restructuring resulted in a decrease of net deferred tax liabilities amounting to €1,949,225 thousand.

Deferred tax assets resulting from the contribution of the business of the Original E-Plus Group into the New E-Plus Group at fair market values for German income tax purposes of June 30, 2014 are deemed to be realizable amounting to €16,135 thousand based on the tax planning of the New E-Plus Group.

Income tax payables of the Original E-Plus Group amounting to €115,735 thousand as of June 30, 2014 not transferred as part of the Acquisition were eliminated. The net effect from the adjustments to shareholder loans, deferred taxes and income tax payables resulted in an increase of equity amounting to €8,828,284 thousand, composed of an increase of retained earnings amounting to €8,830,766 thousand and a decrease of other components of equity amounting to €2,482 thousand.

#### 2.4. Adjustments to the historical financial information of the New E-Plus Group to harmonize the accounting policies

In order to apply consistent accounting policies in the historical financial information of the Pro Forma Consolidated Financial Information, the historical financial information of the New E-Plus Group, which was derived from the audited IFRS consolidated financial statements of KPN Mobile Germany as of and for the financial year ended December 31, 2013 and the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014, was adjusted to the accounting policies as applied by the Company in its IFRS consolidated financial statements as of and for the financial year ended December 31, 2013 and its IFRS interim condensed consolidated financial statements as of and for the six-month period ended June 30, 2014.

##### 2.4.1. Presentation adjustments

##### 2.4.1.1. Presentation adjustments to the consolidated income statement for the period from January 1, 2013 to December 31, 2013

January 1 to December 31, 2013 € in thousands	Foreign exchange gains and losses	Rental income	Service provider contracts	Returned debits	Customer and supplier financing	Work contracted out	Presentation adjustments for the period January 1 to December 31, 2013
Explanation	(1)	(2)	(3)	(4)	(5)	(6)	
Revenues	(108)	(14,921)	21,388	(16,308)	-	-	(9,949)
Other income	-	-	-	11,705	-	-	11,705
Supplies	72	-	390,116	4,603	-	598,393	993,184
Personnel expenses	-	-	-	-	-	-	-
Other expenses	-	14,921	(411,504)	-	(8,257)	(598,393)	(1,003,233)
<b>Operating income before depreciation and amortization (OIBDA)</b>	<b>(36)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,257)</b>	<b>-</b>	<b>(8,293)</b>
Depreciation and amortization	-	-	-	-	-	-	-
<b>Operating income</b>	<b>(36)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,257)</b>	<b>-</b>	<b>(8,293)</b>
Finance income	-	-	-	-	-	-	-
Exchange gains	108	-	-	-	-	-	108
Finance costs	-	-	-	-	8,257	-	8,257
Exchange losses	(72)	-	-	-	-	-	(72)
<b>Net financial income/ (expense)</b>	<b>36</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,257</b>	<b>-</b>	<b>8,293</b>
<b>Profit/(loss) before tax from continuing operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Income tax	-	-	-	-	-	-	-
<b>Profit/(loss) after taxes for the year from continuing operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total profit/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



2.4.1.2. Presentation adjustments to the consolidated income statement for the period from January 1, 2014 to June 30, 2014

January 1 to June 30, 2014 € in thousands	Foreign exchange gains and losses	Rental income	Service provider contracts	Returned debits	Customer and supplier financing	Work contracted out	Presentation adjustments for the period January 1 to June 30, 2014
Explanation	(1)	(2)	(3)	(4)	(5)	(6)	
Revenues	(18)	(7,337)	7,556	(8,182)	-	-	(7,981)
Other income	-	-	-	5,183	-	-	5,183
Supplies	33	-	201,065	2,999	-	295,923	500,020
Personnel expenses	-	-	-	-	-	-	-
Other expenses	-	7,337	(208,621)	-	(3,969)	(295,923)	(501,176)
<b>Operating income before depreciation and amortization (OIBDA)</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,969)</b>	<b>-</b>	<b>(3,954)</b>
Depreciation and amortization	-	-	-	-	-	-	-
<b>Operating income</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,969)</b>	<b>-</b>	<b>(3,954)</b>
Finance income	-	-	-	-	-	-	-
Exchange gains	18	-	-	-	-	-	18
Finance costs	-	-	-	-	3,969	-	3,969
Exchange losses	(33)	-	-	-	-	-	(33)
<b>Net financial income/ (expense)</b>	<b>(15)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,969</b>	<b>-</b>	<b>3,954</b>
<b>Profit/(loss) before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Income tax	-	-	-	-	-	-	-
<b>Total profit/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2.4.1.3. Explanation of presentation adjustments to the consolidated income statements

Based on the respective presentation format, the consolidated income statements of KPN Mobile Germany for the financial year ended December 31, 2013 and for the six-month period ended June 30, 2014 were adjusted to the format and the designation of the line items used in the consolidated income statements of the Company. The following presentation adjustments were applied to the consolidated income statements of KPN Mobile Germany:

(1) Foreign exchange gains and losses

The Company presents foreign exchange gains and exchange losses as separate line items in its consolidated income statements. KPN Mobile Germany recognizes foreign exchange gains and losses within the line items 'revenues' and 'work contracted out', respectively, in its consolidated income statements. Consequently, these items were reclassified.

For the financial year ended December 31, 2013, foreign exchange gains in the amount of €108 thousand were reclassified from 'revenues' to 'exchange gains' and foreign exchange losses in the amount of €72 thousand were reclassified from 'work contracted out' (designated to the line item 'supplies' within the Company's presentation format) to 'exchange losses'. For the six-month period ended June 30, 2014, foreign exchange gains in the amount of €18 thousand were reclassified from 'revenues' to 'exchange gains' and foreign exchange losses in the amount of €33 thousand were reclassified from 'work contracted out' (designated to the line item 'supplies' within the Company's presentation format) to 'exchange losses'.

(2) Rental income

The Company presents rental income from sublease agreements for tower space and for shop areas as a deduction of 'other expenses', whereby KPN Mobile Germany classifies such income as 'revenues' in its consolidated income statements. Consequently, a reclassification from 'revenues' to 'other expenses' amounting to €14,921 thousand was reflected for the financial year ended December 31, 2013, and a reclassification from 'revenues' to 'other expenses' amounting to €7,337 thousand was reflected for the six-month period ended June 30, 2014.

(3) Service provider contracts

KPN Mobile Germany generates revenues from contracts with service providers. In accordance with existing principal-agent arrangement criteria, the resulting income is either presented net (as commissions within 'revenues') or gross (separate recognition of revenues and related expenses within 'work contracted out'). In general, the application of these criteria is accompanied with significant judgment.

In accordance with the Company's accounting policies, certain service provider contracts that are recognized on a net basis by KPN Mobile Germany, need to be reported on a gross basis resulting in a gross-up of 'revenues' and 'other expenses' in the amount of €21,388 thousand for the financial year ended December 31, 2013 and €7,556 thousand for the six-month period ended June 30, 2014.

Furthermore, for service provider contracts reported on a gross basis, the Company recognizes certain cost elements as 'other expenses', while such costs are recognized by KPN Mobile Germany within the line item 'work contracted out' (designated to the line item 'supplies' within the Company's presentation format). Accordingly, a reclassification of such costs from 'work contracted out' to 'other expenses' was recognized in the amount of €390,116 thousand for the financial year ended December 31, 2013 and €201,065 thousand for the six-month period ended June 30, 2014. Consequently, the total adjustment to 'other expenses' amounted to €411,504 thousand for the financial year ended December 31, 2013 and to €208,621 thousand in the six-month period ended June 30, 2014.

#### (4) Returned debits

KPN Mobile Germany presents income from returned debits under 'revenues' with the related expenses presented within 'work contracted out'. The Company presents the net effect from such transactions in 'other income'.

Consequently, for the financial year ended December 31, 2013, revenues of €16,308 thousand as well as income recognized in 'work contracted out' of €4,603 thousand (designated to the line item 'supplies' within the Company's presentation format) were reclassified to 'other income' in a net amount of €11,705 thousand. For the six-month period ended June 30, 2014, revenues of €8,182 thousand as well as expenses recognized in 'work contracted out' of €2,999 thousand were reclassified to 'other income' in a net amount of €5,183 thousand.

#### (5) Customer and supplier financing

KPN Mobile Germany has entered into a customer and supplier financing agreement and presents the related total service fee within finance costs in its consolidated income statements. According to the Company's accounting policies, only the finance component of the service fee is classified as 'finance costs' in the consolidated income statements, whereas the service component is recognized as 'other expenses'. Accordingly, finance costs amounting to €8,257 thousand, reflecting the service component of the total service fee, were reclassified to 'other expenses' for the financial year ended December 31, 2013, and finance costs amounting to €3,969 thousand, reflecting the service component of the total service fee, were reclassified to 'other expenses' for the six-month period ended June 30, 2014.

#### (6) Work contracted out

For purposes of the historical consolidated income statements of the New E-Plus Group, the line item 'work contracted out' was designated to the line item 'supplies' used in the consolidated income statements of the Company. In accordance with the presentation format applied by the Company in its consolidated income statement, certain items presented within 'work contracted out' by KPN Mobile Germany required reclassification to 'other expenses', for example expenses related to infrastructure, IT-services and network maintenance. Consequently, a reclassification from 'supplies' to 'other expenses' amounting to €598,393 thousand was reflected for the financial year ended December 31, 2013, and a reclassification from 'supplies' to 'other expenses' amounting to €295,923 thousand was reflected for the six-month period ended June 30, 2014.

2.4.1.4. Presentation adjustments to the consolidated statement of financial position as of June 30, 2014

As of June 30, 2014 € in thousands	Deferred income	Other payables	Presentation adjustments as of June 30, 2014
Explanation	(1)	(2)	
<b>Assets</b>			
<b>A) Non-current assets</b>	-	-	-
Goodwill	-	-	-
Intangible assets	-	-	-
Property, plant and equipment	-	-	-
Other non-current financial assets	-	-	-
Deferred tax assets	-	-	-
<b>B) Current assets</b>	-	-	-
Inventories	-	-	-
Trade and other receivables	-	-	-
Other current financial assets	-	-	-
Cash and cash equivalents	-	-	-
<b>Total assets (A+B)</b>	-	-	-
<b>Equity and liabilities</b>			
<b>A) Equity</b>	-	-	-
Common stock	-	-	-
Additional paid-in capital	-	-	-
Retained earnings	-	-	-
Other components of equity	-	-	-
<b>Equity attributable to owners of the parent</b>	-	-	-
<b>B) Non-current liabilities</b>	-	-	-
Non-current interest-bearing debt	-	-	-
Other payables	(1,784)	-	(1,784)
Non-current provisions	-	-	-
Deferred income	1,784	-	1,784
Deferred tax liabilities	-	-	-
<b>C) Current liabilities</b>	-	-	-
Current interest-bearing debt	-	-	-
Trade payables	(200,901)	(24,100)	(225,001)
Other payables	-	24,100	24,100
Current provisions	-	-	-
Deferred income	200,901	-	200,901
<b>Total equity and liabilities (A+B+C)</b>	-	-	-

2.4.1.5. Explanation of presentation adjustments to the consolidated statement of financial position as of June 30, 2014

Based on the respective presentation format, the consolidated statement of financial position of KPN Mobile Germany as of June 30, 2014 was adjusted to the format and the designation of the line items used in the consolidated statement of financial position of the Company. The following presentation adjustments were applied to the consolidated statement of financial position of KPN Mobile Germany:

(1) Deferred income

The Company presents current and non-current deferred income as separate line items in the consolidated statement of financial position. In its consolidated statement of financial position, KPN Mobile Germany presents current deferred income within 'trade and other payables', which was designated to the line item 'trade payables' used in the consolidated statement of financial position of the Company, and non-current deferred income within 'other payables and deferred income', which was

designated to the line item 'other payables' in the consolidated statement of financial position of the Company. Consequently, current deferred income of KPN Mobile Germany amounting to €200,901 thousand was reclassified from 'trade payables' to current 'deferred income' and non-current deferred income of KPN Mobile Germany amounting to €1,784 thousand was reclassified from 'other payables' to non-current 'deferred income' as of June 30, 2014.

(2) Other payables

For purposes of the statement of financial position, the Company presents trade payables and other payables in separate line items. KPN Mobile Germany presents trade and other payables as a single line item in its consolidated statement of financial position, which was designated to the line item 'trade payables' used in the consolidated statement of financial position of the Company. Other payables and social security and other taxes payable of KPN Mobile Germany amounting to €24,100 thousand were reclassified from 'trade payables' to 'other payables' as of June 30, 2014.

2.4.2. Accounting and valuation adjustments

2.4.2.1. Accounting and valuation adjustments to the consolidated income statement for the period from January 1, 2013 to December 31, 2013

<b>January 1 to December 31, 2013</b>		<b>Deferred revenues one-off connection fees</b>	<b>Provisions for dismantling obligations</b>	<b>Allowances for doubtful accounts receivables</b>	<b>Own work capitalized</b>	<b>Tax valuation allowance</b>	<b>Accounting and valuation adjustments for the period January 1 to December 31, 2013</b>
<b>€ in thousands</b>	<b>Leasing of mobile devices</b>						
Explanation	(1)	(2)	(3)	(4)	(5)	(6)	
Revenues	115,609	3,799	-	-	-	-	119,408
Other income	-	-	-	-	-	-	-
Supplies	(302,413)	-	-	-	-	-	(302,413)
Personnel expenses	-	-	-	-	-	-	-
Other expenses	(5,689)	-	(29,894)	(1,526)	-	-	(37,109)
<b>Operating income before depreciation and amortization (OIBDA)</b>	<b>(192,493)</b>	<b>3,799</b>	<b>(29,894)</b>	<b>(1,526)</b>	<b>-</b>	<b>-</b>	<b>(220,114)</b>
Depreciation and amortization	179,675	-	(2,010)	-	(44,952)	-	132,713
<b>Operating income</b>	<b>(12,818)</b>	<b>3,799</b>	<b>(31,904)</b>	<b>(1,526)</b>	<b>(44,952)</b>	<b>-</b>	<b>(87,401)</b>
Finance income	7,747	-	-	-	-	-	7,747
Exchange gains	-	-	-	-	-	-	-
Finance costs	(13,142)	-	391	-	-	-	(12,751)
Exchange losses	-	-	-	-	-	-	-
<b>Net financial income/ (expense)</b>	<b>(5,395)</b>	<b>-</b>	<b>391</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,004)</b>
<b>Profit/(loss) before tax from continuing operations</b>	<b>(18,213)</b>	<b>3,799</b>	<b>(31,513)</b>	<b>(1,526)</b>	<b>(44,952)</b>	<b>-</b>	<b>(92,405)</b>
Income tax	2,807	(585)	4,856	235	6,927	(14,240)	-
<b>Profit/(loss) after taxes for the year from continuing operations</b>	<b>(15,406)</b>	<b>3,214</b>	<b>(26,657)</b>	<b>(1,291)</b>	<b>(38,025)</b>	<b>(14,240)</b>	<b>(92,405)</b>
<b>Total profit/(loss) for the year</b>	<b>(15,406)</b>	<b>3,214</b>	<b>(26,657)</b>	<b>(1,291)</b>	<b>(38,025)</b>	<b>(14,240)</b>	<b>(92,405)</b>

2.4.2.2. Accounting and valuation adjustments to the consolidated income statement for the period from January 1, 2014 to June 30, 2014

<b>January 1 to June 30, 2014</b>		<b>Deferred revenues one-off connection fees</b>	<b>Provisions for dis- mantling obligations</b>	<b>Allowances for doubtful accounts receivables</b>	<b>Own work capitalized</b>	<b>Tax valuation allowance</b>	<b>Accounting and valuation adjustments for the period January 1 to June 30, 2014</b>
<b>€ in thousands</b>	<b>Leasing of mobile devices</b>						
Explanation	(1)	(2)	(3)	(4)	(5)	(6)	
Revenues	5,876	(1,972)	-	-	-	-	3,904
Other income	-	-	-	-	-	-	-
Supplies	(199,890)	-	-	-	-	-	(199,890)
Personnel expenses	-	-	-	-	-	-	-
Other expenses	(119)	-	-	(6,346)	-	-	(6,465)
<b>Operating income before depreciation and amortization (OIBDA)</b>	<b>(194,133)</b>	<b>(1,972)</b>	<b>-</b>	<b>(6,346)</b>	<b>-</b>	<b>-</b>	<b>(202,451)</b>
Depreciation and amortization	162,178	-	(1,719)	-	(22,224)	-	138,235
<b>Operating income</b>	<b>(31,955)</b>	<b>(1,972)</b>	<b>(1,719)</b>	<b>(6,346)</b>	<b>(22,224)</b>	<b>-</b>	<b>(64,216)</b>
Finance income	4,075	-	-	-	-	-	4,075
Exchange gains	-	-	-	-	-	-	-
Finance costs	(8,970)	-	(361)	-	-	-	(9,331)
Exchange losses	-	-	-	-	-	-	-
<b>Net financial income/(expense)</b>	<b>(4,895)</b>	<b>-</b>	<b>(361)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,256)</b>
<b>Profit/(loss) before tax</b>	<b>(36,850)</b>	<b>(1,972)</b>	<b>(2,080)</b>	<b>(6,346)</b>	<b>(22,224)</b>	<b>-</b>	<b>(69,472)</b>
Income tax	5,679	304	320	978	3,425	(10,706)	-
<b>Total profit/(loss) for the period</b>	<b>(31,171)</b>	<b>(1,668)</b>	<b>(1,760)</b>	<b>(5,368)</b>	<b>(18,799)</b>	<b>(10,706)</b>	<b>(69,472)</b>

2.4.2.3. Accounting and valuation adjustments to the consolidated statement of financial position as of June 30, 2014

As of June 30, 2014	Leasing of mobile devices	Deferred revenues one-off connection fees	Provisions for dismantling obligations	Allowances for doubtful accounts receivables	Own work capitalized	Tax valuation allowance	Accounting and valuation adjustments as of June 30, 2014
€ in thousands	(1)	(2)	(3)	(4)	(5)	(6)	
Explanation	(1)	(2)	(3)	(4)	(5)	(6)	
<b>Assets</b>							
<b>A) Non-current assets</b>	<b>(235,237)</b>	<b>(373)</b>	<b>18,256</b>	<b>-</b>	<b>(174,428)</b>	<b>(32,061)</b>	<b>(423,843)</b>
Goodwill	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-
Property, plant and equipment	(361,459)	-	20,374	-	(206,204)	-	(547,289)
Other non-current financial assets	123,446	-	-	-	-	-	123,446
Deferred tax assets	2,776	(373)	(2,118)	-	31,776	(32,061)	-
<b>B) Current assets</b>	<b>280,452</b>	<b>-</b>	<b>-</b>	<b>(8,386)</b>	<b>-</b>	<b>-</b>	<b>272,066</b>
Inventories	-	-	-	-	-	-	-
Trade and other receivables	280,452	-	-	(8,386)	-	-	272,066
Other current financial assets	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-	-	-
<b>Total assets (A+B)</b>	<b>45,215</b>	<b>(373)</b>	<b>18,256</b>	<b>(8,386)</b>	<b>(174,428)</b>	<b>(32,061)</b>	<b>(151,777)</b>
<b>Equity and liabilities</b>							
<b>A) Equity</b>	<b>(11,748)</b>	<b>2,049</b>	<b>28,863</b>	<b>(7,094)</b>	<b>(174,428)</b>	<b>(30,212)</b>	<b>(192,570)</b>
Common stock	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-
Retained earnings	(11,748)	2,049	28,863	(7,094)	(174,428)	(30,212)	(192,570)
Other components of equity	-	-	-	-	-	-	-
<b>Equity attributable to owners of the parent</b>	<b>(11,748)</b>	<b>2,049</b>	<b>28,863</b>	<b>(7,094)</b>	<b>(174,428)</b>	<b>(30,212)</b>	<b>(192,570)</b>
<b>B) Non-current liabilities</b>	<b>29,689</b>	<b>2,015</b>	<b>(10,607)</b>	<b>(1,292)</b>	<b>-</b>	<b>(1,849)</b>	<b>17,956</b>
Non-current interest-bearing debt	-	-	-	-	-	-	-
Other payables	29,689	-	-	-	-	-	29,689
Non-current provisions	-	-	(13,748)	-	-	-	(13,748)
Deferred income	-	2,015	-	-	-	-	2,015
Deferred tax liabilities	-	-	3,141	(1,292)	-	(1,849)	-
<b>C) Current liabilities</b>	<b>27,274</b>	<b>(4,437)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,837</b>
Current interest-bearing debt	-	-	-	-	-	-	-
Trade payables	-	-	-	-	-	-	-
Other payables	27,274	-	-	-	-	-	27,274
Current provisions	-	-	-	-	-	-	-
Deferred income	-	(4,437)	-	-	-	-	(4,437)
<b>Total equity and liabilities (A+B+C)</b>	<b>45,215</b>	<b>(373)</b>	<b>18,256</b>	<b>(8,386)</b>	<b>(174,428)</b>	<b>(32,061)</b>	<b>(151,777)</b>

#### 2.4.2.4. Explanation of accounting and valuation adjustments

Based on the respective accounting and valuation policies, the consolidated income statements of KPN Mobile Germany for the financial year ended December 31, 2013 and for the six-month period ended June 30, 2014 and the consolidated statement of financial position of KPN Mobile Germany as of June 30, 2014 were aligned to the accounting and valuation policies used in the consolidated financial statements of the Company. The following accounting and valuation adjustments were applied to the consolidated income statements and the consolidated statement of financial position of KPN Mobile Germany:

##### (1) Leasing of mobile devices

As part of their business model, KPN Mobile Germany leases mobile devices such as handsets and smartphones to customers ("lease-out arrangements"), which are accounted for as operating leases in the consolidated financial statements of KPN Mobile Germany. This business model is refinanced via sale-and-lease-back transactions that are classified by KPN Mobile Germany as operating leases prior to April 2012 and, prospectively, were classified as finance leases since April 2012 due to a change in contractual provisions ("lease-in arrangements"). In regard to the lease-out arrangements, the Company applies management estimates and judgments different from KPN Mobile Germany in assessing the lease classification. As a result, all lease-out arrangements are treated as finance leases by the Company. In addition, all lease-in arrangements are treated as finance leases according to the Company's assumptions.

For purposes of the consolidated income statement of the New E-Plus Group for the period from January 1, 2013 to December 31, 2013, the alignment in accounting policies resulted in additional net revenues of €115,609 thousand (comprised of additional handset revenues amounting to €386,028 thousand and lower wireless service revenues amounting to €270,419 thousand) and additional net expenses for supplies of €302,413 thousand (comprised of additional cost of materials amounting to €376,758 thousand and lower rental expenses amounting to €74,345 thousand). Other expenses increased by €5,689 thousand in the consolidated income statement of the New E-Plus Group for the period from January 1, 2013 to December 31, 2013 due to a related increase in allowances for doubtful lease receivables.

Recognized depreciation expenses of €179,675 thousand were eliminated for purposes of the consolidated income statement of the New E-Plus Group for the period from January 1, 2013 to December 31, 2013. The revised lease classification furthermore led to adjustments to finance income of €7,747 thousand and to finance costs of €13,142 thousand for the period from January 1, 2013 to December 31, 2013. The net pre-tax adjustment for the period from January 1, 2013 to December 31, 2013 amounts to negative €18,213 thousand. Under consideration of the KPN Mobile Germany statutory trade tax rate of 15.41%, this accounting policy alignment resulted in additional deferred tax income of €2,807 thousand in the consolidated income statement of the New E-Plus Group for the period from January 1, 2013 to December 31, 2013.

For purposes of the consolidated income statement of the New E-Plus Group for the period from January 1, 2014 to June 30, 2014, the alignment in accounting policies resulted in higher net revenues of €5,876 thousand (comprised of additional handset revenues amounting to €170,580 thousand and lower wireless service revenues amounting to €164,704 thousand) and additional net expenses for supplies of €199,890 thousand (comprised of additional cost of materials amounting to €204,827 thousand and lower rental expenses amounting to €4,937 thousand). Other expenses increased by €119 thousand in the consolidated income statement of the New E-Plus Group for the period from January 1, 2014 to June 30, 2014 due to a related increase in allowances for doubtful lease receivables.

Recognized depreciation expenses of €162,178 thousand were eliminated for purposes of the consolidated income statement of the New E-Plus Group for the period from January 1, 2014 to June 30, 2014. The revised lease classification furthermore led to adjustments to finance income of €4,075 thousand and to finance costs of €8,970 thousand for the period from January 1, 2014 to June 30, 2014. The net pre-tax adjustment for the period from January 1, 2014 to June 30, 2014 amounts to negative €36,850 thousand. Under consideration of the KPN Mobile Germany statutory trade tax rate of 15.41%, this accounting policy alignment resulted in additional deferred tax income of €5,679 thousand in the consolidated income statement of the New E-Plus Group for the period from January 1, 2014 to June 30, 2014.

For purposes of the consolidated statement of financial position of the New E-Plus Group as of June 30, 2014, the alignment in accounting policies resulted in a de-recognition of property, plant and equipment of €361,459 thousand and a recognition of lease receivables of €403,898 thousand (comprised of an increase in current receivables amounting to €280,452 thousand presented in 'trade and other receivables' and an increase in non-current receivables amounting to €123,446 thousand presented in 'other non-current financial assets'). In addition, finance lease liabilities increased by €56,963 thousand (comprised of an increase in current other payables amounting to €27,274 thousand and an increase in non-current other payables amounting to €29,689 thousand) and respective deferred tax assets increased by €2,776 thousand. As a result, retained earnings decreased by €11,748 thousand as of June 30, 2014.

##### (2) Deferred revenues for one-off connection fees

The Company and KPN Mobile Germany apply different estimates and judgments in regard to the recognition of revenues relating to connection fees. For purposes of the consolidated income statement of the New E-Plus Group for the period from January 1, 2013 to December 31, 2013, the alignment in accounting policies for revenues relating to connection fees resulted in an increase of revenues in the amount of €3,799 thousand. Under consideration of the KPN Mobile Germany statutory trade tax rate of 15.41%, this accounting policy alignment resulted in additional deferred tax expenses of €585 thousand for the period from January 1, 2013 to December 31, 2013.

For purposes of the consolidated income statement of the New E-Plus Group for the period from January 1, 2014 to June 30, 2014, the alignment in accounting policies for revenues relating to connection fees resulted in a decrease of revenues in the



amount of €1,972 thousand. Under consideration of the KPN Mobile Germany statutory trade tax rate of 15.41%, this accounting policy alignment resulted in deferred tax income of €304 thousand for the period from January 1, 2014 to June 30, 2014.

For purposes of the consolidated statement of financial position of the New E-Plus Group as of June 30, 2014, the alignment in accounting policies resulted in lower deferred income of €2,422 thousand, comprised of an increase in non-current deferred income of €2,015 and a decrease in current deferred income amounting to €4,437 thousand. In addition, deferred tax assets decreased by €373 thousand, calculated under consideration of the KPN Mobile Germany statutory trade tax rate of 15.41%, and retained earnings increased by €2,049 thousand as of June 30, 2014.

### (3) Provisions for dismantling obligations

KPN Mobile Germany and the Company recognize provisions for dismantling obligations for mobile communication tower sites if there is a legal or constructive obligation to dismantle and remove the tower or equipment and restore the site on which it is located. The estimated costs for dismantling obligations are recognized as a provision as soon as the related asset is capitalized.

Due to different specific parameters (e.g. discount rates, estimated inflation rates, etc.) used by KPN Mobile Germany and the Company, the estimation of the dismantling obligations, which are measured at the present value of management's best estimate of the expenditure required to settle the present obligations at the reporting date, differs from each other and results in different present values. The alignment of the estimation of the dismantling obligations for purposes of the historical financial information of the New E-Plus Group resulted in a reduction of the dismantling obligations.

Furthermore, KPN Mobile Germany and the Company perform on a recurring basis a review of the underlying accounting estimates for dismantling obligations. For purposes of the Pro Forma Consolidated Financial Information, a one-time gain recognized by KPN Mobile Germany in the financial year ended December 31, 2013, resulting from a change in accounting estimates based on the regular review of the dismantling obligations, was eliminated in order to present the consolidated income statement of the New E-Plus Group as if KPN Mobile Germany had already applied the Company's accounting policies for dismantling obligations in the past.

For purposes of the consolidated income statement of the New E-Plus Group for the period from January 1, 2013 to December 31, 2013, the effect of the alignment of the accounting policies and the reversal of the one-time gain resulted in an increase of other expenses of €29,894 thousand, an increase of depreciation expenses of €2,010 thousand and a decrease of finance costs of €391 thousand. The net pre-tax adjustment for the period from January 1, 2013 to December 31, 2013 amounted to negative €31,513 thousand. Under consideration of the KPN Mobile Germany statutory trade tax rate of 15.41%, this accounting policy alignment resulted in additional deferred tax income of €4,856 thousand for the period from January 1, 2013 to December 31, 2013.

For purposes of the consolidated income statement of the New E-Plus Group for the period from January 1, 2014 to June 30, 2014, the effect of the alignment of the accounting policies resulted in an increase of depreciation expenses of €1,719 thousand and an increase of finance costs of €361 thousand. The net pre-tax adjustment for the period from January 1, 2014 to June 30, 2014 amounted to negative €2,080 thousand. Under consideration of the KPN Mobile Germany statutory trade tax rate of 15.41%, this accounting policy alignment resulted in additional deferred tax income of €320 thousand for the period from January 1, 2014 to June 30, 2014.

The effect on the consolidated statement of financial position of the New E-Plus Group as of June 30, 2014 related to the accounting policy alignment and the reversal of the one-time gain resulted in a decrease in provisions for dismantling obligations in the amount of €13,748 thousand disclosed in non-current provisions and an increase in the value of the related assets disclosed in property, plant and equipment in the amount of €20,374 thousand. The resulting effect on taxes is composed of a reduction of deferred tax assets amounting to €2,118 thousand and an increase of deferred tax liabilities amounting to €3,141 thousand, each calculated under consideration of the KPN Mobile Germany statutory trade tax rate of 15.41%. Consequently, retained earnings increased in an amount of €28,863 thousand as of June 30, 2014.

### (4) Allowances for doubtful accounts receivables

KPN Mobile Germany and the Company recognize loans and receivables at amortized costs. If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured and recognized as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Due to different specific parameters (e.g. rates for determining the allowances, classification of overdue customers) used by KPN Mobile Germany and the Company, the estimation of the allowances for doubtful accounts receivables differs from each other and results in valuation differences.

The alignment of the estimation of the allowances for doubtful accounts receivables for purposes of the consolidated income statement of the New E-Plus Group resulted in an increase of other expenses of €1,526 thousand for the period January 1, 2013 to December 31, 2013. Under consideration of the KPN Mobile Germany statutory trade tax rate of 15.41%, this accounting policy alignment resulted in additional deferred tax income of €235 thousand for the period from January 1, 2013 to December 31, 2013.

The alignment of the estimation of the allowances for doubtful accounts receivables for purposes of the consolidated income statement of the New E-Plus Group resulted in an increase of other expenses of €6,346 thousand for the period from January 1, 2014 to June 30, 2014. Under consideration of the KPN Mobile Germany statutory trade tax rate of 15.41%, this accounting policy alignment resulted in deferred tax income of €978 thousand for the period from January 1, 2014 to June 30, 2014.

For purposes of the consolidated statement of financial position of the New E-Plus Group as of June 30, 2014, the alignment in accounting policies resulted in a decrease in trade and other receivables of €8,386 thousand, a decrease in deferred tax liabilities of €1,292 thousand calculated under consideration of the KPN Mobile Germany statutory trade tax rate of 15.41%, and, as a result, a decrease in retained earnings of €7,094 thousand as of June 30, 2014.

(5) Own work capitalized

KPN Mobile Germany and the Company recognize certain assets related to installation work performed by its own employees and classify these assets as network equipment or network infrastructure depending on the type of installation work performed as well as the underlying equipment and technology. Certain installation work capitalized as network infrastructure and amortized over a useful life of 20 years by KPN Mobile Germany is classified as network equipment and amortized over a useful life of 10 years as applied by the Company for purposes of the consolidated income statement of the New E-Plus Group.

For the consolidated income statement of the New E-Plus Group for the period from January 1, 2013 to December 31, 2013, this accounting policy alignment resulted in an increase of depreciation expenses of €44,952 thousand. Under consideration of the KPN Mobile Germany statutory trade tax rate of 15.41%, this accounting policy alignment resulted in additional deferred tax income of €6,927 thousand for the period from January 1, 2013 to December 31, 2013.

For the consolidated income statement of the New E-Plus Group for the period from January 1, 2014 to June 30, 2014, this accounting policy alignment resulted in an increase of depreciation expenses of €22,224 thousand. Under consideration of the KPN Mobile Germany statutory trade tax rate of 15.41%, this accounting policy alignment resulted in additional deferred tax income of €3,425 thousand for the period from January 1, 2014 to June 30, 2014.

For purposes of the consolidated statement of financial position of the New E-Plus Group as of June 30, 2014, the accounting policy alignment resulted in reduced asset values for own work capitalized of €206,204 thousand in property, plant and equipment. Under consideration of the KPN Mobile Germany statutory trade tax rate of 15.41%, it furthermore resulted in an increase of deferred tax assets in the amount of €31,776 thousand. The net effect on retained earnings amounted to negative €174,428 thousand.

(6) Tax valuation allowance

For purposes of the consolidated income statement of the New E-Plus Group for the period from January 1, 2013 to December 31, 2013, deferred tax income in the amount of €14,240 thousand, recognized from the above described accounting policy alignments, was eliminated as the underlying deferred tax assets were deemed not realizable at the New E-Plus Group level.

For purposes of the consolidated income statement of the New E-Plus Group for the period from January 1, 2014 to June 30, 2014, deferred tax income in the amount of €10,706 thousand, recognized from the above described accounting policy alignments, was eliminated as the underlying deferred tax assets were deemed not realizable at the New E-Plus Group level.

For purposes of the consolidated statement of financial position of the New E-Plus Group as of June 30, 2014, net deferred tax assets in the amount of €32,061 thousand were offset with net deferred tax liabilities in the amount of €1,849 thousand and eliminated as they were deemed not realizable at the New E-Plus Group level, resulting in a decrease in retained earnings of €30,212 thousand as of June 30, 2014.

### 3. Basis of preparation

#### 3.1. Preparation principles

The Pro Forma Consolidated Financial Information was prepared on the basis of the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004) (*IDW Rechnungslegungshinweis: Erstellung von Pro-Forma-Finanzinformationen (IDW RH HFA 1.004)*), as promulgated by the Institute of Public Auditors in Germany (IDW, *Institut der Wirtschaftsprüfer in Deutschland e.V.*).

The pro forma adjustments made for purposes of the Pro Forma Consolidated Financial Information are based on information available and on preliminary estimates, as well as certain pro forma assumptions of the Company as described in these pro forma notes. The Pro Forma Consolidated Financial Information neither contains any potential synergies or cost savings nor any normalization of any restructuring or any additional future expenses that could result from the Acquisition. Furthermore, the Pro Forma Consolidated Financial Information does not contain any potential or future effects resulting from the remedies imposed on the Company to obtain merger clearance by the European Commission or other constraints ruled by other authorities or regulators in connection with the Acquisition.

The figures in tables of the Pro Forma Consolidated Financial Information were rounded according to established commercial principles. Additions of the figures can thus lead to amounts that deviate from those shown in the tables.

#### 3.2. Acquisition of the New E-Plus Group

Upon Closing of the Acquisition, the Company will have acquired the entire limited partnership interest in New E-Plus KG from KPN Mobile Germany, an indirect 100% subsidiary of KPN, and Telefónica Germany Management GmbH, a 100% subsidiary of the Company, will have become sole general partner of New E-Plus KG. As a result, the Company will have acquired the New E-Plus Group as agreed in the SPA.

In the SPA, KPN agreed to restructure the Original E-Plus Group prior to Closing. The intention of the Pre-Closing Restructuring was to simplify the structure of the Original E-Plus Group, enabling the Company to acquire the New E-Plus Group unencumbered of tax liabilities attributable to previous periods and obligations under shareholder loans.

The Pre-Closing Restructuring included measures such as the restructuring and/or merger of subsidiaries as well as establishing a new holding company, i.e., New E-Plus KG (founded under the name E-Plus Transition GmbH & Co. KG and subsequently renamed E-Plus Mobilfunk GmbH & Co. KG), to which, by way of a spin-off under the German Transformation Act (*Umwandlungsgesetz*), KPN Mobile Germany contributed all its assets, liabilities and contracts except all shareholder loans (including all liabilities thereunder, in particular principal, accrued interest, gains and losses) existing between KPN Mobile Germany on the one side and KPN and companies affiliated with KPN on the other side, as well as all tax liabilities of KPN Mobile Germany for periods prior to January 1, 2014 (irrespective of whether due, assessed, contingent or arising in the future).

Prior to the contribution of the limited partner interest in New E-Plus KG to the Company, measures were undertaken to separate the New E-Plus Group from the companies of KPN. For example, debt existing between the two groups was settled, securities that companies of the New E-Plus Group had provided in favor of the companies of KPN was released and further contractual relationships between the two groups were either terminated (e.g. the cash pooling agreement and the agreement on a management fee), divided between the two groups (e.g. with respect to roaming services) or amended. Contracts for which the two groups have not or will not make any particular arrangement generally continue to apply without change, with both sides being entitled to terminate these contracts on reasonable notice.

The consideration payable by the Company to KPN Mobile Germany for the New E-Plus Group consists of (i) a cash payment of €3,700,000 thousand (the “**Cash Component**”). The Cash Component will be financed by a capital increase of the Company against contribution in cash via public rights offering (the “**Rights Offering**”). The Cash Component is subject to a cash consideration adjustment mechanism based on net debt position and working capital as defined in the SPA of New E-Plus Group as of December 31, 2013 on a consolidated basis in accordance with IFRS and in line with past accounting practice. On the basis of the information provided by KPN for these purposes, the Cash Component of the purchase price is to be reduced by €63,982 thousand. The Company can contest the preliminary adjusted cash consideration and initiate a procedure which may lead to a reduction of such amount. Further the consideration transferred to KPN Mobile Germany consists (ii) of new shares in the Company (the “**Consideration Shares**”). In accordance with the provisions set out in the SPA, the Consideration Shares will represent 24.9% of the Company’s total issued share capital outstanding following the implementation of the capital increase for the Rights Offering and an additional capital increase against contribution in kind in form of the transfer of the full direct and indirect ownership in the New E-Plus Group to the Company for the Closing of the Acquisition (the “**Capital Increase against Contribution in Kind**”). The issue price for the Consideration Shares to be subscribed by KPN Mobile Germany within the framework of the Closing of the Acquisition will correspond to the minimum issue amount of €1.00 per share.

The Closing of the Acquisition is subject to the occurrence or waiving of the following conditions precedent and is expected to occur in the second half of 2014, provided that conditions precedent (a), (b) and (g) cannot be waived:

- (a) Approval by shareholders’ meeting of KPN: The approval was granted by an extraordinary general shareholders’ meeting of KPN on October 2, 2013.
- (b) Merger clearance: On July 2, 2014, the European Commission issued an approval of the Acquisition subject to certain conditions.
- (c) No governmental or judicial prohibition of the Acquisition.
- (d) No material breach of the SPA by any of its parties that has not been remedied by the respective party after having been notified to it.
- (e) No material adverse change: This condition is deemed to be fulfilled unless a material adverse change has occurred and Telefónica, S.A. or the Company has informed KPN of that occurrence before July 22, 2014.
- (f) Certain German corporate law requirements with regard to the Capital Increase against Contribution in Kind.
- (g) A document prepared by a firm of public accountants or an international, reputable investment bank confirming that the number of Consideration Shares to be issued to KPN Mobile Germany as part of the consideration is not inappropriate pursuant to section 255 (2) of the German Stock Corporation Act (*Aktiengesetz*, AktG)
- (h) Completion of the Pre-Closing Restructuring of the Original E-Plus Group

If the conditions precedent set out above that have not yet occurred are not satisfied or waived on or before March 1, 2015, each of KPN, Telefónica, S.A. and the Company may terminate the SPA.

In connection with the Acquisition KPN Mobile Germany and the Company have entered into retention bonus agreements that provide entitlement to certain of their employees to receive a stay bonus after Closing of the Acquisition for a six-month retention period. Furthermore, the Company has granted merger bonuses related to the Acquisition to certain management personnel, payable six months after Closing of the Acquisition.

### **3.3. Pro forma assumptions**

#### **3.3.1. Assumptions related to the Acquisition of the New E-Plus Group**

##### **Assumption: Date of Acquisition**

For purposes of the pro forma consolidated income statements, it is assumed that Closing of the Acquisition occurred as of January 1, 2013, and for purposes of the pro forma consolidated statement of financial position, it is assumed that Closing of the Acquisition occurred as of June 30, 2014.

**Assumption: Acquisition-related costs**

In connection with the Acquisition of the New E-Plus Group, total legal, consulting and notary fees amounting to €21,283 thousand are assumed. These acquisition-related costs do not comprise transaction costs directly attributable to the Rights Offering and the Capital Increase against Contribution in Kind. Based on a preliminary analysis, €19,665 thousand (or 92.4%) of these costs are considered tax-deductible, whereas €1,618 thousand (or 7.6%) of these costs are considered not tax-deductible.

**Assumption: Value of Consideration Shares**

For purposes of the Pro Forma Consolidated Financial Information, it is assumed that the value of the Consideration Shares transferred by the Company to KPN Mobile Germany in connection with the Acquisition is determined based on the Company closing share price of €6.01 as of June 30, 2014.

*3.3.2. Assumptions related to the financing of the Acquisition*3.3.2.1. Assumptions related to the Rights Offering**Assumption: Date of Rights Offering**

For purposes of the pro forma consolidated income statements, it is assumed that the Rights Offering took place on January 1, 2013. For purposes of the pro forma consolidated statement of financial position, it is assumed that the Rights Offering took place on June 30, 2014.

**Assumption: Composition of Rights Offering**

It is assumed that, prior to the Acquisition of the New E-Plus Group, the Rights Offering was carried out by the Company against contribution in cash and that it resulted in gross proceeds of €3,622,352 thousand. The notional value of the common stock of the newly issued shares is assumed to be equal to the notional value of the common stock of the currently outstanding shares of €1.00. The subscription price is assumed to amount to €3.71 per share (based on a discount of 38.3% applied to the Company closing share price as of June 30, 2014), resulting in an amount of 976,375,256 shares issued in the Rights Offering.

Following the implementation of the Rights Offering, under the assumption that all shares are subscribed and the implementation of the capital increase through the issuance of 976,375,256 shares against contribution in cash was registered with the commercial register, the Company's common stock will amount to €2,093,321 thousand, divided into 2,093,320,656 shares with a notional amount of the common stock of €1.00 each.

**Assumption: Transaction costs for the Rights Offering**

It is assumed that directly attributable transaction costs for the implementation of the Rights Offering amount to €32,859 thousand (of which €5,121 thousand was already paid as of June 30, 2014). Based on a preliminary analysis, it is furthermore estimated that the directly attributable transaction costs are entirely tax-deductible, resulting in an income tax benefit (taking into account Telefónica Deutschland's statutory tax rate of 32%).

3.3.2.2. Assumptions related to the Capital Increase against Contribution in Kind**Assumption: Date of Capital Increase against Contribution in Kind**

For purposes of the pro forma consolidated income statements, it is assumed that the Capital Increase against Contribution in Kind and Closing of the Acquisition occurred on January 1, 2013, respectively, i.e. that all other requirements for the implementation of the Acquisition of the New E-Plus Group described in the SPA were fulfilled on January 1, 2013, and all rights and obligations from the Acquisition described in the SPA effectively passed on to the Company on January 1, 2013. For purposes of the pro forma consolidated statement of financial position, these assumptions are considered effective as of June 30, 2014.

**Assumption: Composition of Capital Increase against Contribution in Kind**

It is assumed that the Capital Increase against Contribution in Kind will be implemented against contribution of the full direct and indirect ownership in the New E-Plus Group, whereby the shareholders' subscription rights are excluded. The notional value of the common stock of the newly issued shares of the Company is assumed to be equal to the notional value of the common stock of the currently outstanding issued shares of €1.00. It is assumed that a total of 694,057,048 new shares is issued in the implementation of the Capital Increase against Contribution in Kind.

Following the implementation of the Rights Offering and the Capital Increase against Contribution in Kind, assuming the full implementation of the Rights Offering and registration of the corresponding capital increase with the commercial register, 694,057,048 Consideration Shares (or 24.9% of the Company's total number of shares upon implementation of both, the Rights Offering and the Capital Increase against Contribution in Kind) will be issued to KPN Mobile Germany, the Company's common stock will amount to €2,787,378 thousand, divided into 2,787,377,704 shares with a notional amount of the common stock of €1.00 each. The Capital Increase against Contribution in Kind with regard to which subscription rights of existing shareholders are excluded would, on the basis of the preceding assumptions, lead to a dilution of shareholdings of existing shareholders. Such dilution is not taken into consideration for the Pro Forma Consolidated Financial Information.

### **Assumption: Transaction costs for the Capital Increase against Contribution in Kind**

It is assumed that directly attributable transaction costs for the implementation of the Capital Increase against Contribution in Kind amount to €2,144 thousand (of which €165 thousand was already paid as of June 30, 2014). Based on a preliminary analysis, it is furthermore estimated that the directly attributable transaction costs are entirely tax-deductible, resulting in an income tax benefit (taking into account Telefónica Deutschland's statutory tax rate of 32%).

#### **3.3.3. Other Assumptions**

##### **Assumption: Management bonus agreements**

With respect to the management bonus agreements, it is assumed for purposes of the pro forma consolidated income statements that the retention bonus agreements of both KPN Mobile Germany and the Company vested for all eligible employees in the period from January 1, 2013 to December 31, 2013. It is furthermore assumed that the merger bonus agreements of the Company vested in their entire amounts in the period from January 1, 2013 to December 31, 2013. Based on a preliminary analysis, the related expenses are considered entirely tax-deductible. For purposes of the pro forma consolidated statement of financial position, it is assumed that the vesting period of these agreements will end on December 31, 2014, i.e. six months subsequent to assumed Closing as of June 30, 2014.

#### **3.4. Pro forma presentation**

##### **3.4.1. Pro forma presentation of the Acquisition of the New E-Plus Group**

##### **Accounting for the Acquisition**

The Acquisition of the New E-Plus Group is accounted for as a business combination in accordance with IFRS 3. According to IFRS 3 the actual initial consolidation of a business combination takes place at the time of acquisition, i.e. the time at which the acquiring company takes control of the acquired company or acquired business operation.

For purposes of the pro forma consolidated income statements, the pro forma initial consolidation of the New E-Plus Group was performed as of January 1, 2013, and for purposes of the pro forma consolidated statement of financial position, the pro forma initial consolidation of the New E-Plus Group was performed as of June 30, 2014.

##### **Provisional Purchase Price Allocation**

Due to the accounting for the Acquisition of the New E-Plus Group as a business combination in accordance with IFRS 3, the identifiable assets acquired and the liabilities assumed of the New E-Plus Group are required to be measured at their Acquisition date fair values in accordance with IFRS. For purposes of the Pro Forma Consolidated Financial Information, the purchase price allocation of the New E-Plus Group were undertaken on the basis of a provisional valuation of the acquired net assets at fair value as of June 30, 2014 (the "**Provisional PPA**").

Since the Acquisition constitutes a future transaction, the most current available financial information of the New E-Plus Group as of June 30, 2014 was used. The income effects from the development of the Provisional PPA were taken into account in the pro forma consolidated income statements for the periods from January 1, 2013 to December 31, 2013 and January 1, 2014 to June 30, 2014.

For tax purposes, a provisional re-measurement of tax bases of the assets acquired and the liabilities assumed for purposes of the Provisional PPA was undertaken as of June 30, 2014 (the "**Provisional Tax PPA**"). As the re-measurement of tax bases of the assets acquired and the liabilities assumed will be finalized only after the actual Acquisition date, it will differ from the Provisional Tax PPA.

The final purchase price allocation will be carried out based on the actual total consideration transferred and the fair values of the acquired net assets as of the actual future Acquisition date. Therefore, the final purchase price allocation of the New E-Plus Group will differ and might differ significantly from the Provisional PPA performed for purposes of the Pro Forma Consolidated Financial Information.

##### **Acquisition-related costs**

Legal, consulting and notary fees in connection with the Acquisition were classified as acquisition-related costs in accordance with IFRS 3.53 and consequently accounted for as expenses.

### Value of Consideration Shares

For purposes of the Pro Forma Consolidated Financial Information, the value of the Consideration Shares transferred by the Company to KPN Mobile Germany in connection with the Acquisition was determined based on the Company closing share price of €6.01 as of June 30, 2014. Taking into consideration the other assumptions applied to the Rights Offering and to the Capital Increase against Contribution in Kind, the value of the Consideration Shares was computed as follows:

<b>June 30, 2014</b>	
Number of outstanding shares before Rights Offering and Capital Increase against Contribution in Kind	1,116,945,400
* Closing share price on June 30, 2014 (€ per share)	6.01
<b>A) Market capitalization of the Company before Rights Offering and Capital Increase against Contribution in Kind (€ in thousands)</b>	<b>6,712,842</b>
Number of shares to be issued via Rights Offering	976,375,256
* Subscription Price Rights Offering (€ per share)	3.71
<b>B) Gross proceeds from Rights Offering (€ in thousands)</b>	<b>3,622,352</b>
Number of outstanding shares after consummation of Rights Offering <sup>1)</sup>	2,093,320,656
* Diluted share price after Rights Offering (€ per share)	4.94
<b>Market capitalization of the Company after consummation of Rights Offering (€ in thousands) (A+B)</b>	<b>10,335,194</b>
Number of shares issued as Consideration Shares as part of Capital Increase against Contribution in Kind (24.9%)	694,057,048
* Diluted share price after Rights Offering (€ per share)	4.94
<b>Value of the Consideration Shares (€ in thousands)<sup>2)</sup></b>	<b>3,428,642</b>

<sup>1)</sup> Includes rounding adjustments.

<sup>2)</sup> For purposes of the Pro Forma Consolidated Financial Information, the calculation of the value of the Consideration Shares transferred to KPN Mobile Germany does not take into account any dilutive or anti-dilutive effect on the Company share price which might result from the contribution in kind of the full direct and indirect ownership in the New E-Plus Group. The actual value of the Consideration Shares in accordance with IFRS 3 will depend on the Company share price at the future Acquisition date.

### Value of total consideration

The Cash Component is subject to a cash consideration adjustment mechanism based on the net debt position and the working capital of New E-Plus Group as of December 31, 2013 on a consolidated basis in accordance with IFRS and in line with past accounting practice. In accordance with the process defined in the SPA, the cash component of the purchase price is to be reduced by a preliminary amount of €63,982 thousand. The Company can contest the preliminary adjusted cash consideration and initiate a procedure which may lead to a reduction of such amount. For purposes of the Pro Forma Consolidated Financial Information, the total consideration provided by the Company in connection with the Acquisition was determined as follows:

<b>June 30, 2014</b>	<b>€ in thousands</b>
Cash Component	3,700,000
Cash consideration adjustment	(63,982)
Consideration Shares	3,428,642
<b>Total consideration for the New E-Plus Group</b>	<b>7,064,660</b>

## Goodwill

Taking into account the pro forma assumptions outlined in this section, the total consideration transferred in accordance with IFRS amounted to €7,064,660 thousand. Compared with the net fair value amount of identifiable assets acquired and liabilities assumed amounting to €6,011,928 thousand, the total consideration transferred in accordance with IFRS resulted in a pro forma goodwill of €1,052,732 thousand, recognized in the pro forma consolidated statement of financial position as summarized in the following table:

June 30, 2014	€ in thousands
Historical assets of the New E-Plus Group	5,464,629
Elimination of the historical goodwill of the New E-Plus Group	(151,305)
Fair value adjustments to intangible assets due to the Provisional PPA	2,832,148
<i>from customer relationships</i>	2,555,948
<i>from frequency usage rights</i>	125,724
<i>from trademarks / usage rights</i>	150,476
Fair value adjustments to property, plant and equipment due to the Provisional PPA	(421,210)
<i>from network equipment</i>	(55,444)
<i>from own work capitalized</i>	(213,519)
<i>from other plant and equipment</i>	(87,565)
<i>from assets under construction</i>	(64,682)
Adjustment of deferred tax assets due to the Provisional PPA	487,973
<b>Total identifiable assets acquired at fair value</b>	<b>8,212,235</b>
Historical liabilities of the New E-Plus Group	1,454,332
Fair value adjustments due to the Provisional PPA	5,512
<i>from non-current provisions related to dismantling obligations</i>	19,173
<i>from deferred income related to connection fees</i>	(13,661)
Adjustment of deferred tax liabilities due to the Provisional PPA	740,463
<b>Total liabilities assumed at fair value</b>	<b>2,200,307</b>
Total consideration for the New E-Plus Group	7,064,660
Net fair value amount of identifiable assets acquired and liabilities assumed	6,011,928
<b>Goodwill from the Acquisition of the New E-Plus Group</b>	<b>1,052,732</b>

The final goodwill resulting from the Acquisition will be determined by the actual purchase price allocation that will be carried out at the actual future Acquisition date.

## Income tax

Telefónica Deutschland will be required to pay income tax on any income realized by the New E-Plus Group using its statutory tax rate. For purposes of the Pro Forma Consolidated Financial Information, based on a preliminary analysis, it is estimated that Telefónica Deutschland's statutory tax rate remained unaffected as a result of the Acquisition. As such, the tax gross-up represents the effects from a change in the statutory tax rate from 15.41% (trade tax rate of the Original E-Plus Group) to 32% (combined corporate and trade tax statutory rate of Telefónica Deutschland).

The Company, based on a preliminary analysis, furthermore estimated to benefit from tax losses carried forward at the New E-Plus Group that arise after completion of the Pre-Closing Restructuring as of January 1, 2013 for purposes of the pro forma consolidated income statements and as of June 30, 2014 for purposes of the pro forma consolidated statement of financial position.

### 3.4.2 Pro forma presentation of the financing of the Acquisition

#### Rights Offering

Since the SPA specifies the Rights Offering for the financing of the Cash Component as a condition for the Acquisition and therefore being directly attributable to the Acquisition, the Rights Offering was considered for purposes of the Pro Forma Consolidated Financial Information.

#### Capital Increase against Contribution in Kind

Since the SPA specifies the Capital Increase against Contribution in Kind in form of the transfer of the full direct and indirect ownership in the New E-Plus Group to the Company with all new shares stemming from such capital increase being subscribed for by KPN Mobile Germany as a part and condition for the Acquisition and therefore being directly attributable to the Acquisition, the Capital Increase against Contribution in Kind was considered for purposes of the Pro Forma Consolidated Financial Information.

## Transaction costs for the Rights Offering and the Capital Increase against Contribution in Kind

The transaction costs for the Rights Offering and the Capital Increase against Contribution in Kind were recognized directly in equity in accordance with IFRS.

### 4. Pro forma consolidated income statement for the period from January 1, 2013 to December 31, 2013

#### 4.1. Presentation of the pro forma consolidated income statement for the period from January 1, 2013 to December 31, 2013

January 1 to December 31, 2013 € in thousands	Historical Financial Information		Total	Pro forma explanation	Pro forma adjustments	Pro forma consolidated income statement
	Telefónica Deutschland	New E-Plus Group				
Revenues	4,913,881	3,252,166	8,166,047	(1)	(223,867)	7,942,180
Other income	169,022	56,695	225,717		-	225,717
Supplies	(1,957,980)	(1,027,359)	(2,985,339)	(1)	230,796	(2,754,543)
Personnel expenses	(418,647)	(254,376)	(673,023)	(5)	(11,856)	(684,879)
Other expenses	(1,469,176)	(1,339,501)	(2,808,677)	(1), (4)	(21,983)	(2,830,660)
<b>Operating income before depreciation and amortization (OIBDA)</b>	<b>1,237,100</b>	<b>687,625</b>	<b>1,924,725</b>		<b>(26,910)</b>	<b>1,897,815</b>
Depreciation and amortization	(1,131,749)	(838,585)	(1,970,334)	(2)	(164,396)	(2,134,730)
<b>Operating income</b>	<b>105,351</b>	<b>(150,960)</b>	<b>(45,609)</b>		<b>(191,306)</b>	<b>(236,915)</b>
Finance income	6,349	8,578	14,927		-	14,927
Exchange gains	635	108	743		-	743
Finance costs	(33,409)	(48,675)	(82,084)		-	(82,084)
Exchange losses	(548)	(72)	(620)		-	(620)
<b>Net financial income/ (expense)</b>	<b>(26,972)</b>	<b>(40,061)</b>	<b>(67,033)</b>		<b>-</b>	<b>(67,033)</b>
<b>Profit/(loss) before tax from continuing operations</b>	<b>78,379</b>	<b>(191,021)</b>	<b>(112,642)</b>		<b>(191,306)</b>	<b>(303,948)</b>
Income tax	(567)	-	(567)	(2), (3), (4), (5)	95,766	95,199
<b>Profit/(loss) after taxes for the year from continuing operations</b>	<b>77,813</b>	<b>(191,021)</b>	<b>(113,209)</b>		<b>(95,540)</b>	<b>(208,749)</b>
<b>Total profit/(loss) for the year</b>	<b>77,813</b>	<b>(191,021)</b>	<b>(113,209)</b>		<b>(95,540)</b>	<b>(208,749)</b>
<b>Profit/(loss) for the year attributable to owners of the parent</b>	<b>77,813</b>	<b>(191,021)</b>	<b>(113,209)</b>		<b>(95,540)</b>	<b>(208,749)</b>
<b>Profit/(loss) for the year</b>	<b>77,813</b>	<b>(191,021)</b>	<b>(113,209)</b>		<b>(95,540)</b>	<b>(208,749)</b>
<b>Earnings per share</b>						
Basic earnings per share (in €) <sup>(a)</sup>	0.07					(0.07)
Diluted earnings per share (in €) <sup>(a)</sup>	0.07					(0.07)

<sup>(a)</sup> Pro forma basic and diluted earnings per share were calculated based on the pro forma loss attributable to owners of the parent for the period from January 1 to December 31, 2013 and on the amount of 2,787,377,704 shares outstanding during the entire reporting period upon implementation of both the Rights Offering and the Capital Increase against Contribution in Kind as of January 1, 2013 as further described in section 3.3.2.1. and 3.3.2.2. of the Pro Forma Consolidated Financial Information.



4.2. Explanation of the pro forma adjustments to the pro forma consolidated income statement of the Company for the period from January 1, 2013 to December 31, 2013

January 1 to December 31, 2013 € in thousands	Intercompany elimination	Provisional PPA	Income tax adjustments	Acquisition-related costs	Management bonus agreements	Total pro forma adjustments for the period January 1 to December 31, 2013
Pro forma explanation	(1)	(2)	(3)	(4)	(5)	
Revenues	(223,867)	-	-	-	-	(223,867)
Other income	-	-	-	-	-	-
Supplies	230,796	-	-	-	-	230,796
Personnel expenses	-	-	-	-	(11,856)	(11,856)
Other expenses	(6,929)	-	-	(15,054)	-	(21,983)
<b>Operating income before depreciation and amortization (OIBDA)</b>	-	-	-	<b>(15,054)</b>	<b>(11,856)</b>	<b>(26,910)</b>
Depreciation and amortization	-	(164,396)	-	-	-	(164,396)
<b>Operating income</b>	-	<b>(164,396)</b>	-	<b>(15,054)</b>	<b>(11,856)</b>	<b>(191,306)</b>
Finance income	-	-	-	-	-	-
Exchange gains	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-
Exchange losses	-	-	-	-	-	-
<b>Net financial income/ (expense)</b>	-	-	-	-	-	-
<b>Profit/(loss) before tax from continuing operations</b>	-	<b>(164,396)</b>	-	<b>(15,054)</b>	<b>(11,856)</b>	<b>(191,306)</b>
Income tax	-	52,607	34,914	4,451	3,794	95,766
<b>Profit/(loss) after taxes for the year from continuing operations</b>	-	<b>(111,789)</b>	<b>34,914</b>	<b>(10,603)</b>	<b>(8,062)</b>	<b>(95,540)</b>
<b>Total profit/(loss) for the year</b>	-	<b>(111,789)</b>	<b>34,914</b>	<b>(10,603)</b>	<b>(8,062)</b>	<b>(95,540)</b>

**Pro forma adjustments with a continuing effect**

The following pro forma adjustments to the pro forma consolidated income statement for the period from January 1, 2013 to December 31, 2013 with a continuing effect on the results of operations of Telefónica Deutschland arose from the Acquisition of the New E-Plus Group:

(1) Intercompany elimination

Supply and service relationships between Telefónica Deutschland and the New E-Plus Group were eliminated for purposes of the Pro Forma Consolidated Financial Information. Revenues between Telefónica Deutschland and the New E-Plus Group were mainly generated from access, termination and interconnection fees charged by Telefónica Deutschland or the New E-Plus Group, respectively, for calls and SMS terminated on the network to the New E-Plus Group or Telefónica Deutschland, respectively. Furthermore, both Telefónica Deutschland and the New E-Plus Group generated rental income from sub-lease agreements for tower space and for shop areas to each other, presented as a deduction to 'other expenses'.

For the period from January 1, 2013 to December 31, 2013, total intercompany revenues of €223,867 thousand and intercompany rental income of €6,929 thousand (presented as deduction to 'other expenses') and the corresponding costs for supplies of €230,796 thousand were eliminated for purposes of the pro forma consolidated income statement.

(2) Provisional PPA

The fair value adjustments for intangible assets made in connection with the Provisional PPA resulted in additional straight-line amortization for identified customer relationships (€256,821 thousand based on remaining useful lives between 5 and 11 years), additional straight-line amortization for trademarks and usage rights (€6,405 thousand based on remaining useful lives of 10 and 20 years) as well as in reduced straight-line amortization for frequency usage rights (€25,345 thousand based on remaining useful lives between 2 and 12 years) for the period from January 1, 2013 to December 31, 2013.

The fair value adjustments for property, plant and equipment made in connection with the Provisional PPA resulted in reduced straight-line depreciation for network equipment (€34,924 thousand determined based on an average remaining useful life of around 5 years and under consideration of the adjustments for changes related to the unification of the network of KPN Mobile Germany and the Company), reduced straight-line depreciation for own work capitalized (€32,257 thousand based on an average remaining useful life of around 7 years) and reduced straight-line depreciation for other plant and equipment (€6,303 thousand based on an average remaining useful life of around 14 years) for the period from January 1, 2013 to December 31, 2013.

The total additional net amortization and depreciation expenses recognized in connection with the Provisional PPA amounted to €164,396 thousand for the period from January 1, 2013 to December 31, 2013. As a result of this pro forma adjustment, income tax benefits in the amount of €52,607 thousand were recognized in the pro forma consolidated income statement for the period from January 1, 2013 to December 31, 2013, estimated based on the statutory tax rate of Telefónica Deutschland of 32%.

### (3) Income tax adjustments

Based on a preliminary analysis the Company estimated to benefit from tax losses carried forward at the New E-Plus Group that arose after completion of the Pre-Closing Restructuring throughout the period from January 1, 2013 to December 31, 2013. Consequently, deferred tax income amounting to €34,914 thousand was recognized for the period from January 1, 2013 to December 31, 2013 using Telefónica Deutschland's statutory tax rate including the tax gross-up effects from the change in the statutory tax rate.

### **Pro forma adjustments with a one-off effect**

The following pro forma adjustments to the pro forma consolidated income statement for the period from January 1, 2013 to December 31, 2013 with a one-off effect on the results of operations of Telefónica Deutschland arose from the Acquisition of the New E-Plus Group:

### (4) Acquisition-related costs

Total legal and consultancy fees associated with the Acquisition of the New E-Plus Group were assumed to amount to €21,283 thousand. Of these acquisition-related costs, €6,229 thousand were already incurred and reflected in the historical consolidated income statement of the Company for the period from January 1, 2013 to December 31, 2013. For purposes of the pro forma consolidated income statement for the period from January 1, 2013 to December 2013, it was assumed that the entire legal and consulting fees associated with the acquisition of the New E-Plus Group were incurred as of January 1, 2013. As a result, additional acquisition-related costs of €15,054 thousand were recognized in other expenses for purposes of the pro forma consolidated income statement for the period from January 1, 2013 to December 31, 2013.

As a result of this pro forma adjustment, income tax benefits in the amount of €4,451 thousand were recognized in the pro forma consolidated income statement for the period from January 1, 2013 to December 31, 2013, calculated based on the statutory tax rate of Telefónica Deutschland of 32% and based on the preliminary estimate that 92.4% of the additional acquisition-related costs recognized for the period from January 1, 2013 to December 31, 2013 were tax-deductible.

### (5) Management bonus agreements

Based on the assumptions that the retention bonus agreements entered into with certain employees of both the New E-Plus Group and the Company as well as the merger bonus agreements entered into with management personnel of the Company vested in the period from January 1, 2013 to December 31, 2013, additional personnel expenses of €11,856 thousand were recognized in the pro forma consolidated income statement for the period from January 1, 2013 to December 31, 2013.

As a result of this pro forma adjustment, income tax benefits in the amount of €3,794 thousand were recognized in the pro forma consolidated income statement for the period from January 1, 2013 to December 31, 2013, calculated based on the statutory tax rate of Telefónica Deutschland of 32% and based on the preliminary estimate that all expenses for bonus agreements recognized for the period from January 1, 2013 to December 31, 2013 were tax-deductible.

5. Pro forma consolidated income statement for the period from January 1, 2014 to June 30, 2014

5.1. Presentation of the pro forma consolidated income statement for the period from January 1, 2014 to June 30, 2014

January 1 to June 30, 2014	Historical Financial Information		Total	Pro forma explanation	Pro forma adjustments	Pro forma consolidated income statement
	Telefónica Deutschland	New E-Plus Group				
€ in thousands						
Revenues	2,283,663	1,578,903	3,862,566	(1)	(93,695)	3,768,871
Other income	43,022	24,708	67,730		-	67,730
Supplies	(882,649)	(507,660)	(1,390,309)	(1)	99,070	(1,291,239)
Personnel expenses	(213,284)	(145,661)	(358,945)	(5)	6,135	(352,810)
Other expenses	(744,959)	(672,289)	(1,417,248)	(1), (4)	(854)	(1,418,102)
<b>Operating income before depreciation and amortization (OIBDA)</b>	<b>485,792</b>	<b>278,001</b>	<b>763,793</b>		<b>10,656</b>	<b>774,449</b>
Depreciation and amortization	(533,988)	(361,130)	(895,118)	(2)	(82,222)	(977,340)
<b>Operating income</b>	<b>(48,195)</b>	<b>(83,129)</b>	<b>(131,324)</b>		<b>(71,566)</b>	<b>(202,890)</b>
Finance income	3,953	4,445	8,398		-	8,398
Exchange gains	161	18	179		-	179
Finance costs	(19,660)	(27,488)	(47,148)		-	(47,148)
Exchange losses	(474)	(33)	(507)		-	(507)
<b>Net financial income/ (expense)</b>	<b>(16,020)</b>	<b>(23,058)</b>	<b>(39,078)</b>		-	<b>(39,078)</b>
<b>Profit/(loss) before tax</b>	<b>(64,215)</b>	<b>(106,187)</b>	<b>(170,402)</b>		<b>(71,566)</b>	<b>(241,968)</b>
Income tax	14	-	14	(2), (3), (4), (5)	124,305	124,319
<b>Total profit/(loss) for the period</b>	<b>(64,201)</b>	<b>(106,187)</b>	<b>(170,388)</b>		<b>52,739</b>	<b>(117,649)</b>
<b>Profit/(loss) for the period attributable to owners of the parent</b>	<b>(64,201)</b>	<b>(106,187)</b>	<b>(170,388)</b>		<b>52,739</b>	<b>(117,649)</b>
<b>Profit/(loss) for the period</b>	<b>(64,201)</b>	<b>(106,187)</b>	<b>(170,388)</b>		<b>52,739</b>	<b>(117,649)</b>
<b>Earnings per share</b>						
Basic earnings per share (in €) <sup>(a)</sup>	(0.06)					0.04
Diluted earnings per share (in €) <sup>(a)</sup>	(0.06)					0.04

<sup>(a)</sup> Pro forma basic and diluted earnings per share were calculated based on the pro forma loss attributable to owners of the parent for the period from January 1 to June 30, 2014 and on the amount of 2,787,377,704 shares outstanding during the entire reporting period upon implementation of both the Rights Offering and the Capital Increase against Contribution in Kind as of January 1, 2013 as further described in section 3.3.2.1. and 3.3.2.2. of the Pro Forma Consolidated Financial Information.

5.2. Explanation of the pro forma adjustments to the pro forma consolidated income statement of the Company for the period from January 1, 2014 to June 30, 2014

January 1 to June 30, 2014 € in thousands	Intercompany elimination	Provisional PPA	Income tax adjustments	Acquisition- related costs	Management bonus agreements	Total pro forma adjustments for the period January 1 to June 30, 2014
Pro forma explanation	(1)	(2)	(3)	(4)	(5)	
Revenues	(93,695)	-	-	-	-	(93,695)
Other income	-	-	-	-	-	-
Supplies	99,070	-	-	-	-	99,070
Personnel expenses	-	-	-	-	6,135	6,135
Other expenses	(5,375)	-	-	4,521	-	(854)
<b>Operating income before depreciation and amortization (OIBDA)</b>	-	-	-	<b>4,521</b>	<b>6,135</b>	<b>10,656</b>
Depreciation and amortization	-	(82,222)	-	-	-	(82,222)
<b>Operating income</b>	-	<b>(82,222)</b>	-	<b>4,521</b>	<b>6,135</b>	<b>(71,566)</b>
Finance income	-	-	-	-	-	-
Exchange gains	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-
Exchange losses	-	-	-	-	-	-
<b>Net financial income/ (expense)</b>	-	-	-	-	-	-
<b>Profit/(loss) before tax</b>	-	<b>(82,222)</b>	-	<b>4,521</b>	<b>6,135</b>	<b>(71,566)</b>
Income tax	-	26,311	101,294	(1,337)	(1,963)	124,305
<b>Total profit/(loss) for the period</b>	-	<b>(55,911)</b>	<b>101,294</b>	<b>3,184</b>	<b>4,172</b>	<b>52,739</b>

**Pro forma adjustments with a continuing effect**

The following pro forma adjustments to the pro forma consolidated income statement for the period from January 1, 2014 to June 30, 2014 with a continuing effect on the results of operations of Telefónica Deutschland arose from the Acquisition of the New E-Plus Group:

(1) Intercompany elimination

Supply and service relationships between Telefónica Deutschland and the New E-Plus Group were eliminated for purposes of the Pro Forma Consolidated Financial Information. Revenues between Telefónica Deutschland and the New E-Plus Group were mainly generated from access, termination and interconnection fees charged by Telefónica Deutschland or the New E-Plus Group, respectively, for calls and SMS terminated on the network to the New E-Plus Group or Telefónica Deutschland, respectively. Furthermore, both Telefónica Deutschland and the New E-Plus Group generated rental income from sub-lease agreements for tower space and for shop areas to each other, presented within other expenses.

For the period from January 1, 2014 to June 30, 2014, total intercompany revenues of €93,695 thousand and intercompany rental income of €5,375 thousand (presented as deduction to 'other expenses') and the corresponding costs for supplies of €99,070 thousand were eliminated for purposes of the pro forma consolidated income statement.

(2) Provisional PPA

The fair value adjustments for intangible assets made in connection with the Provisional PPA resulted in additional straight-line amortization for identified customer relationships (€128,469 thousand based on average remaining useful lives between 5 and 11 years), additional straight-line amortization for trademarks and usage rights (€3,203 thousand based on remaining useful lives of 10 and 20 years) as well as in reduced straight-line amortization for frequency usage rights (€12,707 thousand based on remaining useful lives between 2 and 12 years) for the period from January 1, 2014 to June 30, 2014.

The fair value adjustments for property, plant and equipment made in connection with the Provisional PPA resulted in reduced straight-line depreciation for network equipment (€17,462 thousand determined based on an average remaining useful life of around 5 years and under consideration of the adjustments for changes related to the unification of the network of KPN Mobile Germany and the Company), reduced straight-line depreciation for own work capitalized (€16,129 thousand based on an average remaining useful life of around 7 years) and reduced straight-line depreciation for other plant and equipment (€3,152 thousand based on an average remaining useful life of around 14 years) for the period from January 1, 2014 to June 30, 2014.

The total additional net amortization and depreciation expenses recognized in connection with the Provisional PPA amounted to €82,222 thousand for the period from January 1, 2014 to June 30, 2014. As a result of this pro forma adjustment, income tax benefits in the amount of €26,311 thousand were recognized in the pro forma consolidated income statement for the period from January 1, 2014 to June 30, 2014, estimated based on the statutory tax rate of Telefónica Deutschland of 32%.

### (3) Income tax adjustments

Based on a preliminary analysis the Company estimated to benefit from tax losses carried forward at the New E-Plus Group that arose after completion of the Pre-Closing Restructuring throughout the six-month period ended June 30, 2014. Consequently, deferred tax income amounting to €101,294 thousand was recognized for the period from January 1, 2014 to June 30, 2014 using Telefónica Deutschland's statutory tax rate including the tax gross-up effects from the change in the statutory tax rate.

### **Pro forma adjustments with a one-off effect**

The following pro forma adjustments to the pro forma consolidated income statement for the period from January 1, 2014 to June 30, 2014 with a one-off effect on the results of operations of Telefónica Deutschland arose from the Acquisition of the New E-Plus Group:

### (4) Acquisition-related costs

For purposes of the pro forma consolidated income statement for the period from January 1, 2014 to June 30, 2014, it was assumed that the entire legal and consulting fees associated with the acquisition of the New E-Plus Group were incurred as of January 1, 2013. As a result, acquisition-related costs of €4,521 thousand within other expenses, which were already reflected in the historical income statement of the Company for the six-month period ended June 30, 2014, were eliminated for purposes of the Pro Forma Consolidated Financial Information as they were already incurred in the period from January 1, 2013 to December 31, 2013.

Furthermore, related tax income of €1,337 thousand, calculated based on the statutory tax rate of Telefónica Deutschland of 32% and based on the preliminary estimate that 92.4% of the additional acquisition-related costs were tax-deductible, was eliminated.

### (5) Management bonus agreements

For purposes of the pro forma consolidated income statement for the period from January 1, 2014 to June 30, 2014, it was assumed that the retention bonus agreements entered into with certain employees of both the New E-Plus Group and the Company as well as the merger bonus agreements entered into with management personnel of the Company vested in the period from January 1, 2013 to December 31, 2013. As a result, personnel expenses of €6,135 thousand, which were already reflected in the historical income statements of the Company and the New E-Plus Group for the six-month period ended June 30, 2014, were eliminated for purposes of the Pro Forma Consolidated Financial Information as they were already incurred in the period from January 1, 2013 to December 31, 2013. Furthermore, related tax income of €1,963 thousand, calculated based on the statutory tax rate of Telefónica Deutschland of 32% and based on the preliminary estimate that all expenses for bonus agreements recognized were tax-deductible, was eliminated.

6. Pro forma consolidated statement of financial position as of June 30, 2014

6.1. Presentation of the pro forma consolidated statement of financial position as of June 30, 2014

As of June 30, 2014 € in thousands	Historical Financial Information		Total	Pro forma explanation	Pro forma adjustments	Pro forma consolidated statement of financial position
	Telefónica Deutschland	New E-Plus Group				
<b>Assets</b>						
<b>A) Non-current assets</b>	<b>6,935,334</b>	<b>4,371,969</b>	<b>11,307,304</b>		<b>3,107,649</b>	<b>14,414,953</b>
Goodwill	705,576	151,305	856,881	(3)	901,427	1,758,308
Intangible assets	2,717,326	1,732,092	4,449,418	(3)	2,832,148	7,281,566
Property, plant and equipment	2,818,161	2,298,921	5,117,082	(3)	(421,210)	4,695,872
Other non-current financial assets	110,748	173,516	284,264	(2), (3)	-	284,264
Deferred tax assets	583,523	16,135	599,659	(1), (2), (3), (4), (6), (7)	(204,716)	394,942
<b>B) Current assets</b>	<b>2,313,167</b>	<b>1,092,660</b>	<b>3,405,827</b>		<b>(38,755)</b>	<b>3,367,072</b>
Inventories	110,369	25,159	135,528		-	135,528
Trade and other receivables	1,171,811	712,748	1,884,559	(1), (2), (5)	(25,089)	1,859,470
Other current financial assets	24,713	-	24,713		-	24,713
Cash and cash equivalents	1,006,275	354,753	1,361,028	(1), (2)	(13,666)	1,347,362
<b>Total assets (A+B)</b>	<b>9,248,502</b>	<b>5,464,629</b>	<b>14,713,131</b>		<b>3,068,894</b>	<b>17,782,025</b>
<b>Equity and liabilities</b>						
<b>A) Equity</b>	<b>5,399,166</b>	<b>4,010,297</b>	<b>9,409,464</b>		<b>3,043,083</b>	<b>12,452,547</b>
Common stock	1,116,946	10,102	1,127,048	(1), (2), (3)	1,660,330	2,787,378
Additional paid-in capital	430	1,434,630	1,435,060	(1), (2), (3)	3,922,130	5,357,190
Retained earnings	4,280,108	2,568,047	6,848,155	(3), (4), (6), (7)	(2,541,859)	4,306,296
Other components of equity	1,683	(2,482)	(799)	(3)	2,482	1,683
<b>Equity attributable to owners of the parent</b>	<b>5,399,166</b>	<b>4,010,297</b>	<b>9,409,464</b>		<b>3,043,083</b>	<b>12,452,547</b>
<b>B) Non-current liabilities</b>	<b>2,262,739</b>	<b>349,524</b>	<b>2,612,263</b>		<b>15,374</b>	<b>2,627,637</b>
Non-current interest-bearing debt	1,812,596	-	1,812,596		-	1,812,596
Other payables	47,013	143,255	190,268		-	190,268
Non-current provisions	138,819	202,470	341,289	(3)	19,173	360,462
Deferred income	264,311	3,799	268,111	(3)	(3,799)	264,312
Deferred tax liabilities	-	-	-	(3), (7)	-	-
<b>C) Current liabilities</b>	<b>1,586,596</b>	<b>1,104,808</b>	<b>2,691,404</b>		<b>10,436</b>	<b>2,701,840</b>
Current interest-bearing debt	12,687	5,271	17,958		-	17,958
Trade payables	1,098,617	550,368	1,648,985	(5)	(17,726)	1,631,259
Other payables	289,143	339,036	628,179	(1), (2), (4)	40,251	668,430
Current provisions	3,155	13,669	16,824	(6)	(149)	16,675
Deferred income	182,995	196,464	379,459	(3), (5)	(11,940)	367,519
<b>Total equity and liabilities (A+B+C)</b>	<b>9,248,502</b>	<b>5,464,629</b>	<b>14,713,131</b>		<b>3,068,894</b>	<b>17,782,025</b>

6.2. Explanation of the pro forma adjustments to the pro forma consolidated statement of financial position of the Company as of June 30, 2014

As of June 30, 2014		Payment of Cash Component and Capital Increase against Contribution in Kind	Provisional PPA and New E-Plus Group equity elimination	Acquisition- related costs	Inter- company elimination	Management bonus agreements	Income tax adjustments	Total pro forma adjustments as of June 30, 2014
€ in thousands	Rights Offering							
Pro forma explanation	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
<b>Assets</b>								
<b>A) Non-current assets</b>	<b>10,515</b>	<b>7,065,346</b>	<b>(3,264,322)</b>	<b>3,114</b>	<b>-</b>	<b>(48)</b>	<b>(706,956)</b>	<b>3,107,649</b>
Goodwill	-	-	901,427	-	-	-	-	901,427
Intangible assets	-	-	2,832,148	-	-	-	-	2,832,148
Property, plant and equipment	-	-	(421,210)	-	-	-	-	(421,210)
Other non- current financial assets	-	7,064,660	(7,064,660)	-	-	-	-	-
Deferred tax assets	10,515	686	487,973	3,114	-	(48)	(706,956)	(204,716)
<b>B) Current assets</b>	<b>3,617,232</b>	<b>(3,636,183)</b>	<b>-</b>	<b>-</b>	<b>(19,804)</b>	<b>-</b>	<b>-</b>	<b>(38,755)</b>
Inventories	-	-	-	-	-	-	-	-
Trade and other receivables	(5,121)	(165)	-	-	(19,804)	-	-	(25,089)
Other current financial assets	-	-	-	-	-	-	-	-
Cash and cash equivalents	3,622,352	(3,636,018)	-	-	-	-	-	(13,666)
<b>Total assets (A+B)</b>	<b>3,627,747</b>	<b>3,429,164</b>	<b>(3,264,322)</b>	<b>3,114</b>	<b>(19,804)</b>	<b>(48)</b>	<b>(706,956)</b>	<b>3,068,894</b>
<b>Equity and liabilities</b>								
<b>A) Equity</b>	<b>3,600,008</b>	<b>3,427,184</b>	<b>(4,010,297)</b>	<b>(7,419)</b>	<b>-</b>	<b>101</b>	<b>33,506</b>	<b>3,043,083</b>
Common stock	976,375	694,057	(10,102)	-	-	-	-	1,660,330
Additional paid- in capital	2,623,633	2,733,127	(1,434,630)	-	-	-	-	3,922,130
Retained earnings	-	-	(2,568,047)	(7,419)	-	101	33,506	(2,541,859)
Other components of equity	-	-	2,482	-	-	-	-	2,482
<b>Equity attributable to owners of the parent</b>	<b>3,600,008</b>	<b>3,427,184</b>	<b>(4,010,297)</b>	<b>(7,419)</b>	<b>-</b>	<b>101</b>	<b>33,506</b>	<b>3,043,083</b>

As of June 30, 2014		Payment of Cash Component and Capital Increase against Contribution in Kind	Provisional PPA and New E-Plus Group equity elimination	Acquisition- related costs	Inter- company elimination	Management bonus agreements	Income tax adjustments	Total pro forma adjustments as of June 30, 2014
€ in thousands	Rights Offering							
Pro forma explanation	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
<b>B) Non-current liabilities</b>	-	-	<b>755,837</b>	-	-	-	<b>(740,463)</b>	<b>15,374</b>
Non-current interest-bearing debt	-	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-	-
Non-current provisions	-	-	19,173	-	-	-	-	19,173
Deferred income	-	-	(3,799)	-	-	-	-	(3,799)
Deferred tax liabilities	-	-	740,463	-	-	-	(740,463)	-
<b>C) Current liabilities</b>	<b>27,739</b>	<b>1,980</b>	<b>(9,862)</b>	<b>10,533</b>	<b>(19,804)</b>	<b>(149)</b>	-	<b>10,436</b>
Current interest-bearing debt	-	-	-	-	-	-	-	-
Trade payables	-	-	-	-	(17,726)	-	-	(17,726)
Other payables	27,739	1,980	-	10,533	-	-	-	40,251
Current provisions	-	-	-	-	-	(149)	-	(149)
Deferred income	-	-	(9,862)	-	(2,078)	-	-	(11,940)
<b>Total equity and liabilities (A+B+C)</b>	<b>3,627,747</b>	<b>3,429,164</b>	<b>(3,264,322)</b>	<b>3,114</b>	<b>(19,804)</b>	<b>(48)</b>	<b>(706,956)</b>	<b>3,068,894</b>

The following pro forma adjustments to the pro forma consolidated statement of financial position as of June 30, 2014 arose from the Acquisition of the New E-Plus Group:

(1) Rights Offering

For purposes of the pro forma consolidated statement of financial position as June 30, 2014, the pro forma adjustments on common stock and additional paid-in capital from the Rights Offering are calculated as follows:

June 30, 2014	€ in thousands, unless otherwise indicated
Number of shares to be issued via Rights Offering	976,375,256
* Subscription Price Rights Offering (€ per share)	3.71
<b>Gross proceeds from Rights Offering</b>	<b>3,622,352</b>
Increase of the Company's common stock from the Rights Offering	976,375
<b>Residual amount</b>	<b>2,645,977</b>
Directly attributable transaction costs for the Rights Offering	(32,859)
Income tax effect (32% statutory tax rate of the Company)	10,515
<b>Allocation to additional paid-in capital from the Rights Offering</b>	<b>2,623,633</b>

The gross cash inflow recognized in cash and cash equivalents was considered equal to the proceeds of the Rights Offering and amounted to €3,622,352 thousand. Directly attributable transaction costs for the capital increase in the amount of €32,859 thousand were deducted from equity within additional paid-in capital and presented as current other payables in the amount of €27,739 thousand and as reduction of trade and other receivables in the amount of €5,121 thousand to the extent already paid. The income tax effect related to the Rights Offering was based on the preliminary estimate that the directly attributable transaction costs were entirely tax-deductible. For purposes of the pro forma consolidated statement of financial position as of June 30, 2014, deferred tax assets amounting to €10,515 thousand were recognized, which increased additional paid-in capital in the corresponding amount.



## (2) Payment of Cash Component and Capital Increase against Contribution in Kind

The payment of the Cash Component and the Capital Increase against Contribution in Kind, i.e. the acquisition of full direct and indirect ownership in the New E-Plus Group by the Company, resulted in the following pro forma adjustments for purposes of the pro forma consolidated statement of financial position as of June 30, 2014: The ownership in the New E-Plus Group was recognized within other non-current financial assets in the amount of the total consideration of €7,064,660 thousand. The payment of the Cash Component amounting to €3,636,018 thousand by the Company was recognized as deduction to cash and cash equivalents. Under consideration of the gross proceeds from the Rights Offering of €3,622,352 thousand, the net decrease effect on cash and cash equivalents amounts to €13,666 thousand. The issuance of the Consideration Shares with a value of €3,428,642 thousand increased common stock by €694,057 thousand, reflecting 694,057,048 new shares with a notional amount of the common stock of €1.00 each, and additional paid-in capital amounting to €2,734,585 thousand, reflecting the share premium from the Capital Increase against Contribution in Kind.

In addition, directly attributable transaction costs for the Capital Increase against Contribution in Kind amounting to €2,144 thousand were recognized as reduction in additional paid-in capital and presented as current other payables in the amount of €1,980 thousand and as reduction of trade and other receivables in the amount of €165 thousand to the extent already paid. The income tax effect related to the Capital Increase against Contribution in Kind is based on the preliminary estimate that the directly attributable transaction costs were entirely tax-deductible. For purposes of the pro forma consolidated statement of financial position, deferred tax assets amounting to €686 thousand were recognized, which increased additional paid-in capital in the corresponding amount. The net pro forma adjustment to additional paid-in capital amounted to €2,733,127 thousand.

## (3) Provisional PPA and New E-Plus Group equity elimination

As a result of the Provisional PPA in connection with the pro forma initial consolidation of the New E-Plus Group, a fair value adjustment of €2,832,148 thousand was determined for identifiable intangible assets. The fair value adjustment to intangible assets was attributable to intangible assets recognized for customer relationships in the amount of €2,555,948 thousand and trademarks and usage rights in the amount of €150,476 thousand, and fair value adjustments of frequency usage rights in the amount of €125,724 thousand.

The fair value adjustment to property, plant and equipment applied to the pro forma consolidated statement of financial position as of June 30, 2014 amounted to negative €421,210 thousand and is composed of fair value adjustments to network equipment (negative €55,444 thousand), own work capitalized (negative €213,519 thousand), other plant and equipment (negative €87,565 thousand) and assets under construction (negative €64,682 thousand).

Furthermore, additional liabilities amounting to €5,512 thousand were assumed as part of the fair value adjustment of the Provisional PPA, related to increased non-current provisions for dismantling obligations due to a shorter dismantling period assumed for certain mobile sites (€19,173 thousand) and decreased deferred income related to connection fees (€13,661 thousand, of which €9,862 thousand is current and €3,799 thousand is non-current deferred income).

The net fair value adjustment to deferred tax liabilities as a result of the Provisional PPA amounted to €252,490 thousand, composed of deferred tax assets amounting to €487,973 thousand relating to book-to-tax differences on goodwill and deferred tax liabilities amounting to €740,463 thousand relating to book-to-tax differences for net assets acquired.

As a result of the fair value adjustments of identifiable assets acquired and liabilities assumed related to the Provisional PPA, new goodwill of €1,052,732 thousand was recognized. Goodwill amounting to €151,305 thousand already recognized in the historical consolidated statement of financial position of the New E-Plus Group was eliminated.

Furthermore, the pro forma elimination of the historical equity of the New E-Plus Group against the carrying amount of the shareholding in the New E-Plus Group amounting to €7,064,660 thousand within other non-current financial assets resulted in reduced common stock of €10,102 thousand, reduced additional paid-in capital of €1,434,630 thousand and reduced retained earnings of €2,568,047 thousand and increased other components of equity of €2,482 thousand in the pro forma consolidated statement of financial position as of June 30, 2014.

## (4) Acquisition-related costs

Total legal, consulting and notary fees associated with the Acquisition of the New E-Plus Group were assumed to amount to €21,283 thousand. Of these acquisition-related costs, €10,750 thousand were already incurred and reflected in the historical financial information of the Company as of June 30, 2014. For purposes of the pro forma consolidated statement of financial position as of June 30, 2014, it was assumed that the entire legal, consulting and notary fees associated with the acquisition of the New E-Plus Group were incurred as of June 30, 2014. As a result, additional acquisition-related costs of €10,533 thousand were recognized as current other payables.

As a result of this pro forma adjustment, deferred tax assets in the amount of €3,114 thousand were recognized in the pro forma statement of financial position as of June, 2014, calculated based on the statutory tax rate of Telefónica Deutschland of 32% and based on the preliminary estimate that 92.4% of the additional acquisition-related costs were tax-deductible.

The corresponding net pro forma adjustment on retained earnings resulted in a decrease of €7,419 thousand.

## (5) Intercompany elimination

Supply and service relationships between Telefónica Deutschland and the New E-Plus Group were eliminated for purposes of the Pro Forma Consolidated Financial Information. Receivables, payables and deferred income between Telefónica Deutsch-

land and the New E-Plus Group were mainly generated from access, termination and interconnection fees charged by Telefónica Deutschland or the New E-Plus Group, respectively, as well as from sublease agreements for tower space and for shop areas.

As of June 30, 2014, intercompany trade and other receivables amounting to €19,804 thousand, trade payables of €17,726 thousand and current deferred income of €2,078 thousand were eliminated for purposes of the pro forma consolidated statement of financial position.

#### (6) Management bonus agreements

For purposes of the pro forma consolidated statement of financial position as of June 30, 2014, the historical current provisions made in connection with the retention bonus agreements entered into with certain employees of both the New E-Plus Group and the Company as well as the merger bonus agreements entered into with management personnel of the Company were decreased by €149 thousand. This was based on the assumption that the benefits under these agreements are fully vested by December 31, 2014.

As a result of this pro forma adjustment, deferred tax assets were reduced by €48 thousand in the pro forma statement of financial position as of June 30, 2014, calculated based on the statutory tax rate of Telefónica Deutschland of 32% and based on the preliminary estimate that expenses related to the management bonus agreements were entirely tax-deductible. The corresponding net pro forma adjustment on retained earnings resulted in an increase of €101 thousand.

#### (7) Income tax adjustments

Due to the difference in statutory tax rates between Telefónica Deutschland (combined corporate and trade tax rate of 32%) and the New E-Plus Group (trade tax rate of 15.41%), additional deferred tax assets in the amount of €33,506 thousand were recognized, which increased retained earnings in the same amount. Furthermore, this pro forma adjustment includes the netting of deferred tax liabilities in the amount of €740,463 thousand (recognized in connection with the Provisional PPA) with deferred tax assets for purposes of the pro forma consolidated statement of financial position as of June 30, 2014. The net pro forma adjustment of the aforementioned effects resulted in the reduction of deferred tax assets of €706,956 thousand.

### 7. Additional pro forma consolidated financial information

#### 7.1. Breakdown of pro forma revenues for the period from January 1, 2013 to December 31, 2013

7.1.1. Presentation, accounting and valuation adjustments related to revenues of the New E-Plus Group for the period from January 1, 2013 to December 31, 2013

January 1 to December 31, 2013	E-Plus Group	Presentation adjustments				Accounting and valuation adjustments		New E-Plus Group
		Foreign exchange gains and losses	Rental income	Service provider contracts	Returned debits	Leasing of mobile devices	Deferred revenues one-off connection fees	
€ in thousands		(1)	(2)	(3)	(4)	(5)	(6)	
Explanation		(1)	(2)	(3)	(4)	(5)	(6)	
<b>Revenues</b>	<b>3,142,707</b>	<b>(108)</b>	<b>(14,921)</b>	<b>21,388</b>	<b>(16,308)</b>	<b>115,609</b>	<b>3,799</b>	<b>3,252,166</b>
Wireless business	3,104,566	-	-	21,388	-	115,609	3,799	3,245,362
Wireless service revenues <sup>(a)</sup>	2,972,041	-	-	21,388	-	(270,419)	3,799	2,726,809
Handset revenues <sup>(b)</sup>	132,525	-	-	-	-	386,028	-	518,553
Wireline business	-	-	-	-	-	-	-	-
Other revenues	38,141	(108)	(14,921)	-	(16,308)	-	-	6,804

<sup>(a)</sup> Consists of 'revenues from services' (€2,972,041 thousand) as reported in the audited IFRS consolidated financial statements of KPN Mobile Germany as of and for the financial year ended December 31, 2013.

<sup>(b)</sup> Consists of 'sale of goods' (€132,525 thousand) as reported in the audited IFRS consolidated financial statements of KPN Mobile Germany as of and for the financial year ended December 31, 2013.

#### Explanation of the adjustments to the historical financial information related to revenues of the New E-Plus Group to harmonize the accounting policies

The following presentation, accounting and valuation adjustments were applied to the revenues of the New E-Plus Group for the period from January 1, 2013 to December 31, 2013 in order to apply consistent accounting policies:

- (1) The presentation adjustment related to foreign exchange gains in the amount of negative €108 thousand (as further described in section 2.4.1.3. of the Pro Forma Consolidated Financial Information) was classified to other revenues.

- (2) The presentation adjustment related to rental income from sublease agreements for tower space and for shop areas in the amount of negative €14,921 thousand (as further described in section 2.4.1.3. of the Pro Forma Consolidated Financial Information) was classified to other revenues.
- (3) The presentation adjustment related to service provider contracts in the amount of €21,388 thousand (as further described in section 2.4.1.3. of the Pro Forma Consolidated Financial Information) was classified to wireless service revenues.
- (4) The presentation adjustment related to returned debits in the amount of negative €16,308 thousand (as further described in section 2.4.1.3. of the Pro Forma Consolidated Financial Information) was classified to other revenues.
- (5) The accounting and valuation adjustment related to the leasing of mobile devices resulted in additional handset revenues amounting to €386,028 thousand and lower wireless service revenues amounting to €270,419 thousand (as further described in section 2.4.2.4. of the Pro Forma Consolidated Financial Information). Consequently, wireless business revenues increased by €115,609 thousand.
- (6) The accounting and valuation adjustment related to connection fees resulted in an increase of wireless service revenues in the amount of €3,799 thousand (as further described in section 2.4.2.4. of the Pro Forma Consolidated Financial Information).

7.1.2. Breakdown of pro forma revenues of Telefónica Deutschland for the period from January 1, 2013 to December 31, 2013

January 1 to December 31, 2013	Historical Financial Information		Total	Pro forma adjustment	Pro forma consolidated
	Telefónica Deutschland	New E-Plus Group		Intercompany elimination	
€ in thousands				(1)	
Pro forma explanation				(1)	
<b>Revenues</b>	<b>4,913,881</b>	<b>3,252,166</b>	<b>8,166,047</b>	<b>(223,867)</b>	<b>7,942,180</b>
Wireless business	3,673,043	3,245,362	6,918,405	(223,867)	6,694,538
Wireless service revenues	2,989,294	2,726,809	5,716,103	(223,867)	5,492,236
Handset revenues	683,749	518,553	1,202,302	-	1,202,302
Wireline business	1,234,958	-	1,234,958	-	1,234,958
Other revenues	5,880	6,804	12,684	-	12,684

**Explanation of the pro forma adjustment related to pro forma revenues for the period from January 1, 2013 to December 31, 2013**

- (1) The pro forma adjustment with an effect on pro forma revenues of Telefónica Deutschland for the period from January 1, 2013 to December 31, 2013 is related to the elimination of supply and service relationships between Telefónica Deutschland and the New E-Plus Group. The resulting decrease in revenues of €223,867 thousand related to wireless service revenues of Telefónica Deutschland and the New E-Plus Group.

7.2. Breakdown of pro forma revenues for the period from January 1, 2014 to June 30, 2014

7.2.1. Presentation, accounting and valuation adjustments related to revenues of the New E-Plus Group for the period from January 1, 2014 to June 30, 2014

January 1 to June 30, 2014	E-Plus Group	Presentation adjustments				Accounting and valuation adjustments		New E-Plus Group
		Foreign exchange gains and losses	Rental income	Service provider contracts	Returned debits	Leasing of mobile devices	Deferred revenues one-off connection fees	
€ in thousands		(1)	(2)	(3)	(4)	(5)	(6)	
Explanation		(1)	(2)	(3)	(4)	(5)	(6)	
<b>Revenues</b>	<b>1,582,980</b>	<b>(18)</b>	<b>(7,337)</b>	<b>7,556</b>	<b>(8,182)</b>	<b>5,876</b>	<b>(1,972)</b>	<b>1,578,903</b>
Wireless business	1,560,333	-	-	7,556	-	5,876	(1,972)	1,571,793
Wireless service revenues <sup>(a)</sup>	1,492,522	-	-	7,556	-	(164,704)	(1,972)	1,333,402
Handset revenues <sup>(b)</sup>	67,811	-	-	-	-	170,580	-	238,391
Wireline business	-	-	-	-	-	-	-	-
Other revenues	22,647	(18)	(7,337)	-	(8,182)	-	-	7,110

<sup>(a)</sup> Consists of 'revenues from services' (€1,492,522 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.

<sup>(b)</sup> Consists of 'revenues from the sale of goods' (€67,811 thousand) as reported in the unaudited IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014.

**Explanation of the adjustments to the historical financial information related to revenues of the New E-Plus Group to harmonize the accounting policies**

The following presentation, accounting and valuation adjustments were applied to the revenues of the New E-Plus Group for the period from January 1, 2014 to June 30, 2014 in order to apply consistent accounting policies:

- (1) The presentation adjustment related to foreign exchange gains in the amount of negative €18 thousand (as further described in section 2.4.1.3. of the Pro Forma Consolidated Financial Information) was classified to other revenues.
- (2) The presentation adjustment related to rental income from sublease agreements for tower space and for shop areas in the amount of negative €7,337 thousand (as further described in section 2.4.1.3. of the Pro Forma Consolidated Financial Information) was classified to other revenues.
- (3) The presentation adjustment related to service provider contracts in the amount of €7,556 thousand (as further described in section 2.4.1.3. of the Pro Forma Consolidated Financial Information) was classified to wireless service revenues.
- (4) The presentation adjustment related to returned debits in the amount of negative €8,182 thousand (as further described in section 2.4.1.3. of the Pro Forma Consolidated Financial Information) was classified to other revenues.
- (5) The accounting and valuation adjustment related to the leasing of mobile devices resulted in additional handset revenues amounting to €170,580 thousand and lower wireless service revenues amounting to €164,704 thousand (as further described in section 2.4.2.4. of the Pro Forma Consolidated Financial Information). Consequently, wireless business revenues increased by €5,876 thousand.
- (6) The accounting and valuation adjustment related to connection fees resulted in a decrease of wireless service revenues in the amount of €1,972 thousand (as further described in section 2.4.2.4. of the Pro Forma Consolidated Financial Information).

*7.2.2. Breakdown of pro forma revenues of Telefónica Deutschland for the period from January 1, 2014 to June 30, 2014*

January 1 to June 30, 2014	Historical Financial Information		Total	Pro forma adjustment	Pro forma consolidated
	Telefónica Deutschland	New E-Plus Group		Intercompany elimination	
€ in thousands				(1)	
Pro forma explanation				(1)	
<b>Revenues</b>	<b>2,283,663</b>	<b>1,578,903</b>	<b>3,862,566</b>	<b>(93,695)</b>	<b>3,768,871</b>
Wireless business	1,699,203	1,571,793	3,270,996	(93,695)	3,177,301
<i>Wireless service revenues</i>	<i>1,434,751</i>	<i>1,333,402</i>	<i>2,768,153</i>	<i>(93,695)</i>	<i>2,674,458</i>
<i>Handset revenues</i>	<i>264,452</i>	<i>238,391</i>	<i>502,843</i>	-	<i>502,843</i>
Wireline business	580,775	-	580,775	-	580,775
Other revenues	3,686	7,110	10,796	-	10,796

**Explanation of the pro forma adjustment related to pro forma revenues for the period from January 1, 2014 to June 30, 2014**

- (1) The pro forma adjustment with an effect on pro forma revenues of Telefónica Deutschland for the period from January 1, 2014 to June 30, 2014 is related to the elimination of supply and service relationships between Telefónica Deutschland and the New E-Plus Group. The resulting decrease in revenues of €93,695 thousand related to wireless service revenues of Telefónica Deutschland and the New E-Plus Group.

### 7.3. Pro forma net financial debt of Telefónica Deutschland as of June 30, 2014

As of June 30, 2014	Historical Financial Information		Total	Pro forma adjustment	Pro forma consolidated
	Telefónica Deutschland	New E-Plus Group		Rights Offering, Payment of Cash Component and Capital Increase against Contribution in Kind	
€ in thousands					
Pro forma explanation				(1)	
Cash and cash equivalents	1,006,275	354,753	1,361,028	(13,666)	1,347,362
<b>Liquidity</b>	<b>1,006,275</b>	<b>354,753</b>	<b>1,361,028</b>	<b>(13,666)</b>	<b>1,347,362</b>
<b>Current financial assets<sup>(1), (2)</sup></b>	<b>151,697</b>	<b>280,452</b>	<b>432,149</b>	-	<b>432,149</b>
Current interest-bearing debt <sup>(3)</sup>	12,687	-	12,687	-	12,687
Other current liabilities <sup>(4), (5)</sup>	15,254	314,936	330,190	-	330,190
<b>Current financial debt<sup>(6)</sup></b>	<b>27,941</b>	<b>314,936</b>	<b>342,877</b>	-	<b>342,877</b>
<b>Current net financial debt<sup>(7)</sup></b>	<b>(1,130,031)</b>	<b>(320,269)</b>	<b>(1,450,300)</b>	<b>13,666</b>	<b>(1,436,634)</b>
<b>Non-current financial assets<sup>(8), (9)</sup></b>	<b>92,234</b>	<b>123,446</b>	<b>215,680</b>	-	<b>215,680</b>
Non-current interest-bearing debt	1,812,596	-	1,812,596	-	1,812,596
Other non-current payables <sup>(10), (11)</sup>	43,913	136,867	180,780	-	180,780
<b>Non-current financial debt<sup>(12)</sup></b>	<b>1,856,509</b>	<b>136,867</b>	<b>1,993,376</b>	-	<b>1,993,376</b>
<b>Non-current net financial debt<sup>(13)</sup></b>	<b>1,764,275</b>	<b>13,421</b>	<b>1,777,696</b>		<b>1,777,696</b>
<b>Net financial debt<sup>(14)</sup></b>	<b>634,244</b>	<b>(306,848)</b>	<b>327,396</b>	<b>13,666</b>	<b>341,062</b>

(1) Current financial assets of Telefónica Deutschland is comprised of current portion of "O2 My Handy" receivables (€151,233 thousand) plus loan to third parties included in other current financial assets (€464 thousand).

(2) Current financial assets of New E-Plus Group is comprised of current lease receivables relating to mobile devices leased to customers in the amount of €280,452 thousand (as further described in section 2.4.2.3. and 2.4.2.4. of the Pro Forma Consolidated Financial Information).

(3) Current interest-bearing debt of New E-Plus Group in the amount of €5,271 thousand does not meet the Company's definition of net financial debt.

(4) Other current liabilities of Telefonica Deutschland is comprised of current finance lease payables.

(5) Other current liabilities of New E-Plus Group is comprised of current finance lease liabilities in the amount of €287,662 thousand as reported in the IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014 and the effects of the accounting policy alignment with regard to lease-out arrangements that increased current finance lease liabilities in the amount of €27,274 thousand (as further described in section 2.2.3., 2.4.2.3. and 2.4.2.4. of the Pro Forma Consolidated Financial Information).

(6) Current interest-bearing debt plus other current liabilities.

(7) Current financial debt minus current financial assets minus liquidity.

(8) Non-current financial assets of Telefonica is comprised of non-current "O2 My Handy" receivables.

(9) Non-current financial assets of New E-Plus Group is comprised of non-current lease receivables relating to mobile devices leased to customers in the amount of €123,446 thousand (as further described in section 2.4.2.3 and 2.4.2.4. of the Pro Forma Consolidated Financial Information).

(10) Other non-current payables of Telefonica Deutschland is comprised of non-current finance lease payables.

(11) Other non-current payables of New E-Plus Group is comprised of non-current finance lease liabilities in the amount of €107,178 thousand as reported in the IFRS interim condensed consolidated financial statements of KPN Mobile Germany as of and for the six-month period ended June 30, 2014 and the effects of the accounting policy alignment in regard to lease-out arrangements that increased non-current finance lease liabilities in the amount of €29,689 thousand (as further described in section 2.2.3., 2.4.2.3. and 2.4.2.4. of the Pro Forma Consolidated Financial Information).

(12) Non-current interest-bearing debt plus other non-current payables (only including interest-bearing payables).

(13) Non-current financial debt minus non-current financial assets.

(14) Current net financial debt plus non-current net financial debt.

#### Explanation of the pro forma adjustment related to pro forma net financial debt as of June 30, 2014

- (1) The pro forma adjustment related to pro forma net decrease financial debt as of June 30, 2014 of Telefónica Deutschland represents the net decrease effect on cash and cash equivalents of the Rights Offering, Payment of the Cash Component and Capital Increase against Contribution in Kind amounting to €13,666 thousand (as further described in section 6.2. of the Pro Forma Consolidated Financial Information).

Munich, August 6, 2014

Telefónica Deutschland Holding AG  
The Management Board

*This auditor's report is an English-language translation of the German-language auditor's report (Bescheinigung) and is issued for the sole purpose of the public offerings in the Federal Republic of Germany and the Grand Duchy of Luxembourg and the admission of new ordinary non-par value registered shares of the Company to trading on the regulated market (regulierter Markt) of the Frankfurt Stock Exchange and on the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) and other regulated markets in the European Union or European Economic Area, as approved and notified. Therefore, this auditor's report is not appropriate in other jurisdictions and should not be used or relied upon for any other purpose.*

## **AUDITOR'S REPORT TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

To Telefónica Deutschland Holding AG, Munich

We have audited whether the pro forma consolidated financial information as of June 30, 2014 of Telefónica Deutschland Holding AG, Munich, (the "Company") has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. The pro forma consolidated financial information comprises a pro forma consolidated income statement for the period from January 1, 2013 to December 31, 2013, a pro forma consolidated income statement for the period from January 1, 2014 to June 30, 2014, a pro forma consolidated statement of financial position as of June 30, 2014 as well as pro forma notes.

The purpose of the pro forma consolidated financial information is to present the material effects the transaction described in the pro forma notes would have had on the historical consolidated financial statements if the group had existed in the structure created by the transaction throughout the entire reporting period (pro forma consolidated income statements) or since June 30, 2014 (pro forma consolidated statement of financial position). As pro forma consolidated financial information reflects a hypothetical situation it is not entirely consistent with the presentation that would have resulted had the relevant events actually occurred at the beginning of the reporting period or at June 30, 2014.

The compilation of the pro forma consolidated financial information is the responsibility of the Company's management.

Our responsibility is, based on our audit, to express an opinion whether the pro forma consolidated financial information has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. The subject matter of this engagement does neither include an audit of the basic figures including their adjustments to the accounting policies of the Company, nor of the pro forma assumptions stated in the pro forma notes.

We have planned and performed our audit in accordance with the *IDW Auditing Practice Statement: Audit of Pro Forma Financial Information (IDW AuPS 9.960.1)* promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) in such a way that material errors in the compilation of the pro forma consolidated financial information on the basis stated in the pro forma notes and in the compilation of this basis consistent with the accounting policies of the Company are detected with reasonable assurance.

In our opinion, the pro forma consolidated financial information has been properly compiled on the basis stated in the pro forma notes. This basis is consistent with the accounting policies of the Company.

Munich, August 6, 2014

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Dahmen

Wirtschaftsprüfer

[German Public Auditor]

Bauer

Wirtschaftsprüfer

[German Public Auditor]