INTERIM GROUP REPORT
JANUARY 1 TO JUNE 30, 2014

LIFE IS FOR SHARING.

SELECTED FINANCIAL DATA OF THE GROUP.

millions of €

		Q2 2014	Q2 2013	Change %	H1 2014	H1 2013	Change %	FY 2013
REVENUE AND EARNINGS								
Net revenue		15,114	15,157	(0.3) %	30,008	28,942	3.7 %	60,132
Of which: domestic	%				40.9	43.4		42.2
Of which: international	%				59.1	56.6		57.8
Profit from operations (EBIT)		1,776	1,525	16.5 %	4,918	3,217	52.9 %	4,930
Net profit (loss)		711	530	34.2 %	2,528	1,094	n.a.	930
Net profit (loss) (adjusted for special factors)		636	810	(21.5) %	1,223	1,577	(22.4) %	2,755
EBITDA		4,417	4,032	9.5 %	10,055	8,111	24.0 %	15,834
EBITDA (adjusted for special factors)		4,429	4,417	0.3 %	8,550	8,705	(1.8) %	17,424
EBITDA margin (adjusted for special factors)	%	29.3	29.1		28.5	30.0		28.9
Earnings per share basic/diluted	€	0.16	0.12	33.3 %	0.57	0.25	n.a.	0.21
STATEMENT OF FINANCIAL POSITION								
Total assets					118,028	116,204	1.6 %	118,148
Shareholders' equity					32,501	31,250	4.0 %	32,063
Equity ratio	%				27.5	26.9		27.1
Net debt					41,385	41,374	0.0 %	39,093
CASH FLOWS								
Net cash from operating activities		3,187	3,031	5.1 %	6,149	5,983	2.8 %	13,017
Cash capex		(3,946)	(2,198)	(79.5) %	(6,143)	(5,222)	(17.6) %	(11,068)
Free cash flow (before dividend payments, spectrum investment) [a]		1,049	1,109	(5.4) %	2,032	2,147	(5.4) %	4,606
Net cash used in investing activities		(4,688)	(723)	n.a.	(5,036)	(3,552)	(41.8) %	(9,896)
Net cash (used in) from financing activities		(1,844)	(1,601)	(15.2) %	(4,750)	(1,120)	n.a.	1,022

[a] And before effects in connection with the AT&T transaction and compensation payments for MetroPCS employees.

NUMBER OF FIXED-NETWORK AND MOBILE CUSTOMERS.

millions

	June 30, 2014	Dec. 31, 2013	Change June 30, 2014/ Dec. 31, 2013 %	June 30, 2013	Change June 30, 2014/ June 30, 2013 %
Mobile customers	146.9	142.5	3.1 %	139.0	5.7 %
Fixed-network lines [a]	30.2	30.8	(1.9) %	31.4	(3.8) %
Broadband lines [a, b]	17.2	17.1	0.6 %	17.1	0.6 %

[a] The fixed-network lines of our subsidiary Euronet Communications in the Netherlands have no longer been included in the Europe operating segment since January 2, 2014 following the sale of the shares held in the company. They have been eliminated from all historical customer figures to improve comparability.
[b] Excluding wholesale.

The key parameters used by Deutsche Telekom are defined in the glossary of the 2013 Annual Report (page 257 et seq.).

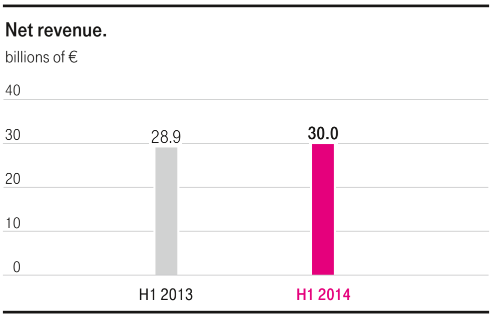
CONTENTS.

TO OUR SHAREHOLDERS.

DEVELOPMENTS IN THE GROUP.

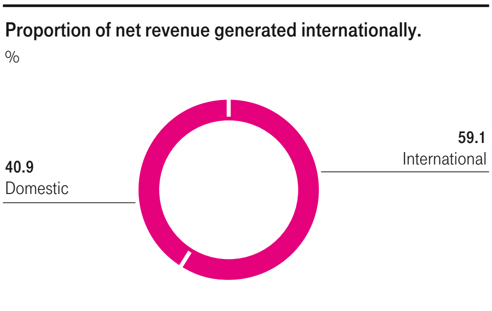
NET REVENUE.

- Net revenue increased substantially by 3.7 percent. The United States operating segment in particular contributed to this revenue trend as a result of the inclusion of MetroPCS since May of last year and continued strong customer additions.
- In our Europe operating segment, the substantial price changes, in some cases imposed by regulatory authorities back in 2013, and intense competition had a negative effect on our revenue.
- The contribution to revenue made by our Systems Solutions segment decreased as a result of the realignment of the business model to generate sustainable growth.
- Adjusted for effects of changes in the composition of the Group totaling EUR 0.9 billion as well as negative exchange rate effects totaling EUR 0.5 billion, net revenue increased by EUR 0.7 billion.



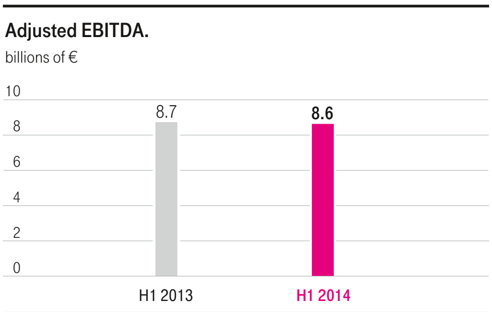
PROPORTION OF NET REVENUE GENERATED INTERNATIONALLY.

- The proportion of net revenue generated internationally increased to 59.1 percent, compared with 56.6 percent in the first half of 2013.
- The proportion of net revenue generated by our United States operating segment increased substantially by 5.6 percentage points, such that it made the largest contribution to net revenue for the first time.
- By contrast, the proportions contributed by our Germany, Europe, and Systems Solutions operating segments as well as the Group Headquarters & Group Services segment shrank.



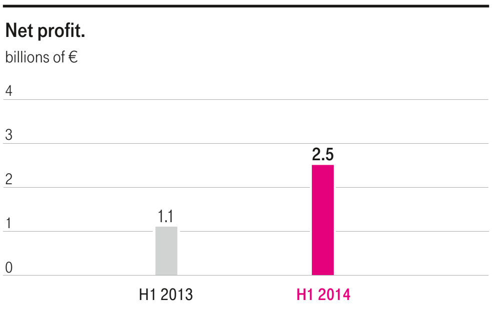
ADJUSTED EBITDA.

- Adjusted EBITDA decreased by 1.8 percent.
- The inclusion of MetroPCS' operations since May 2013 in particular had a positive effect on adjusted EBITDA.
- Adjusted EBITDA was reduced by higher costs incurred for the IP migration and the integrated network build-out in Germany, higher market investments in the United States, and operational EBITDA decreases in some European countries. The negative effects were partially offset by our comprehensive cost management.
- The adjusted EBITDA margin decreased from 30.0 percent to 28.5 percent in the reporting period. The operating segments with the strongest margins are still Germany with 41.0 percent and Europe with 33.8 percent.

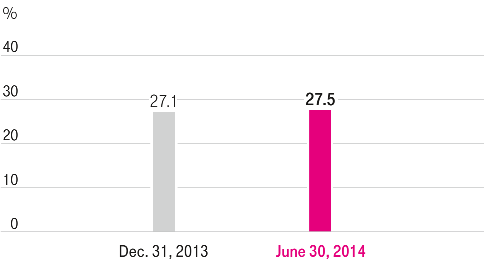


NET PROFIT.

- Net profit increased substantially to EUR 2.5 billion.
- The increase was in particular due to income from divestitures in connection with the disposal of the Scout24 group totaling EUR 1.7 billion. Income of some EUR 0.4 billion from a transaction consummated in April 2014 between T-Mobile US and Verizon Communications for the acquisition and exchange of A-Block spectrum also had a positive effect.
- This effect was offset by a EUR 0.2 billion increase in depreciation, amortization and impairment losses compared with the prior-year period, attributable to the inclusion of MetroPCS since May of last year and the roll-out of the LTE network as part of T-Mobile US' network modernization program, and a EUR 0.2 billion higher tax expense.



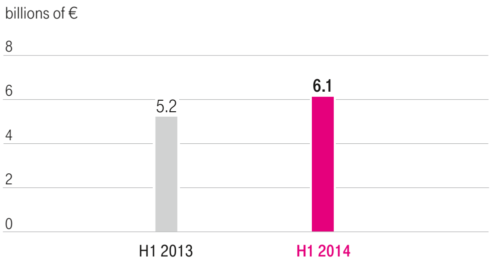
Equity ratio.



EQUITY RATIO.

- Total assets remained almost stable compared with the end of 2013 at EUR 118.0 billion. Shareholders' equity increased by EUR 0.4 billion compared with December 31, 2013 to EUR 32.5 billion.
- The increase was attributable to a profit (EUR 2.7 billion) and to currency translation effects, which were recognized directly in equity (EUR 0.3 billion).
- Dividend payments to Deutsche Telekom AG shareholders for the 2013 financial year (EUR 2.2 billion), had a decreasing effect. The capital increase carried out to grant our shareholders the option of converting their dividend entitlements into shares, increased shareholders' equity by EUR 1.0 billion. The cash dividend paid out to our shareholders amounted to EUR 1.2 billion.
- The acquisition of the remaining shares in T-Mobile Czech Republic (EUR 0.8 billion) and the dividend payments to non-controlling interests (EUR 0.1 billion) also reduced shareholders' equity.

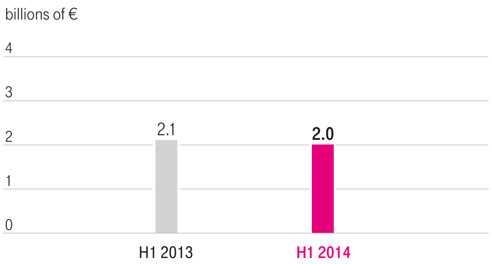
Cash capex.



CASH CAPEX.

- Cash capex (including spectrum investments) increased to EUR 6.1 billion.
- The year-on-year increase was mainly due to the acquisition of spectrum totaling EUR 1.9 billion in the first half of 2014, primarily in the United States, the Czech Republic, and Slovakia.
- Adjusted for the effects of spectrum acquisition, cash capex was slightly up on the prior-year level by EUR 0.1 billion.

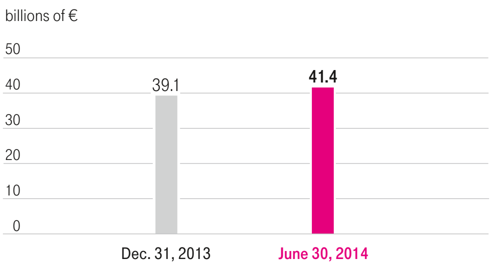
Free cash flow (before dividend payments, spectrum investment).[a]



FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS, SPECTRUM INVESTMENT).[a]

- At EUR 2.0 billion, free cash flow was slightly below the prior-year level.
- This was due to the stable year-on-year trend in net cash from operating activities. Cash capex (before spectrum investments) increased slightly.
- A EUR 0.1 billion year-on-year increase in dividend payments received from the EE joint venture and a positive effect from factoring agreements concluded in the reporting period amounting to EUR 0.4 billion increased net cash from operating activities. Net cash from operating activities was reduced by a EUR 0.2 billion increase in net interest payments. The prior-year figure had also included proceeds from the conclusion and settlement of interest rate derivatives in the amount of EUR 0.1 billion.

Net debt.



NET DEBT.

- Net debt increased by EUR 2.3 billion compared with the end of 2013.
- The acquisition of mobile spectrum (EUR 1.9 billion), dividend payments – including to non-controlling interests – (EUR 1.3 billion), the acquisition of the remaining shares in T-Mobile Czech Republic (EUR 0.8 billion), and the acquisition of the GTS Central Europe group (EUR 0.5 billion) increased net debt.
- Free cash flow (EUR 2.0 billion) as well as the sale of 70 percent of the shares in the Scout24 group (EUR 1.6 billion) reduced net debt.

[a] And before effects in connection with the AT&T transaction and compensation payments for MetroPCS employees.

For a more detailed explanation, please refer to the section "Development of business in the Group," page 11 et seq.

DEUTSCHE TELEKOM AT A GLANCE.

The 2014 financial year got off to a successful start in the first half of the year. Net revenue increased substantially by 3.7 percent to EUR 30.0 billion. This growth was once again driven by the U.S. business, with its continued strong customer additions. Revenue in our Germany operating segment decreased slightly. In our Europe operating segment, the substantial price changes, in some cases imposed by regulatory authorities back in 2013, and intense competition had a negative effect on the development of our revenue.

Adjusted EBITDA was slightly down compared with the first half of 2013 and was thus in line with our expectations. Whereas our U.S. business increased its earnings and Germany saw only a slight decrease in EBITDA while maintaining a high margin, our Europe business only partially offset the decline in revenue by cost savings.

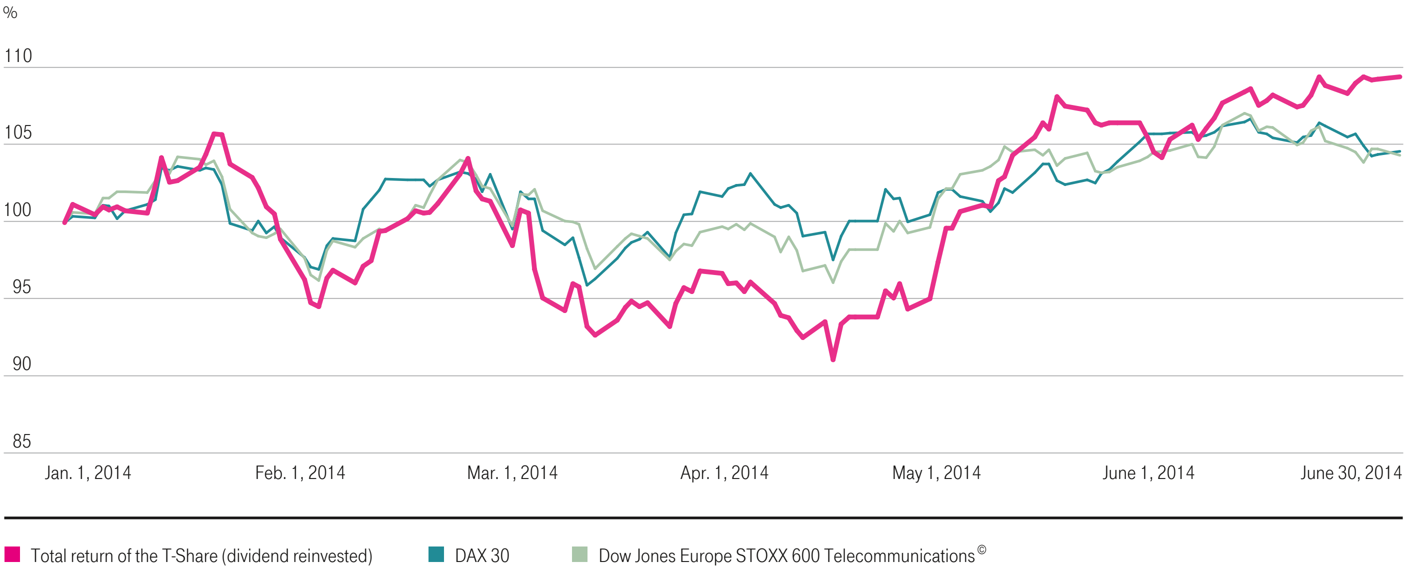
Cash capex was much higher than in the prior-year period. However, the first half of 2014 included considerably higher cash outflows for the acquisition of mobile spectrum. Excluding these spectrum investments, cash capex was slightly up on the prior-year level at EUR 4.3 billion. At EUR 2.0 billion, free cash flow was down slightly, as expected.

Net profit more than doubled year-on-year from EUR 1.1 billion to EUR 2.5 billion. The increase was in particular due to income from divestitures in connection with the disposal of the Scout24 group.

In view of the business development in the first half of 2014, Deutsche Telekom confirms its guidance for the full year.

THE T-SHARE.

Total return of the T-Share in the first half of 2014.



T-Share performance.

		H1 2014	H1 2013	FY 2013
XETRA CLOSING PRICES				
Share price on the last trading day	€	12.80	8.96	12.43
Year high	€	13.12	10.04	12.60
Year low	€	11.05	8.01	8.01
WEIGHTING OF THE T-SHARE IN MAJOR STOCK INDEXES				
DAX 30	%	4.9	4.1	4.6
Dow Jones Euro STOXX 50©	%	1.9	1.7	1.2
Dow Jones Europe STOXX 600 Telecommunications©	%	12.7	10.3	11.7
Market capitalization	billions of €	58.1	39.9	55.3
Number of shares issued	millions	4,536	4,451	4,451

Historical performance of the T-Share as of June 30, 2014.
%

	Since the beginning of the year	1 year	3 years	5 years
Total return of the T-Share (dividend reinvested)	9.4	48.5	43.8	114.8
DAX 30	4.6	23.5	33.3	104.5
Dow Jones Europe STOXX 600 Telecommunications©	4.4	32.5	33.7	77.0

The international stock markets performed positively overall in the second quarter of 2014, after a merely lateral trend in the first quarter of the year. Basically strong business figures in the first quarter of 2014, still stable to slightly positive economic data, and efforts to de-escalate the crisis in Ukraine, among other factors, contributed to the positive trend on the stock markets in the second quarter. The DAX 30, for example, recorded further growth in the second quarter, increasing by 4.6 percent since the start of the year. The Dow Jones Euro STOXX 50© showed improvement, rising 7.7 percent; the Nikkei in Japan was almost unchanged against the first quarter, whereas the Dow Jones followed the positive general trend and closed the first half of the year with an overall increase of 2.3 percent.

The European telecommunications sector performed in line with this general market trend. As of June 30, 2014, the Dow Jones Europe STOXX 600 Telecommunications© index was around 4.4 percent higher than at the start of the year. Momentum came in particular from the consolidations in France, Germany and Ireland as well as from potential intra-market consolidations in the European telecommunications market.

In this environment, the T-Share performed significantly better. It ended the first half of the year up 9.4 percent. While the publication of the full-year figures on March 6, 2014 and, in particular, the outlook for the current financial year and for 2015 had a slightly positive effect on the share price, it improved further after the publication of the quarterly figures on May 8, 2014. The main positive drivers of this improvement included in particular the sound development in Germany as well as strong U.S. figures in the first quarter. The T-Share also profited from the consolidation in the German mobile market as well as the return of speculation about takeovers in the United States.

Following its successful premiere in the prior year, we again offered our shareholders the option of converting the dividend for financial year 2013 into shares instead of receiving it as a cash payment. The acceptance rate of some 45 percent of dividend-bearing shares exceeded expectations. The exercising of the option results in an increase in the number of shares issued by 84.4 million to currently just under 4,536 million. This corresponds to a capital increase of almost 2 percent. The cash dividend paid out to our shareholders who did not choose this option totaled EUR 1.2 billion.

HIGHLIGHTS IN THE SECOND QUARTER OF 2014.

EMPLOYEES.

Collective agreements for Group Headquarters and Telekom Deutschland. On April 9, 2014, Deutsche Telekom and the ver.di union agreed the terms for a collective agreement for Group Headquarters and Telekom Deutschland. The new collective agreement provides for the salaries of the some 55,000 employees covered by the agreement to increase in two steps – by at least 2.5 percent as of April 1, 2014 and by a further 2.1 percent as of February 1, 2015. The new agreement takes effect on February 1, 2014 and has a term of 24 months.

Collective agreement for T-Systems in Germany. On April 30, 2014, T-Systems and the ver.di union agreed the terms for a collective agreement for the some 20,000 T-Systems employees in Germany covered by the agreement. Among other provisions, the new collective agreement provides for the salaries of the employees to increase in two steps – by 1.5 percent as of June 1, 2014 and by a further 2.0 percent as of April 1, 2015. The agreement takes effect retrospectively from April 2014 and has a term of two years.

CORPORATE TRANSACTIONS.

Takeover of the GTS Central Europe group. The agreement concluded in early November 2013 with a consortium of international private equity investors on the takeover of the GTS Central Europe group (GTS) for an enterprise value of EUR 0.5 billion was consummated on May 30, 2014. The responsible authorities had already approved the acquisition without conditions by April 15, 2014. GTS, which has been consolidated in our Europe operating segment since May 30, 2014, is a leading infrastructure-based provider of telecommunications services in Central and Eastern Europe and owns an extensive fiber-optic network as well as several data centers. On this basis, GTS' offering includes voice and data services, virtual private networks, and cloud services. With this acquisition, we intend to strengthen and further develop the local and pan-European B2B business, including international wholesale customers.

PARTNERSHIPS.

In partnership with Allianz, we bring to market digital services for consumers and business customers in the areas of connected home (Smart Home) and cyber security. Together with Europe's largest insurer, we will combine the latest information, communication, and sensor technologies with insurance and service offerings for consumers – initially only in Germany, later also in other European countries. For business customers, we are now offering integrated cyber security solutions with combined insurance cover.

With the energy group Vattenfall and the provider of cleaning technology Kärcher, we won new partners for our smart home platform QIVICON. This brings the total number of partner companies on the platform to 32. Many of them already offer products that allow people to organize their homes intelligently.

Under the "More broadband for Germany" initiative, we have concluded the 5,000th partnership agreement with a municipality. Thanks to this initiative, we have now provided fast Internet to almost two million households in rural areas – that's on top of our standard roll-out.

Participants in the "E-Mail made in Germany" industry initiative completed the encryption of all e-mail traffic as of April 29, 2014. Around 50 million German consumers, customers of Deutsche Telekom, freenet, GMX, and WEB.DE, thus automatically enjoy encrypted e-mail communication on all channels, regardless of the e-mail program they use. All data is processed and saved entirely in Germany.

INVESTMENTS IN NETWORKS AND SPECTRUM.

The fiber-optic roll-out in Germany is in full swing. We already laid more than 2,500 kilometers of new fiber-optic cable in the first half of 2014. As part of our integrated network strategy, a total of 6,250 kilometers of fiber-optic cable is to be laid across Germany by the end of 2014.

At the end of April 2014, T-Mobile US acquired A-Block spectrum in the 0.7 GHz range from Verizon Communications. Also at the end of April, certain AWS and PCS spectrum was exchanged on the basis of an agreement from November 2013.

In Poland, we have been offering LTE mobile technology since the start of June 2014. This means we are represented with LTE in all our European mobile markets, except Albania.

Around 600 of our technical sites in Germany are to be equipped with solar energy before the end of this year. Photovoltaic systems installed on the roofs provide the exchanges with electricity. This reduces our CO_2 emissions as well as our energy consumption. Providing the technical sites with solar power therefore also contributes towards our adopted climate protection target of reducing Group-wide CO_2 emissions (excluding T-Mobile US) by 20 percent by 2020.

NEW PRODUCTS.

Our MyWallet product, which had successfully been introduced in Poland in 2012, was launched in Germany and Slovakia in May 2014. MyWallet turns smartphones into digital wallets, which in the future will also be able to hold travel and admission tickets as well as access and customer cards. In Germany, in addition to being able to pay, it has also been possible since June 2014 to collect and redeem coupons at HIT and Edeka Südwest.

In June 2014, we extended our portfolio of security solutions for companies to include the new mobile protection concept "Corporate Security Hub." The new service protects employees' mobile terminal equipment against attacks and malicious codes. Additional protection is provided by encrypting communications through a secure connection.

AWARDS.

In May 2014, readers of the trade journal "connect" awarded us first place in seven categories at once, including the most important categories "best mobile network operator" and "best fixed-network operator of 2014." On top of this, our second brand "congstar" was named best mobile communications provider, and T-Mobile Austria was named best mobile network operator in Austria. In June 2014, our free mobile hotline also did well in the "connect" service test, taking first place over all other mobile communications providers in Germany. In particular, the availability, friendliness, and e-mail service of our hotline came in for praise from the testers.

Cosmote, a subsidiary of OTE, offers the fastest network for mobile Internet in Greece. This was confirmed by the independent speed test conducted by Ookla in April 2014. In fact, Cosmote's network was found to be 27 percent faster than the network in second place. The OTE subsidiary's excellent mobile data service also received two accolades from P3 Communications in June 2014.

We were named in partnership with CLAAS among the prize winners of the Germany-wide competition "Landmarks in the Land of Ideas" 2014/15 for the development of communicating harvesters. In keeping with the slogan for this year's competition "Innovative Country – Rethinking Rural Spaces," this particular idea is located right in the middle of the field: When the combine harvester's grain tank is full, this is automatically reported. The machines are fitted with sensors that send second-by-second data via mobile communications and provide the drivers with real-time information about the status of the harvest. Apart from optimizing workflows, networking vehicles also saves fuel, for example, and therefore cuts CO_2 emissions.

In addition, we won the German Investor Relations Award 2014 for the best investor relations work within the DAX 30 and, on top of that, we came first in the Thomson Reuters Extel Survey of 16,000 investors from all over the world for the best investor relations in Europe across all sectors. The Mergers & Acquisitions unit won the Corporate Finance Award for the successful business combination of T-Mobile USA and MetroPCS.

INTERIM GROUP MANAGEMENT REPORT.

GROUP STRUCTURE, STRATEGY, AND MANAGEMENT.

With regard to our **Group structure, strategy, and management,** please refer to the notes in the 2013 combined management report (2013 Annual Report, page 62 et seq.). No significant changes were recorded in this area from the Group's point of view.

The ICSS/GNF business of the local business units (LBUs), which had been organizationally assigned to the Systems Solutions operating segment until December 31, 2013, was brought together as of January 1, 2014 and is now reported under the Europe operating segment. These are units in and outside of Europe (excluding Germany) that predominantly perform wholesale telecommunications services for ICSS (International Carrier Sales & Solutions) as part of the Europe operating segment and for third parties. Furthermore, as of January 1, 2014, the local business customer units of T-Systems Czech Republic, which had previously been managed under the Systems Solutions operating segment, were merged with T-Mobile Czech Republic. In addition to mobile and fixed-network business activities, the company will now also offer ICT solutions for business customers and public administrations. The activities will be disclosed under the Europe operating segment. Reporting was changed to improve the way in which these units can be managed. Comparative figures have been adjusted retrospectively.

The EE joint venture in the United Kingdom, which had previously been assigned to the Europe operating segment, was transferred to the Group Headquarters & Group Services segment as of January 1, 2014. Since then, it has been reported under the Finance board department due to the new definition of the management model of our EE joint venture.

For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, page 46.

THE ECONOMIC ENVIRONMENT.

This section provides additional information on and explains recent changes in the economic situation as described in the combined management report for the 2013 financial year, focusing on global economic developments in the first half of 2014, the outlook, the currently prevailing economic risks, the telecommunications market, and the regulatory environment. The overall economic outlook is subject to the precondition that there are no major unexpected occurrences in the forecast period.

GLOBAL ECONOMIC DEVELOPMENT.

Global economic growth developed positively in the first half of the year. While it was somewhat dampened in the first quarter of 2014, primarily due to the very hard winter in the United States, it picked up in the second quarter, supported by the still expansive monetary policy and declining fiscal policy restrictions.

In our core markets, the majority of economies recorded positive trends again in the first six months of 2014, in terms of overall economic production. However, due to the slow rate of economic recovery in most countries of our Europe operating segment, the situation on the labor market has not yet improved significantly.

In Germany, the economy grew in the first six months of 2014 compared with the prior-year period. This trend was supported, among other factors, by the relatively warm winter as well as the recovery of the majority of European economies. The Germany labor market once again proved robust, with the unemployment rate currently standing at 6.5 percent.

The U.S. economy, which had recorded a decline in investments and exports in the first quarter of 2014 due to the tough winter, gained further momentum thanks to the continued recovery on the labor market and the ongoing positive underlying trend in private consumption.

Economic development in our Europe operating segment was positive on the whole, with only Greece and Croatia recording a decline in GDP in the first half of 2014. There was only a marginal improvement in unemployment rates, which were very high in some countries.

GDP growth rates in our core countries.
%

	Q1 2014 compared with Q1 2013	Q2 2014 compared with Q2 2013
Germany	2.3	1.2
United States	1.5	1.9
Greece	(0.9)	(0.8)
Romania	4.0	3.7
Poland	3.5	3.2
Hungary	3.2	3.3
Czech Republic	2.9	3.0
Croatia	(0.6)	(0.4)
Netherlands	0.0	0.8
Slovakia	2.0	2.3
Austria	0.9	1.5
United Kingdom	3.0	3.3

Source: Oxford Economics, July 2014.

OUTLOOK.

We still expect the expansion of the global economy to accelerate in the course of 2014 and 2015, supported primarily by increased growth in the industrialized countries.

OVERALL ECONOMIC RISKS.

The current uncertainty on the capital markets due to the looming banking crisis in Portugal has shown that the European sovereign debt and banking crisis has not yet been overcome and there is a potential risk of renewed escalation.

A drastic heightening of geopolitical tensions in the Middle East or between Russia and Ukraine could have a huge negative impact on global economic development and financial stability.

If the recovery of the global economy and the associated trust in industrial nations is to be consolidated, the emerging economies will have to make an adjustment, which could increase existing tensions on the capital markets.

TELECOMMUNICATIONS MARKET.

The European mobile market continues to come under pressure in terms of consolidation. In early July 2014, for example, Tele2 announced its intention to sell its Norwegian mobile division to TeliaSonera. In 2014, the EU Commission had already approved two mobile mergers on the European mobile communications market, subject to conditions: first, the business combination of Hutchison 3G UK and Telefónica Ireland on the Irish mobile market; second, at the start of July, the merger of Telefónica Deutschland and E-Plus on the German mobile market.

These decisions are a positive signal for the necessary consolidations in Europe. However, the de facto subsidization of new market entries and the intentional strengthening of resellers (service providers) and MVNOs, who do not make any contributions to network investments in broadband coverage, are counterproductive, all the more so since the resellers and MVNOs are already active on the market with considerable success and have sizable market shares.

REGULATION.

Pricing measures for bitstream products can be implemented. Rate measures by Telekom Deutschland GmbH for bitstream products are subject to "ex-post" price regulation by the Federal Network Agency, to whom they must be announced before they take effect. Accordingly, in September 2013, Telekom Deutschland GmbH announced rate measures on the IP bitstream market in connection with planned partnerships for broadband roll-out. The Federal Network Agency reviewed the pricing measures and found no evidence of anti-competitive behavior in connection with these measures. Following an international consolidation and comments by the European Commission on March 14, 2014, the Federal Network Agency has now also formally concluded its review, paving the way for the pricing measure to take effect as of April 1, 2014.

Final rulings by the Federal Network Agency on vectoring are expected in the third quarter of 2014. The Federal Network Agency had essentially already given the green light to the use of vectoring transmission technology in August 2013, although some regulations were subject to the provision of a certain wholesale offer (bitstream access). This offer, as well as other contractual regulations, must be defined by the Federal Network Agency in a further administrative procedure. We were informed of an interim decision in early June 2014 that now allows us to implement vectoring in Germany from July 30, 2014. We then expect the Federal Network Agency's final decision in the third quarter of 2014 following European notification.

One-time charges for unbundled local loop lines in Germany remain stable. The Federal Network Agency set the charges for provision and termination of unbundled local loop lines (ULLs) on June 30, 2014. The charge for the most frequently requested ULL option only decreased slightly. For certain options, charges increased. The charges will apply until September 30, 2016.

Federal Network Agency plans to cut fixed-network interconnection rates in Germany. On April 28 and May 2, 2014, Telekom Deutschland GmbH submitted rate applications to the Federal Network Agency for mobile and fixed termination rates. On July 11, 2014, the Federal Network Agency published a draft ruling reducing fixed-network termination rates by 20 percent to 0.24 eurocents/minute. The draft ruling for mobile termination rates is expected to be issued at the end of August/beginning of September. Both drafts will first be put out for consultation at national and then at EU level. New rates will not take effect until December 1, 2014.

Increase in spectrum fees in Croatia. In addition to the already known special taxes, e.g., in Greece and Hungary, the Croatian government recently decided to triple the frequency charges with effect from May 23, 2014. We have interceded with the European Commission and requested support. At present it is not yet clear and is being examined whether the Commission will take action or whether we will take legal steps ourselves against the fee increase.

ASSIGNMENT OF FREQUENCIES.

Below we describe the most important current developments regarding the assignment of frequencies:

- Following approval by the European Commission and the Federal Network Agency of the business combination of the companies Telefónica Deutschland and E-Plus in **Germany** and the issuing of corresponding frequency conditions, the Federal Network Agency is planning to open the process for reassigning the 0.9 and 1.8 GHz frequency rights from the German network operators' GSM licenses in fall 2014. In addition, the authority plans to assign frequencies from the 0.7 GHz (digital dividend II) and 1.5 GHz ranges. The actual award process is scheduled for spring 2015.

- In **Greece**, the regulatory authority EETT launched a consultation process with draft rules and frequency usage conditions for the assignment of frequencies in the 0.8 GHz (digital dividend) and 2.6 GHz ranges. A simultaneous multi-round auction is expected to be carried out in fall 2014. The OTE subsidiary Cosmote is preparing to take part to acquire LTE spectrum.

- In **Hungary**, the first stage of a three-stage process to assign frequencies in the 0.8, 0.9, 1.8, and 2.6 GHz ranges has started. Magyar Telekom is taking part in the award process, which is expected to be completed in the third quarter of 2014.

- The **Czech** regulatory authority CTU launched a consultation on the auction of the remaining spectrum in the 1.8 and 2.6 GHz ranges that was not sold in the 2013 auction. T-Mobile Czech Republic is analyzing the terms and conditions and preparing to take part in the process. The auction is expected to be completed in early 2015.

- In Albania, AMC is applying to extend its GSM license with frequencies in the 0.9 and 1.8 GHz ranges, which is expiring in August 2014. The application is likely to be approved since all the requirements have been met. Further mobile frequencies in the 0.9, 1.8, and 2.1 GHz ranges are then expected to be assigned in the fall.

- In the meantime, there have been further delays in preparations for the frequency auctions in Montenegro, where the publication of the final rules of award and the start of the bidding phase were expected in the first half of 2014. The assignment procedure is expected to be delayed until 2015 and beyond.

DEVELOPMENT OF BUSINESS IN THE GROUP.

RESULTS OF OPERATIONS OF THE GROUP.

NET REVENUE.

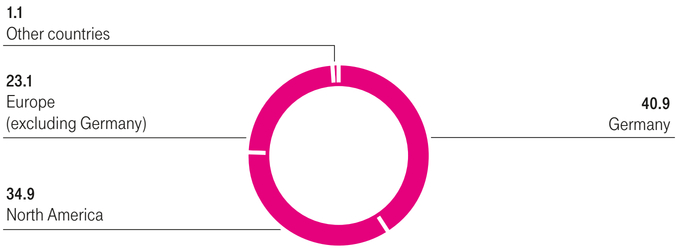
In the first six months of the 2014 financial year, we generated net revenue of EUR 30.0 billion, up by a substantial EUR 1.1 billion or 3.7 percent compared with the same period in the prior year. Our United States operating segment in particular contributed to this trend thanks to the revenue generated by MetroPCS, which was only taken into account from the second quarter of the prior year due to its first-time inclusion as of May 1, 2013, and continued strong customer growth. In our Europe operating segment, the substantial price changes, in some cases imposed by regulatory authorities back in 2013, and intense competition had a negative effect. Our Germany operating segment held its own, particularly in the mobile market, in the prevailing regulatory and competitive environment, but recorded a slight decline in revenue overall. This was primarily due to the line losses in fixed-network business. The initiated realignment of T-Systems' business model had a negative impact on revenue in our Systems Solutions operating segment, as did the general downward trend in prices for IT and communications services.

Adjusted for the effects of changes in the composition of the Group of EUR 0.9 billion in total, as well as negative exchange rate effects of EUR 0.5 billion, especially from the translation of U.S. dollars into euros, revenue was up EUR 0.7 billion or 2.3 percent against the prior-year level. For details on the revenue trends in our Germany, United States, Europe, and Systems Solutions operating segments as well as in the Group Headquarters & Group Services segment, please refer to the section "Development of business in the operating segments," page 17 et seq.

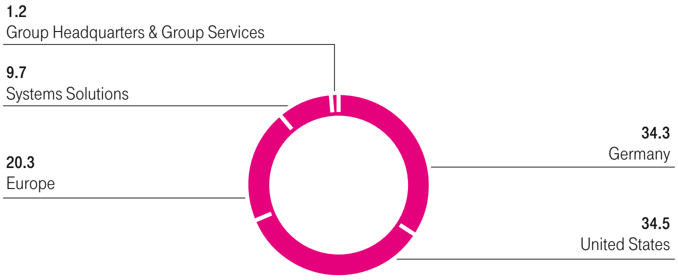
Contribution of the segments to net revenue.
millions of €

	Q1 2014	Q2 2014	Q2 2013	Change %	H1 2014	H1 2013	Change %	FY 2013
NET REVENUE	**14,894**	**15,114**	**15,157**	**(0.3)%**	**30,008**	**28,942**	**3.7%**	**60,132**
Germany	5,483	5,464	5,565	(1.8)%	10,947	11,131	(1.7)%	22,435
United States	5,074	5,270	4,825	9.2%	10,344	8,366	23.6%	18,556
Europe	3,125	3,163	3,435	(7.9)%	6,288	6,778	(7.2)%	13,704
Systems Solutions	2,052	2,187	2,170	0.8%	4,239	4,396	(3.6)%	9,038
Group Headquarters & Group Services	622	610	761	(19.8)%	1,232	1,452	(15.2)%	2,879
Intersegment revenue	(1,462)	(1,580)	(1,599)	1.2%	(3,042)	(3,181)	4.4%	(6,480)

Breakdown of revenue by region.
%



Contribution of the segments to net revenue.[a]
%



[a] For more information on net revenue, please refer to the disclosures under segment reporting in the interim consolidated financial statements, page 46.

Our United States operating segment made the largest contribution to net revenue for the first time, contributing 34.5 percent. This was a substantial increase compared with the prior-year period of 5.6 percentage points, due in part to the inclusion of MetroPCS and ongoing strong new customer growth. By contrast, the proportions contributed by our Germany, Europe, and Systems Solutions operating segments as well as the Group Headquarters & Group Services segment shrank. The proportion of net revenue generated internationally continued to increase, rising from 56.6 percent in the prior-year period to 59.1 percent.

EBITDA, ADJUSTED EBITDA.

Our **EBITDA** increased year-on-year by EUR 1.9 billion to EUR 10.1 billion. Positive special factors amounting to EUR 1.5 billion were included in EBITDA in the first half of 2014. They were mainly attributable to income from the divestiture of the Scout24 group of EUR 1.7 billion. Income of some EUR 0.4 billion from a transaction consummated in April 2014 between T-Mobile US and Verizon Communications for the acquisition and exchange of A-Block spectrum also had a positive effect. Expenses incurred in connection with staff-related measures and non-staff related restructuring expenses decreased by EUR 0.2 billion compared with the prior-year level.

Excluding special factors, **adjusted EBITDA** decreased slightly year-on-year by EUR 0.2 billion to EUR 8.6 billion in the first half of 2014. Exchange rate effects of EUR 0.1 billion, especially from the translation of U.S. dollars into euros, had a negative effect on the development of adjusted EBITDA. For detailed information on the development of EBITDA/adjusted EBITDA in our segments, please refer to the section "Development of business in the operating segments," page 17 et seq.

Contribution of the segments to adjusted Group EBITDA.
millions of €

	Q1 2014	Q2 2014	Q2 2013	Change %	H1 2014	H1 2013	Change %	FY 2013
EBITDA (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	**4,121**	**4,429**	**4,417**	**0.3%**	**8,550**	**8,705**	**(1.8)%**	**17,424**
Germany	2,230	2,256	2,279	(1.0)%	4,486	4,534	(1.1)%	8,936
United States	844	1,083	930	16.5%	1,927	1,818	6.0%	3,874
Europe	1,027	1,098	1,117	(1.7)%	2,125	2,214	(4.0)%	4,550
Systems Solutions	138	288	210	37.1%	426	378	12.7%	774
Group Headquarters & Group Services	(118)	(160)	(111)	(44.1)%	(278)	(210)	(32.4)%	(655)
Reconciliation	0	(136)	(8)	n.a.	(136)	(29)	n.a.	(55)

EBIT.

Group EBIT increased substantially by EUR 1.7 billion to EUR 4.9 billion compared with the first half of 2013, due in particular to the effects described under EBITDA. A EUR 0.2 billion increase in depreciation, amortization and impairment losses compared with the prior-year period, attributable to the inclusion of MetroPCS since May of last year as well as the roll-out of the LTE network as part of T-Mobile US' network modernization program, had a negative impact on the development of EBIT.

PROFIT BEFORE INCOME TAXES.

Profit before income taxes increased significantly by EUR 1.7 billion to EUR 3.6 billion year-on-year in the first half of 2014 as a result of the aforementioned effects. Loss from financial activities increased slightly year-on-year. This development was attributable to the inclusion of MetroPCS and local financing conditions for T-Mobile US.

NET PROFIT.

Net profit increased by EUR 1.4 billion to EUR 2.5 billion. The tax expense for the current financial year amounted to EUR 0.8 billion, up EUR 0.2 billion compared with the same period in the prior year. For further information, please refer to the interim consolidated financial statements, page 44.

Profit attributable to non-controlling interests increased slightly year-on-year, due in part to the increase in non-controlling interests in T-Mobile US. The acquisition of the remaining shares in T-Mobile Czech Republic, which we did not yet own, had an offsetting effect.

Number of employees (at the reporting date).

	June 30, 2014	Dec. 31, 2013
Germany	67,883	66,725
United States	38,374	37,071
Europe [a]	53,933	53,265
Systems Solutions [a]	49,032	49,540
Group Headquarters & Group Services	20,675	21,995
NUMBER OF EMPLOYEES IN THE GROUP	**229,897**	**228,596**
Of which: civil servants (in Germany, with an active service relationship)	20,414	20,523

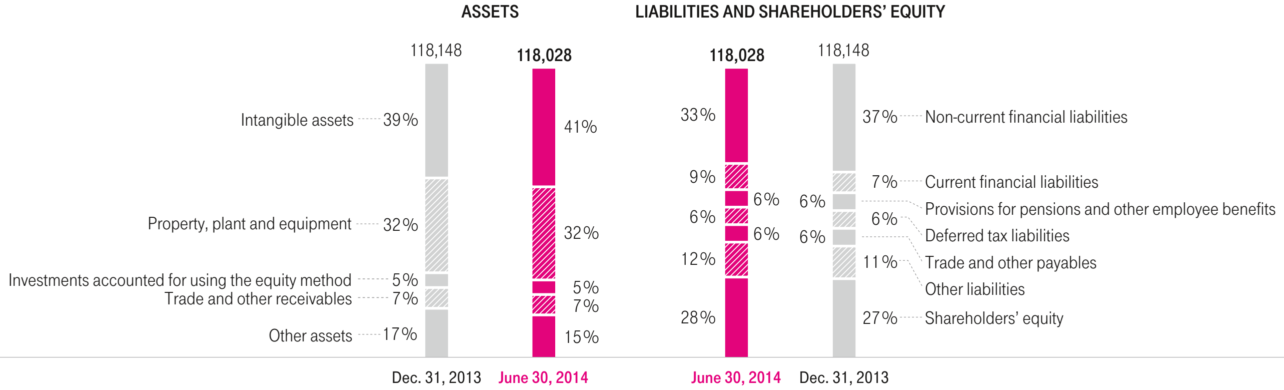
[a] The prior-year comparatives were adjusted retrospectively due to changes in the structure of the Group implemented as of January 1, 2014. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, page 46.

The Group's headcount increased by 0.6 percent compared with the end of 2013. Our segments showed countervailing trends to some extent. In the Germany operating segment, the headcount increased by 1.7 percent as staff were taken on primarily for the build-out and upgrade of our "networks of the future." In our United States operating segment, the total number of employees increased by 3.5 percent in the first half of 2014. The total number of employees increased from December 31, 2013 due to an increase in retail and customer support employees. In our Europe operating segment, staff levels increased by 1.3 percent compared with December 31, 2013. This development is the result of various positive and negative effects: The headcount increase was attributable on the one hand to the inclusion of the GTS Central Europe group and growth following staff restructuring in Greece. This effect was partially offset by lower staff levels as a result of the disposal of the shares in Euronet Communications in the Netherlands. Efficiency enhancement measures in a number of countries in our operating segment also had a decreasing effect. In our Systems Solutions operating segment, the headcount decreased slightly by just 1.0 percent, primarily as a result of the staff restructuring measures implemented in Germany. The number of employees in the Group Headquarters & Group Services segment was down 6.0 percent compared with the end of 2013, due in particular to the deconsolidation of the Scout24 group. The personnel increase in the innovation areas of the DBU slightly counteracted this effect.

FINANCIAL POSITION OF THE GROUP.

Structure of the statement of financial position.

millions of €



The level of total assets remained almost stable compared with December 31, 2013 at EUR 118.0 billion. Our consolidated statement of financial position was mainly influenced by the following factors:

Intangible assets increased by EUR 2.6 billion, mainly due to capital expenditure totaling EUR 4.7 billion. This figure includes EUR 3.3 billion for the acquisition of mobile licenses by T-Mobile US, in particular in connection with the two transactions consummated in April 2014 for the acquisition and the exchange of mobile licenses with Verizon Communications. Effects of changes in the composition of the Group totaling EUR 0.2 billion resulting from the first-time inclusion of the GTS Central Europe group and preliminary goodwill of EUR 0.2 billion recognized in this connection also contributed to this increase. Amortization of EUR 1.8 billion and disposals of EUR 0.6 billion in connection with the exchange of mobile spectrum with Verizon Communications had an offsetting effect.

Property, plant and equipment increased by EUR 0.3 billion compared to December 31, 2013 to EUR 37.7 billion. The increase was attributable to capital expenditure of EUR 3.3 billion and effects of changes in the composition of the Group of EUR 0.4 billion, mainly from the first-time inclusion of the GTS Central Europe group (EUR 0.2 billion) and the first-time consolidation of four structured leasing special purpose entities (SPEs) (EUR 0.2 billion). However, this was reduced by depreciation of EUR 3.3 billion and disposals of EUR 0.2 billion.

The carrying amount for investments accounted for using the equity method increased by EUR 0.3 billion to EUR 6.5 billion in the first half of 2014. On the one hand, the carrying amount for the investments decreased by EUR 0.2 billion as a result of a dividend payment received from the EE joint venture; on the other, the recognition of the remaining stake in the Scout24 group as an investment accounted for using the equity method had an increasing effect of EUR 0.3 billion, as did exchange rate effects – mainly resulting from the translation of pounds sterling into euros – in the amount of EUR 0.2 billion.

Trade and other receivables increased by EUR 0.4 billion to EUR 8.1 billion, due in particular to customer growth and an increased percentage of terminal equipment sold under installment plans in our United States operating segment. This results from T-Mobile US' strategy to introduce new rate plans under which terminal equipment is no longer sold at a subsidized price, but on the basis of a financing plan. By contrast, factoring agreements concluded in the reporting period concerning monthly revolving sales of current trade receivables decreased our trade receivables by EUR 0.4 billion.

As of June 30, 2014, other assets include the following significant effects: Non-current assets and disposal groups held for sale decreased by EUR 0.9 billion, due to the consummation of the following two transactions: In the United States operating segment, the exchange of mobile licenses with Verizon Communications was concluded for EUR 0.6 billion. In the Group Headquarters & Group Services segment, the sale of the shares in the Scout24 group totaling EUR 0.3 billion was consummated. Inventories increased by EUR 0.2 billion due to increased stock levels of terminal equipment (in particular smartphones) at T-Mobile US.

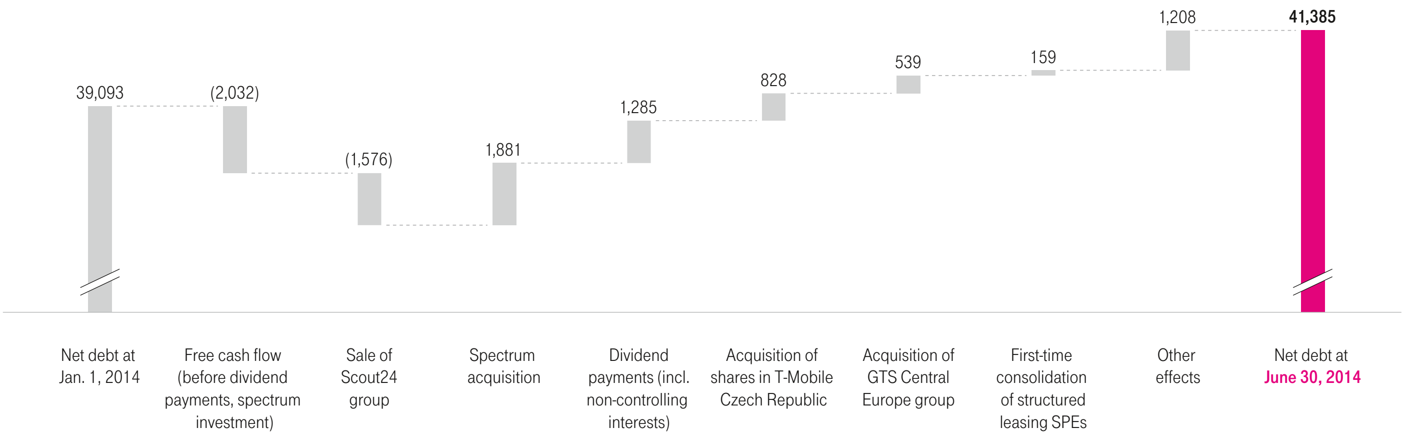
Current and non-current financial liabilities decreased by EUR 1.7 billion compared with the end of 2013 to EUR 49.9 billion in total. For the main effects on financial liabilities, please refer to net cash used in financing activities, page 45, in the interim consolidated financial statements.

The EUR 0.6 billion increase in provisions for pensions and other employee benefits to EUR 7.6 billion was primarily attributable to actuarial losses recognized directly in equity as a result of the sustained decline in interest levels.

Trade and other payables increased by EUR 0.2 billion compared with the end of 2013, due in part to the stockpiling of terminal equipment (in particular smartphones) in the United States operating segment.

Shareholders' equity increased by EUR 0.4 billion compared with December 31, 2013 to EUR 32.5 billion, due to a profit of EUR 2.7 billion and currency translation effects recognized directly in equity of EUR 0.3 billion. In addition, in connection with the option granted to our shareholders to have their dividend entitlements converted into shares, a capital increase of EUR 1.0 billion was carried out involving the contribution of the dividend entitlements. Dividend payments for the 2013 financial year to Deutsche Telekom AG shareholders of EUR 2.2 billion and to non-controlling interests of EUR 0.1 billion had an offsetting effect. Furthermore, shareholders' equity was also reduced by the acquisition of the remaining shares in T-Mobile Czech Republic (EUR 0.8 billion), the recognition of actuarial losses (after taxes) (EUR 0.4 billion), and the recognition of hedging instruments directly in equity (EUR 0.2 billion).

Changes in net debt.
millions of €



Other effects of EUR 1.2 billion include, among other factors, financing options under which the payments for trade payables become due at a later point in time by involving banks in the process. These payables are now shown under financial liabilities in the statement of financial position. Other effects also include a payment as part of a wholesale transaction and exchange rate effects. For more information on net debt, please refer to the disclosures on the reconciliation of the pro forma figures in the section "Additional information," page 54 et seq.

Free cash flow (before dividend payments, spectrum investment).[a]
millions of €

	Q1 2014	Q2 2014	Q2 2013	Change %	H1 2014	H1 2013	Change %	FY 2013
CASH GENERATED FROM OPERATIONS[a]	3,860	3,831	3,664	4.6 %	7,691	7,475	2.9 %	15,289
Interest received (paid)	(898)	(644)	(540)	(19.3) %	(1,542)	(1,304)	(18.3) %	(2,075)
NET CASH FROM OPERATING ACTIVITIES[a]	2,962	3,187	3,124	2.0 %	6,149	6,171	(0.4) %	13,214
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment (CASH CAPEX)	(2,065)	(2,197)	(2,068)	(6.2) %	(4,262)	(4,155)	(2.6) %	(8,861)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	86	59	53	11.3 %	145	131	10.7 %	253
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)[a]	983	1,049	1,109	(5.4) %	2,032	2,147	(5.4) %	4,606

[a] Before effects in connection with the AT&T transaction and compensation payments for MetroPCS employees.

Free cash flow. Free cash flow in the Group before dividend payments and spectrum investment decreased slightly by EUR 0.1 billion year-on-year. This was due to the increase of EUR 0.1 billion in cash outflows for investments in intangible assets (excluding goodwill and before spectrum investments) and property, plant and equipment. Net cash from operating activities remained at the prior-year level.

Net cash from operating activities included the following effects: a dividend payment received from the EE joint venture that was EUR 0.1 billion higher than in the prior year, and factoring agreements concluded in the reporting period concerning monthly revolving sales of current trade receivables. This gave rise to a positive effect of EUR 0.4 billion compared with the prior-year period. Net cash from operating activities was reduced by a EUR 0.2 billion increase in net interest payments. The prior-year figure had also included proceeds from the conclusion and settlement of interest rate derivatives in the amount of EUR 0.1 billion.

For further information on the statement of cash flows, please refer to the interim consolidated financial statements, page 45.

COMPARISON OF THE PAST TWELVE MONTHS.

Although there are no significant seasonal factors that affect Deutsche Telekom's earnings and financial position, we have compared the past twelve months with the full year 2013, as results were negatively impacted by special factors.

millions of €

		July 1, 2013 through June 30, 2014	FY 2013
REVENUE AND EARNINGS			
Net revenue		61,198	60,132
Profit from operations (EBIT)		6,631	4,930
Depreciation, amortization and impairment losses		(11,147)	(10,904)
EBITDA		17,778	15,834
EBITDA (adjusted for special factors)		17,269	17,424
Net profit (loss)		2,364	930
Net profit (loss) (adjusted for special factors)		2,401	2,755
Earnings per share basic/diluted	€	0.53	0.21
CASH FLOWS			
Net cash from operating activities [a]		13,192	13,214
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment (cash capex)		(8,968)	(8,861)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment		267	253
Free cash flow (before dividend payments and spectrum investment) [a]		4,491	4,606

[a] Before effects in connection with the AT&T transaction and compensation payments for MetroPCS employees.

Net revenue increased by EUR 1.1 billion. This was in particular attributable to the first-time inclusion of MetroPCS as of May 1, 2013 and the ongoing substantial revenue increase in the United States operating segment due to continued strong customer growth.

The increase of around EUR 1.7 billion in profit from operations (EBIT) mainly resulted from income from divestitures in connection with the disposal of the shares in the Scout24 group in February 2014 totaling EUR 1.7 billion as well as from income of some EUR 0.4 billion from a transaction consummated in April 2014 between T-Mobile US and Verizon Communications concerning the acquisition and exchange of A-Block spectrum. These special factors were offset by an increase of around EUR 0.2 billion in depreciation, amortization and impairment losses, attributable to the inclusion of MetroPCS since May of last year as well as the roll-out of the LTE network as part of T-Mobile US' network modernization program.

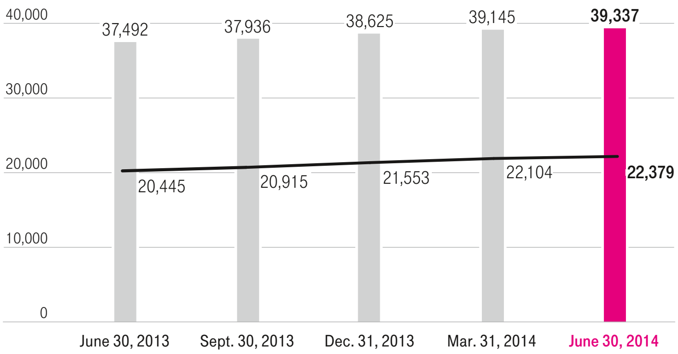
The aforementioned effects are also decisive for the changes in our other unadjusted financial figures.

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS.

GERMANY.

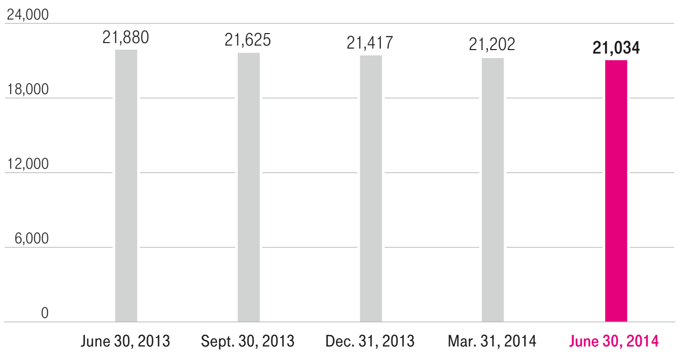
CUSTOMER DEVELOPMENT.

Mobile customers.
thousands

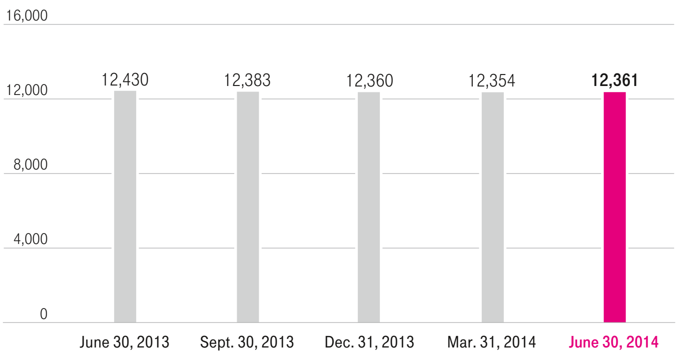


– Contract customers

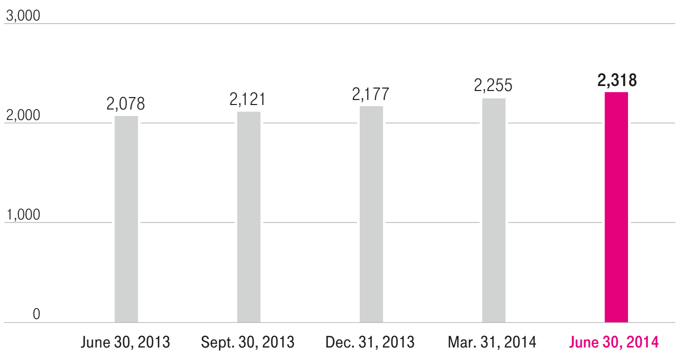
Fixed-network lines.
thousands



Broadband lines.
thousands



Television (IPTV, satellite).[a]
thousands



[a] Customers connected.

thousands

	June 30, 2014	Mar. 31, 2014	Change June 30, 2014/ Mar. 31, 2014 %	Dec. 31, 2013	Change June 30, 2014/ Dec. 31, 2013 %	June 30, 2013	Change June 30, 2014/ June 30, 2013 %
TOTAL							
Mobile customers	39,337	39,145	0.5 %	38,625	1.8 %	37,492	4.9 %
Contract customers	22,379	22,104	1.2 %	21,553	3.8 %	20,445	9.5 %
Prepay customers	16,957	17,040	(0.5) %	17,072	(0.7) %	17,047	(0.5) %
Fixed-network lines	21,034	21,202	(0.8) %	21,417	(1.8) %	21,880	(3.9) %
Of which: IP-based	3,167	2,640	20.0 %	2,141	47.9 %	1,474	n.a.
Broadband lines	12,361	12,354	0.1 %	12,360	0.0 %	12,430	(0.6) %
Of which: optical fiber	1,494	1,375	8.7 %	1,246	19.9 %	1,096	36.3 %
Television (IPTV, satellite)	2,318	2,255	2.8 %	2,177	6.5 %	2,078	11.5 %
Unbundled local loop lines (ULLs)	9,101	9,207	(1.2) %	9,257	(1.7) %	9,359	(2.8) %
Wholesale bundled lines	341	362	(5.8) %	390	(12.6) %	455	(25.1) %
Wholesale unbundled lines	1,812	1,675	8.2 %	1,564	15.9 %	1,418	27.8 %
Of which: optical fiber	475	367	29.4 %	274	73.4 %	172	n.a.
OF WHICH: CONSUMERS							
Mobile customers	30,064	30,174	(0.4) %	29,943	0.4 %	29,343	2.5 %
Contract customers	16,316	16,112	1.3 %	15,669	4.1 %	14,762	10.5 %
Prepay customers	13,748	14,061	(2.2) %	14,275	(3.7) %	14,581	(5.7) %
Fixed-network lines	16,556	16,698	(0.9) %	16,923	(2.2) %	17,331	(4.5) %
Of which: IP-based	2,882	2,407	19.7 %	1,960	47.0 %	1,355	n.a.
Broadband lines	9,934	9,927	0.1 %	9,963	(0.3) %	10,024	(0.9) %
Of which: optical fiber	1,275	1,171	8.9 %	1,064	19.8 %	935	36.4 %
Television (IPTV, satellite)	2,133	2,071	3.0 %	2,001	6.6 %	1,906	11.9 %
OF WHICH: BUSINESS CUSTOMERS							
Mobile customers	9,273	8,971	3.4 %	8,682	6.8 %	8,149	13.8 %
Contract customers	6,064	5,992	1.2 %	5,885	3.0 %	5,683	6.7 %
Prepay customers (M2M)	3,209	2,979	7.7 %	2,797	14.7 %	2,467	30.1 %
Fixed-network lines	3,442	3,460	(0.5) %	3,445	(0.1) %	3,490	(1.4) %
Of which: IP-based	268	216	24.1 %	164	63.4 %	103	n.a.
Broadband lines	2,102	2,101	0.0 %	2,072	1.4 %	2,080	1.1 %
Of which: optical fiber	215	200	7.5 %	180	19.4 %	159	35.2 %
Television (IPTV, satellite)	184	182	1.1 %	174	5.7 %	170	8.2 %

Total.
We have maintained our lead in the fixed network and aim to be the number one provider in terms of mobile service revenues. Our goal is to be the leading telecommunications provider with integrated IP networks in Germany. The IP transformation has already got off to a successful start. In the first half of 2014 alone, we migrated 1,026 thousand customers to IP-based lines, bringing the total number of retail customers migrated up to 3.2 million.

In the highly competitive mobile market, we won 826 thousand contract customers in the first half of 2014, thus maintaining our lead. 402 thousand of these were attributable to Deutsche Telekom's branded business under the Telekom and "congstar" brands. The prepay customer base decreased by 115 thousand, mainly due to the reseller customer segment (service providers).

We continued to record strong demand for our fiber-optic products VDSL and FTTH. The number of these lines rose by 449 thousand in the first half of the year to a total of 2.0 million. With the progress in fiber-optic roll-out and our innovative vectoring technology, we will drive forward the marketing of substantially higher bandwidths. We are rolling out vectoring-enabled VDSL lines to more and more cities as part of our network upgrade initiative, and, from the second half of 2014, we will double the maximum download speed from 50 Mbit/s to up to 100 Mbit/s. In the vectoring regions, customers can already reserve vectoring-enabled lines which will then be upgraded to the faster speed in the second half of the year.

With our "contingent model" and its future refinement, we are creating incentives for the migration from traditional wholesale products – such as bundled wholesale lines or unbundled local loop lines – to higher-quality VDSL wholesale lines.

Our partnerships in the housing sector also proved successful: To date, we have connected 84 thousand apartments to our network.

Mobile communications.
Mobile telephony and data services. Thanks to our outstanding network quality, our attractive rate plans, and our customers' growing satisfaction, we added a total of 712 thousand new mobile customers, 261 thousand of which use a mobile broadband connection. The Business Customers area and our second brand "congstar" developed particularly positive.

The proportion of smartphones, especially Android and iOS handsets (iPhones), totaled 67.9 percent. Accordingly, the trend towards flat rates with data components continued.

Fixed network.

Telephony, Internet, and television. The development of the fixed-network market remains challenging, mainly due to aggressively priced competitor offers. For this reason, our marketing activities are now focused on regional offers, in particular for TV and VDSL lines. The number of broadband lines thus remained stable in the first half of 2014 at 12.4 million. In total, 18.8 percent of our broadband customers are TV customers, up 1.2 percentage points against the end of the prior year. In the traditional fixed network, the number of lines decreased by 383 thousand compared with the end of 2013. In the second quarter of 2014, line losses per quarter fell below the 200 thousand mark for the first time in ten years, to 168 thousand.

Consumers.

Connected life across all screens. The number of mobile customers increased by 0.4 percent in the first half of 2014 compared with the end of 2013. We won another 647 thousand contract customers, mainly from the reseller customer segment and under our second brand "congstar." In particular, rate plans with integrated data flat rates for mobile Internet as well as pure data rate plans developed positively. The number of prepay customers decreased by 527 thousand in the reporting period, in particular as a result of their switching to our attractive contract rate plans or to competitors. In the fixed network, we migrated 922 thousand customers to IP-based retail lines and won another 132 thousand TV customers in the first half of 2014. Of the 9.9 million broadband lines, around 1.3 million customers use a fiber-optic line – 211 thousand of which were added in the first half of 2014. The line losses in the fixed network totaled 367 thousand, i.e., significantly less than the 458 thousand recorded in the first half of 2013. Customers switched primarily to cable operators and regional providers.

Business Customers.

Connected work with innovative solutions. We were particularly successful in mobile communications in the first half of 2014 – with 179 thousand new contract customers – as well as in the machine-to-machine segment – with an increase of 412 thousand cards. In mobile Internet, customers are increasingly opting for plans with higher bandwidths, in conjunction with high-quality terminal equipment. The number of fixed-network lines remained stable compared with the end of 2013 at 3.4 million. In broadband lines, we recorded slight growth of 1.4 percent in the first half of 2014 compared with the end of 2013.

Products in the area of connected work developed positively. As a consequence, we recorded further growth in our rate plans "DeutschlandLAN – Complete Solution for your Office." In data communications, we significantly increased the number of networks and connections, especially with Internet-based data networks (IP VPNs) and high-bandwidth location networking. Demand for cloud products grew in particular.

Wholesale.

The accelerated growth in our unbundled wholesale lines of 248 thousand or 15.9 percent in the first half of 2014 was driven mainly by the high demand in connection with the "contingent model." However, the number of bundled wholesale lines declined by 49 thousand. We expect this trend to continue for the next few years due to the fact that our competitors are switching from bundled to unbundled wholesale products with more bandwidth or to their own infrastructure. The number of unbundled local loop lines (ULLs) decreased by 156 thousand or 1.7 percent compared with year-end 2013. This is attributable both to the trend towards higher-quality VDSL wholesale lines and to market influences, since competitors are migrating their customers to mobile lines and customers are switching to cable companies.

DEVELOPMENT OF OPERATIONS.

millions of €

		Q1 2014	Q2 2014	Q2 2013	Change %	H1 2014	H1 2013	Change %	FY 2013
TOTAL REVENUE		5,483	5,464	5,565	(1.8)%	10,947	11,131	(1.7)%	22,435
Consumers		2,928	2,918	3,031	(3.7)%	5,846	6,013	(2.8)%	12,122
Business Customers		1,404	1,418	1,414	0.3%	2,822	2,805	0.6%	5,676
Wholesale		952	942	922	2.2%	1,894	1,881	0.7%	3,811
Value-Added Services		63	57	73	(21.9)%	120	153	(21.6)%	288
Other		136	129	125	3.2%	265	279	(5.0)%	538
Profit from operations (EBIT)		1,249	1,239	1,183	4.7%	2,488	2,335	6.6%	4,435
EBIT margin	%	22.8	22.7	21.3		22.7	21.0		19.8
Depreciation, amortization and impairment losses		(956)	(978)	(978)	–	(1,934)	(1,944)	0.5%	(3,966)
EBITDA		2,205	2,217	2,161	2.6%	4,422	4,279	3.3%	8,401
Special factors affecting EBITDA		(25)	(39)	(118)	66.9%	(64)	(255)	74.9%	(535)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		2,230	2,256	2,279	(1.0)%	4,486	4,534	(1.1)%	8,936
EBITDA margin (adjusted for special factors)	%	40.7	41.3	40.6		41.0	40.6		39.7
CASH CAPEX		(705)	(1,018)	(644)	(58.1)%	(1,723)	(1,238)	(39.2)%	(3,411)

Total revenue.

Revenue decreased by 1.7 percent year-on-year in the first half of 2014. This was precipitated by the 2.7-percent decline in revenue in the traditional fixed-network business. The marketing of our TV lines and higher revenue from sales of media receivers and routers had a positive effect on fixed-network business, but were unable to compensate for the decline in revenue from broadband business and traditional fixed-network telephony. Despite high competitive pressure, mobile revenue remained stable. The encouraging development in the business customer segment and our second brand “congstar” almost offset the decline in revenue from our first brand and from resellers.

Revenue from Consumers decreased by 2.8 percent, mainly due to a volume- and price-related downturn in the fixed network. Mobile revenues declined by 2.1 percent. While mobile service revenues decreased by 1.9 percent owing to a decline in voice telephony and lower revenues from text messages, especially in the prepay segment, we recorded a substantial 33.3-percent increase in data revenues. Revenue from mobile terminal equipment declined by 2.8 percent, mainly due to lower volumes and a shift in the mix of terminal devices.

Revenue from Business Customers rose by 0.6 percent. This positive trend primarily resulted from growth in mobile service revenues, especially in data revenue. The decline in revenue from traditional voice telephony had an offsetting effect.

The growth in Wholesale revenue of 0.7 percent is attributable to an extraordinary effect in the first half of the prior year, which was due to retroactive price reductions for unbundled local loop lines. Excluding this effect, Wholesale revenue declined slightly by 1.8 percent as a result of volume- and price-related effects, mainly in relation to interconnection calls and lines. This was partly compensated by the positive trend in unbundled lines.

The decrease in revenue from Value-Added Services of 21.6 percent mainly resulted from weaker use of premium rate call numbers and the decline in revenue attributable to the exit from the digital out-of-home advertising business in the fourth quarter of 2013.

EBITDA, adjusted EBITDA.

EBITDA adjusted for special factors decreased slightly by 1.1 percent year-on-year to EUR 4.5 billion, primarily as a result of higher costs for staff due to collectively agreed pay increases, for the IP transformation, and for the integrated network build-out. With an adjusted EBITDA margin of 41.0 percent, we are above our target level of 40 percent. EBITDA in the first half of 2014 amounted to EUR 4.4 billion, an increase of 3.3 percent on the prior-year period, due in particular to higher special factors for expenses in connection with our staff restructuring in the previous year.

EBIT.

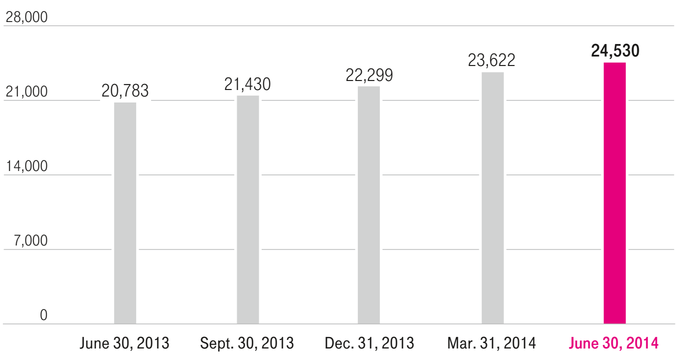
Profit from operations in our Germany operating segment increased by 6.6 percent year-on-year to EUR 2.5 billion. This was primarily attributable to lower special factors in the first half of 2014 compared with the prior-year period.

Cash capex.

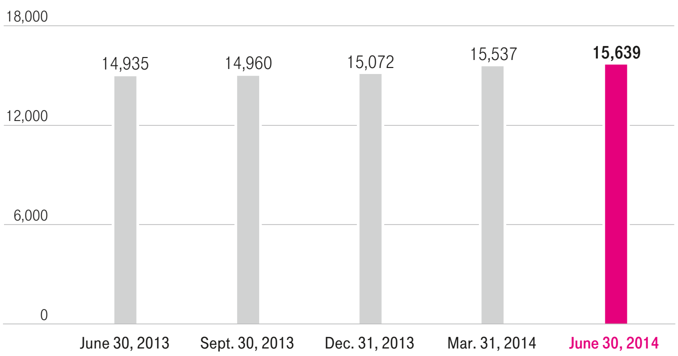
Cash capex increased by EUR 485 million in the first half of 2014 compared with the prior-year period. During the first half of 2014, we increased our investments in the fiber-optic cable roll-out, our IP transformation, and our LTE infrastructure as part of our integrated network strategy.

UNITED STATES.
CUSTOMER DEVELOPMENT.

Branded postpaid customers.
thousands



Branded prepay customers.
thousands



thousands

	June 30, 2014	Mar. 31, 2014	Change June 30, 2014/ Mar. 31, 2014 %	Dec. 31, 2013	Change June 30, 2014/ Dec. 31, 2013 %	June 30, 2013	Change June 30, 2014/ June 30, 2013 %
UNITED STATES							
Mobile customers	50,545	49,075	3.0 %	46,684	8.3 %	44,016	14.8 %
Branded customers	40,169	39,159	2.6 %	37,371	7.5 %	35,718	12.5 %
Branded postpaid	24,530	23,622	3.8 %	22,299	10.0 %	20,783	18.0 %
Branded prepay	15,639	15,537	0.7 %	15,072	3.8 %	14,935	4.7 %
Wholesale customers	10,376	9,916	4.6 %	9,313	11.4 %	8,298	25.0 %
M2M	4,047	3,822	5.9 %	3,602	12.4 %	3,423	18.2 %
MVNOs	6,329	6,094	3.9 %	5,711	10.8 %	4,875	29.8 %

At June 30, 2014, the United States operating segment (T-Mobile US) had 50.5 million customers compared to 46.7 million customers at December 31, 2013. This increase in net customers of 3.9 million in the first half of 2014 was an improvement compared to a net increase of 1.7 million in the first half of 2013. In the first half of 2014, the increase in net customers was the result of growth in all customer categories, as described below.

Branded customers. Branded postpaid net customer additions improved to 2,231 thousand for the six months ended June 30, 2014, compared to 490 thousand for the six months ended June 30, 2013. The significant improvement in customer development was attributable to increased new customer activations and improved branded postpaid churn. Growth in branded postpaid gross customer additions resulted primarily from strong response to the company's Un-carrier value proposition and the sales of popular handsets. Additionally, positive customer response to mobile broadband offers contributed to the increase in branded postpaid net customer additions.

Branded prepay net customer additions were 567 thousand for the six months ended June 30, 2014, compared to 191 thousand for the six months ended June 30, 2013. The improvement was primarily attributable to higher branded prepaid gross customer additions primarily due to the acquisition and subsequent expansion of the MetroPCS brand, including the launch in 30 additional markets during 2013.

Wholesale customers. Wholesale net customer additions were 1,063 thousand for the six months ended June 30, 2014, compared to wholesale net customer additions of 1,028 thousand for the six months ended June 30, 2013. The increase in wholesale net customer additions was primarily the result of MVNO growth in government subsidized Lifeline programs and monthly plans offered by the company's MVNO partners. Both MVNO and M2M customers continued to grow in the six months ended June 30, 2014.

DEVELOPMENT OF OPERATIONS.

millions of €

		Q1 2014	Q2 2014	Q2 2013	Change %	H1 2014	H1 2013	Change %	FY 2013
TOTAL REVENUE		5,074	5,270	4,825	9.2 %	10,344	8,366	23.6 %	18,556
Profit from operations (EBIT)		154	707	355	99.2 %	861	813	5.9 %	1,404
EBIT margin	%	3.0	13.4	7.4		8.3	9.7		7.6
Depreciation, amortization and impairment losses		(641)	(704)	(529)	(33.1) %	(1,345)	(925)	(45.4) %	(2,238)
EBITDA		795	1,411	884	59.6 %	2,206	1,738	26.9 %	3,642
Special factors affecting EBITDA		(49)	328	(46)	n.a.	279	(80)	n.a.	(232)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		844	1,083	930	16.5 %	1,927	1,818	6.0 %	3,874
EBITDA margin (adjusted for special factors)	%	16.6	20.6	19.3		18.6	21.7		20.9
CASH CAPEX		(690)	(2,397)	(804)	n.a.	(3,087)	(1,656)	(86.4) %	(3,279)

Total revenue.

Total revenue for our United States operating segment of EUR 10.3 billion in the first half of 2014 increased by 23.6 percent compared to EUR 8.4 billion in the first half of 2013. T-Mobile US total revenues increased by 29.2 percent year-on-year due primarily to the inclusion of MetroPCS results since May 2013. Excluding MetroPCS operating results, service revenues increased due primarily to an increase in the average number of branded postpaid customers driven by the continued success of the company's Un-carrier value proposition. This was partially offset by decreased average revenue per branded postpaid customer as a result of growth in Simple Choice plans, which have lower priced rate plans than other branded postpaid rate plans. In addition, equipment sales increased, including those sold on installment plans, driven by significant growth in the number of handsets sold due to higher customer additions and higher handset upgrade volumes.

EBITDA, adjusted EBITDA, adjusted EBITDA margin.

Adjusted EBITDA increased in the first half of 2014 by 6.0 percent to EUR 1.9 billion compared to EUR 1.8 billion in the first half of 2013. Adjusted EBITDA in the first half of 2014 excludes EUR 0.3 billion primarily associated with a EUR 0.4 billion in gains on spectrum license transactions with Verizon Communications partially offset by stock-based compensation and integration-related costs associated with the business combination with MetroPCS. In U.S. dollars, adjusted EBITDA increased by 10.6 percent, including the positive impact from inclusion of MetroPCS activity since May 2013. Adjusted EBITDA was also impacted by increased branded postpaid revenues resulting from growth in the branded postpaid customer base due to the positive response to the company's Un-carrier value proposition. These increases were partially offset by higher promotional costs, increased commission expense on higher gross customer additions, and an increase in loss on equipment sales due to higher volumes of smartphone sales. The adjusted EBITDA margin decreased year-on-year due to the factors described above, as increases in service revenues outpaced adjusted EBITDA growth for the first half of 2014.

EBIT.

EBIT increased by 5.9 percent to EUR 861 million in the first half of 2014 from EUR 813 million in the first half of 2013 driven by higher adjusted EBITDA and the recognition of gains on spectrum license transactions, offset by higher depreciation expense due to the inclusion of MetroPCS operating results since May 2013 and the deployment of LTE network assets related to the network modernization program.

Cash capex.

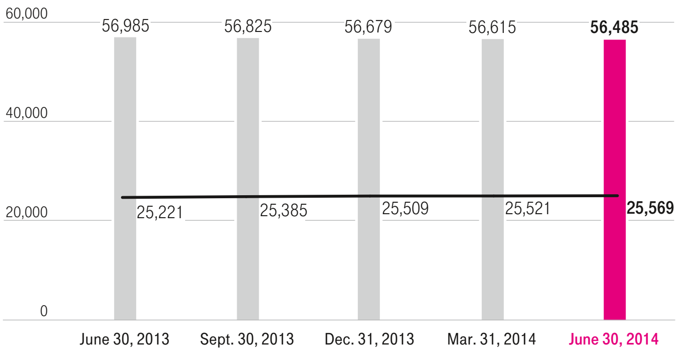
Cash capex increased by EUR 1.4 billion in the first half of 2014 due to the purchase of 0.7 GHz A-Block spectrum licenses totaling EUR 1.7 billion partially offset by the timing of network spend in connection with the T-Mobile US LTE network modernization program.

EUROPE.

The ICSS/GNF business of the local business units (LBUs), which had previously been organizationally assigned to the Systems Solutions operating segment, was brought together as of January 1, 2014 and is now reported under the Europe operating segment. Furthermore, as of January 1, 2014, the local business customer units of T-Systems Czech Republic, which had previously been managed under the Systems Solutions operating segment, were merged with T-Mobile Czech Republic; they are reported in the Europe operating segment. Comparative figures have been adjusted retrospectively. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, page 46.

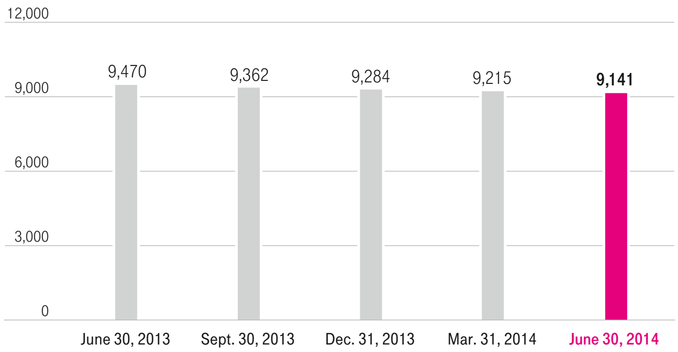
CUSTOMER DEVELOPMENT.

Mobile customers.
thousands

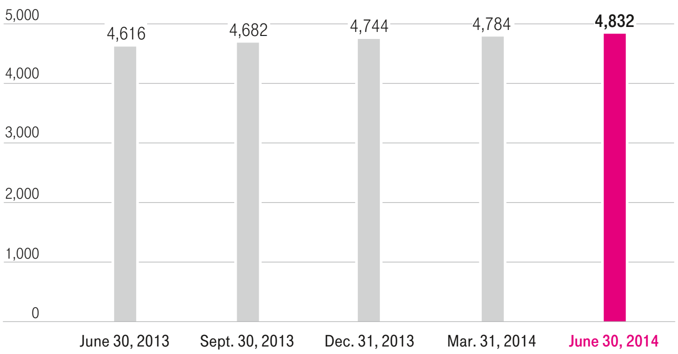


— Contract customers

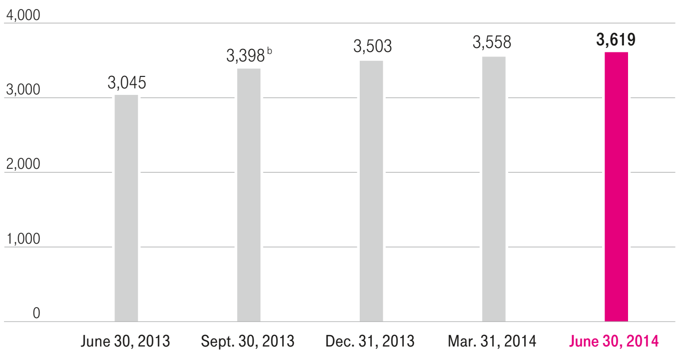
Fixed-network lines.[a]
thousands



Retail broadband lines.[a]
thousands



Television (IPTV, satellite, cable).[a]
thousands



[a] The fixed-network lines of our subsidiary Euronet Communications in the Netherlands have no longer been included in the Europe operating segment since January 2, 2014 following the sale of the shares held in the company. They have been eliminated from all historical customer figures to improve comparability.
[b] The number of TV customers increased as of September 1, 2013 in connection with the acquisition of DIGI Slovakia.

thousands

		June 30, 2014	Mar. 31, 2014	Change June 30, 2014/ Mar. 31, 2014 %	Dec. 31, 2013	Change June 30, 2014/ Dec. 31, 2013 %	June 30, 2013	Change June 30, 2014/ June 30, 2013 %
EUROPE, TOTAL[a]	Mobile customers	56,485	56,615	(0.2)%	56,679	(0.3)%	56,985	(0.9)%
	Fixed-network lines	9,141	9,215	(0.8)%	9,284	(1.5)%	9,470	(3.5)%
	Of which: IP-based	2,925	2,680	9.1%	2,472	18.3%	1,968	48.6%
	Retail broadband lines	4,832	4,784	1.0%	4,744	1.9%	4,616	4.7%
	Television (IPTV, satellite, cable)	3,619	3,558	1.7%	3,503	3.3%	3,045	18.9%
	Unbundled local loop lines (ULLs)/wholesale PSTN	2,268	2,261	0.3%	2,230	1.7%	2,210	2.6%
	Wholesale bundled lines	156	158	(1.3)%	150	4.0%	153	2.0%
	Wholesale unbundled lines	122	113	8.0%	101	20.8%	86	41.9%
GREECE	Mobile customers	7,398	7,416	(0.2)%	7,477	(1.1)%	7,602	(2.7)%
	Fixed-network lines	2,675	2,702	(1.0)%	2,746	(2.6)%	2,849	(6.1)%
	Broadband lines	1,333	1,299	2.6%	1,286	3.7%	1,257	6.0%
ROMANIA	Mobile customers	6,046	6,080	(0.6)%	6,153	(1.7)%	6,106	(1.0)%
	Fixed-network lines	2,308	2,341	(1.4)%	2,369	(2.6)%	2,401	(3.9)%
	Broadband lines	1,200	1,200	–	1,193	0.6%	1,156	3.8%
HUNGARY	Mobile customers	4,898	4,878	0.4%	4,887	0.2%	4,838	1.2%
	Fixed-network lines	1,611	1,595	1.0%	1,596	0.9%	1,597	0.9%
	Broadband lines	944	936	0.9%	922	2.4%	891	5.9%
POLAND	Mobile customers	15,675	15,748	(0.5)%	15,563	0.7%	15,969	(1.8)%
CZECH REPUBLIC	Mobile customers	5,946	5,912	0.6%	5,831	2.0%	5,667	4.9%
	Fixed-network lines	130	130	–	129	0.8%	126	3.2%
	Broadband lines	132	131	0.8%	129	2.3%	126	4.8%
CROATIA	Mobile customers	2,308	2,272	1.6%	2,303	0.2%	2,350	(1.8)%
	Fixed-network lines	1,114	1,138	(2.1)%	1,133	(1.7)%	1,174	(5.1)%
	Broadband lines	680	678	0.3%	670	1.5%	665	2.3%
NETHERLANDS	Mobile customers	4,277	4,343	(1.5)%	4,441	(3.7)%	4,561	(6.2)%
SLOVAKIA	Mobile customers	2,237	2,257	(0.9)%	2,262	(1.1)%	2,273	(1.6)%
	Fixed-network lines	908	914	(0.7)%	922	(1.5)%	932	(2.6)%
	Broadband lines	540	532	1.5%	521	3.6%	496	8.9%
AUSTRIA	Mobile customers	4,118	4,105	0.3%	4,091	0.7%	4,073	1.1%
OTHER[b]	Mobile customers	3,582	3,604	(0.6)%	3,671	(2.4)%	3,548	1.0%
	Fixed-network lines	394	396	(0.5)%	390	1.0%	392	0.5%
	Broadband lines	281	278	1.1%	274	2.6%	265	6.0%

[a] The fixed-network lines of our subsidiary Euronet Communications in the Netherlands have no longer been included in the Europe operating segment since January 2, 2014 following the sale of the shares held in the company. They have been eliminated from all historical customer figures to improve comparability.
[b] Other includes national companies of Albania, the F.Y.R.O. Macedonia, and Montenegro. The lines of the GTS Central Europe group will be reported from the third quarter of 2014.

Total.
As of June 30, 2014, there was a varied but overall optimistic picture in development in customer numbers in the markets of our Europe operating segment compared with the end of the prior year. Despite ongoing intense competition, slight improvements in the economic situation in some countries of our operating segment gave rise to initial slightly positive effects on customer numbers. The mobile contract customer base in particular reflected this trend. The number of mobile customers stabilized at almost the same level as at the end of 2013, although there was a slight decline in the number of prepay customers. In broadband business, the positive trends of the previous quarters continued, in particular as a result of our strategy of continuously driving forward the roll-out of broadband technology. The number of broadband lines increased by 1.9 percent compared with the end of 2013. Products based on fiber-optic technology in particular are becoming increasingly popular with our customers. TV business also profited from this trend, growing 3.3 percent compared with December 31, 2013. The number of IP lines grew substantially by 18.3 percent compared with the end of 2013, also due to the successful migration of traditional PSTN lines to IP technology in many countries of our Europe operating segment.

Mobile communications.
Mobile telephony and data services. As of the end of the first half of 2014, we had around 56.5 million mobile customers in total, more or less unchanged against the end of the prior year. Although the number of competitors we face on the European markets is constantly growing, we can set ourselves apart from the competition as a quality provider and, in many countries, also as the provider with the best mobile network. As part of our network strategy, we promise our customers an even faster broadband connection via mobile communications and systematically upgrade our networks with the 4G/LTE technology. And we are succeeding. Our LTE footprint now includes every mobile market in the countries of our operating segment except for Albania. The speed of our networks combined with the innovative bundled product offerings increased sales of mobile terminal equipment, especially smartphones and tablets. In view of the Business Customer area, our mobile networks constitute an identifiable competitive advantage. This is particularly clear in contract customer business: With some 25.6 million customers in total as of June 30, 2014, contract customers as a proportion of the total number of customers remained stable at 31 percent. Compared with the end of the prior year, the number of business customers increased slightly, thereby more than

offsetting the small decline in consumers. Most countries of our operating segment made a positive contribution to this growth, especially the Czech Republic.

As of the end of the first half of 2014, the number of prepay customers decreased compared with the end of 2013. This was due in part to intense competition, but also to the implementation of our long-term strategy of focusing on high-value contract customers.

Fixed network.

Telephony, Internet, and television. Our TV business has established itself over the last few quarters as a consistent growth driver in our Europe operating segment. As of June 30, 2014, the total TV customer base grew by 3.3 percent to around 3.6 million. The majority of the 116 thousand net additions were satellite TV customers, especially in Greece, and IPTV customers, especially in Hungary.

There was also an encouraging trend in the number of IP-based lines, which grew significantly by 18.3 percent compared with the end of the prior year to around 2.9 million. Compared with the six months of the prior year, the growth was almost as much as 50 percent. This growth was largely attributable to the successful migration to IP technology in our integrated countries, i.e., those countries where we offer both mobile and fixed-network services. Following the F.Y.R.O. Macedonia, Slovakia will now be the second country in the Group to complete the migration by the end of 2014. But we are also well on course in Croatia and Hungary. As of June 30, 2014, IP-based lines accounted for 32.0 percent of all lines overall. Around 9.1 million customers in our Europe operating segment used a fixed-network line as of June 30, 2014. The slight decline of 1.5 percent against the end of 2013 was primarily attributable to line losses in traditional telephony (PSTN).

The number of retail broadband lines increased by 1.9 percent compared with December 31, 2013 to more than 4.8 million and by as much as 4.7 percent compared with the end of the prior-year period. This growth was primarily driven by innovative rate plans that bundle television with Internet services. The increase compared with the end of the prior-year is mainly attributable to DSL business, in particular in Greece. The forward-looking VDSL technology enjoyed particularly dynamic growth here. Other access technologies, such as broadband cable lines in Hungary or FTTH lines, for example in Romania, also recorded encouraging growth rates.

DEVELOPMENT OF OPERATIONS.

millions of €

		Q1 2014	Q2 2014	Q2 2013	Change %	H1 2014	H1 2013	Change %	FY 2013
TOTAL REVENUE		3,125	3,163	3,435	(7.9)%	6,288	6,778	(7.2)%	13,704
Greece		691	697	744	(6.3)%	1,388	1,457	(4.7)%	2,988
Romania		261	242	248	(2.4)%	503	491	2.4%	1,017
Hungary		366	362	386	(6.2)%	728	779	(6.5)%	1,563
Poland		350	365	407	(10.3)%	715	792	(9.7)%	1,584
Czech Republic		214	217	249	(12.9)%	431	487	(11.5)%	973
Croatia		210	221	234	(5.6)%	431	458	(5.9)%	929
Netherlands		393	379	406	(6.7)%	772	799	(3.4)%	1,666
Slovakia		197	192	200	(4.0)%	389	392	(0.8)%	828
Austria		192	201	197	2.0%	393	400	(1.8)%	828
Other[a]		301	336	426	(21.1)%	637	834	(23.6)%	1,548
Profit from operations (EBIT)		401	416	430	(3.3)%	817	868	(5.9)%	972
EBIT margin	%	12.8	13.2	12.5		13.0	12.8		7.1
Depreciation, amortization and impairment losses		(611)	(658)	(686)	4.1%	(1,269)	(1,387)	8.5%	(3,399)
EBITDA		1,012	1,074	1,116	(3.8)%	2,086	2,255	(7.5)%	4,371
Special factors affecting EBITDA		(15)	(24)	(1)	n.a.	(39)	41	n.a.	(179)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		1,027	1,098	1,117	(1.7)%	2,125	2,214	(4.0)%	4,550
Greece		260	282	282	–	542	564	(3.9)%	1,165
Romania		66	70	65	7.7%	136	128	6.3%	283
Hungary		94	123	119	3.4%	217	212	2.4%	438
Poland		134	141	147	(4.1)%	275	287	(4.2)%	599
Czech Republic		92	91	111	(18.0)%	183	220	(16.8)%	425
Croatia		82	86	99	(13.1)%	168	187	(10.2)%	404
Netherlands		148	150	108	38.9%	298	222	34.2%	495
Slovakia		78	76	78	(2.6)%	154	162	(4.9)%	337
Austria		44	60	40	50.0%	104	95	9.5%	192
Other[a]		32	16	71	(77.5)%	48	140	(65.7)%	216
EBITDA margin (adjusted for special factors)	%	32.9	34.7	32.5		33.8	32.7		33.2
CASH CAPEX		(585)	(422)	(522)	19.2%	(1,007)	(1,906)	47.2%	(3,661)

The contributions of the national companies correspond to their respective unconsolidated financial statements and do not take consolidation effects at operating segment level into account.

[a] Other: national companies of Bulgaria (up to and including July 31, 2013), Albania, the F.Y.R.O. Macedonia, and Montenegro, as well as ICSS (International Carrier Sales & Solutions), the ICSS/GNF business of the LBUs, GNF (Global Network Factory), GTS Central Europe group (since May 30, 2014), Europe Headquarters, and Group Technology.

Total revenue.
In the first half of 2014, our Europe operating segment generated total revenue of EUR 6.3 billion, down 7.2 percent compared with the prior-year period. At an operational level excluding consolidation and exchange rate effects, segment revenue decreased by 4.0 percent. In addition to disposals in the previous year, for example, of Hellas Sat or our subsidiaries in Bulgaria, and the resulting lost contributions to revenue, we sold our shares in Euronet Communications in the Netherlands on January 2, 2014. Furthermore, revenue was impacted by negative exchange rate effects compared with the euro, especially the Hungarian forint and the Czech koruna. The inclusion of DIGI Slovakia from September 1, 2013 and the GTS Central Europe group from May 30, 2014 had a positive effect on revenue development.

In operational terms, decisions by regulatory authorities had a substantial negative impact on our segment revenue: Reduced mobile termination rates and roaming regulations in almost all countries of our Europe operating segment were responsible for half of the decline in our revenue from operations. In addition, competition-induced price reductions had a negative effect on our mobile and fixed-network revenue.

Considering segment revenue by country, mobile business in Poland was hit hardest by revenue declines in absolute terms in the first half of 2014, on the one hand as a result of the reduction in mobile termination rates in 2013, and on the other due to the development of the market. Other countries of our operating segment, including the Czech Republic and Croatia, also sustained regulation- and market-induced revenue losses. Mobile business in Greece was also strongly affected, mainly due to the declining market. At segment level, revenue from consumer business declined slightly more than that from business customers. Wholesale business overall was likewise on a downturn. Slight offsetting effects at segment level were attributable to the revenue trend in Romania and the Netherlands. In Romania, we generated higher revenues in B2B/ICT and wholesale business, thus more than offsetting declines in voice telephony. In the Netherlands, higher revenues mainly related to the mobile data business and increased sales of terminal equipment.

Due to the consistent focus on the growth areas in the countries of our Europe operating segment, we partially compensated the negative revenue effects from voice telephony at segment level. Revenue from mobile data business grew by around 15 percent overall or EUR 100 million (excluding consolidation and exchange rate effects) compared with the first half of the prior year, increasing in all countries of our operating segment, especially in the Netherlands, the Czech Republic, Austria, and Hungary. The majority of this revenue was attributable to consumer business. Thanks to attractive rate plans combined with our broad portfolio of terminal equipment, such as smartphones and tablets, we gained more contract customers, as is also reflected in the increased use of data services. In TV business, the positive trend of the past few quarters continued: TV revenue increased year-on-year by 32 percent, excluding the acquisition of DIGI Slovakia by 26 percent. As a result of our broadband roll-out in the fixed network and in mobile communications, we won significantly more customers with our TV offering – around 19 percent compared with the same period in the prior year – especially in Slovakia, Greece, Romania, and Hungary. Thanks to the expansion of our product and service portfolio, our revenue from B2B/ICT business customers also increased compared to the prior-year period, with Slovakia, Romania, and Greece making the largest contribution. In addition to the growth areas, there was also a positive trend in revenue from terminal equipment sales compared with the prior-year period. This revenue increase is due in part to the fact that some countries of our Europe operating segment have introduced an alternative model to the conventional bundled rate plans. In contrast to these bundled rate plans, which include a discounted terminal device but higher service charges, the alternative model is distinctive in that the customer concludes separate contracts for the service and the device. The customer pays a regular monthly service charge and in addition, a monthly charge for the chosen device. This makes the device affordable for the customer even without subsidies.

EBITDA, adjusted EBITDA.
Our Europe operating segment generated adjusted EBITDA of EUR 2.1 billion in the first half of 2014, a year-on-year decrease of 4.0 percent. Excluding consolidation effects and the negative exchange rate effects against the euro, adjusted EBITDA stabilized at the prior-year level. Increased adjusted EBITDA contributions in countries such as the Netherlands and Hungary as well as in the fixed-network business in Greece and Romania had a substantial positive effect on the adjusted EBITDA trend. These positive effects were offset by decreases, primarily in the mobile business in Greece, the Czech Republic, Croatia, Slovakia, and Poland.

The overall decrease in revenue from operations at segment level had a negative impact on the development of adjusted EBITDA compared with the prior-year period. Changes in legislation, taxes and duties, and national austerity programs put additional pressure on the development of earnings. By systematically reducing indirect costs through our efficiency enhancement measures, we offset the negative effect from the decline in revenue. Lower personnel costs in the Greek fixed-network business in particular made a positive contribution. Earnings also benefited from the revenue contribution from the alternative model for terminal equipment. In addition, our direct costs decreased overall thanks to targeted measures for customer retention and acquisition on the one hand, and as a result of a regulation-induced reduction in interconnection costs on the other. In addition to the aforementioned reasons, the decline in EBITDA is mainly attributable to the deconsolidation gain from the sale of Hellas Sat as of March 31, 2013, included as a special factor in the prior year.

Development of operations in selected countries.
The Europe operating segment pursues the vision of developing our entities into integrated, pan-European all-IP players. As part of this strategic focus, our entities have been assigned to four clusters according to their respective market position (for further information, please refer to the 2013 Annual Report, page 102). Below, we present one national company for each of the four clusters by way of example.

Greece (senior leader). Revenue in Greece totaled EUR 1.4 billion in the first half of 2014, a year-on-year decline of 4.7 percent. Adjusted for the revenue lost since April 1, 2013 in connection with the sale of Hellas Sat, revenue decreased by 4.3 percent. The remaining operational decline was largely attributable to the mobile business. Mobile voice revenues came under pressure due in part to the increasing attractiveness of flat rates and the associated lower pricing, despite a slight increase in net customer additions. This effect was partially offset by slightly higher revenues from mobile data services compared with the prior-year period, due in part to higher Internet usage. Slight increases in terminal equipment sales made a positive contribution to revenue development.

The fixed-network area was also affected by revenue reductions, mainly driven by decreases in voice services, which were adversely affected by line losses in traditional telephony of around 6 percent. Broadband business was unable to offset this trend in the year-on-year comparison, since the positive effect from the encouraging growth in DSL lines was nullified by a lower price level. TV business continued its encouraging growth trend in the first half of 2014, even more than doubling its revenue year-on-year. We won many new customers with our expanded TV offering, which now also includes exclusive soccer content, for example.

In Greece, adjusted EBITDA decreased to EUR 542 million in the first half of 2014, a year-on-year decline of 3.9 percent. Excluding the effects from the deconsolidation of Hellas Sat, adjusted EBITDA decreased by 3.0 percent, mainly due to the negative revenue effects, especially in mobile business. We partially compensated these negative effects with our programs to enhance efficiency in fixed-network and mobile business. The success of these programs can be seen in particular in the fixed network with lower personnel costs due to lower staff levels. The development in direct costs also made a slightly positive contribution to EBITDA.

Slovakia (junior leader). Our Slovakian subsidiary generated revenue of EUR 389 million in the first half of 2014, which is almost stable against the prior-year period. Excluding the effects from the inclusion of DIGI Slovakia as of September 1, 2013, revenue decreased by 4.3 percent. This decline relates entirely to mobile business. Regulation-induced reductions in termination rates and the lower price level in mobile voice revenues continued to place significant pressure on our revenues. This was only partially offset by increased use of voice services. Mobile data services remained a constant driver of growth again in the first half of 2014, increasing 13 percent thanks in part to the intensified usage of data services. Fixed-network revenue increased year-on-year in the first half of 2014, despite the losses in voice telephony attributable to line losses in traditional telephony and lower prices. TV business likewise performed well in Slovakia, also as a result of the acquisition of DIGI Slovakia last year. In addition, the B2B/ICT business with business customers increased significantly against the prior-year period. Our Slovakian subsidiary again made substantial progress in the migration of PSTN lines to the forward-looking IP technology: As of June 30, 2014, we recorded a migration rate of around 80 percent.

Adjusted EBITDA amounted to EUR 154 million in the first half of 2014, down 4.9 percent year-on-year. Excluding the effects from the acquisition of DIGI Slovakia, adjusted EBITDA decreased by 7.4 percent, largely due to revenue losses. In addition, direct costs increased slightly, for example in B2B/ICT business. The decline was largely offset by a regulation-induced reduction in interconnection costs and optimized spending for customer retention and acquisition. Savings in indirect costs, including personnel costs, made a positive contribution.

Poland (mobile runner-up). In the first half of 2014, our revenue in Poland totaled EUR 715 million, down 9.7 percent year-on-year. This decline was mainly driven by regulation-induced reductions in termination charges in 2013. The lower price level in the Polish mobile market also had a negative effect on our revenue. Revenue from text messaging also declined compared with the first half of 2013 as a result of a lower average price, coupled with reduced usage of the text messaging service. The sale of terminal equipment decreased slightly year-on-year in the first half of 2014, due to the fact that terminal equipment sales had been particularly high in the first half of 2013. The decline was only partially offset by higher revenue in mobile data business.

Adjusted EBITDA amounted to EUR 275 million in the first half of 2014, down 4.2 percent year-on-year. The revenue decline was partially offset by the regulation-induced reduction in interconnection costs and a more personalized dialog with customers for the purpose of customer retention and acquisition. Strict cost management in terms of indirect costs also had a positive effect on adjusted EBITDA.

Netherlands (smart attacker). In the first half of 2014, we generated revenue of EUR 772 million in the Netherlands, a decline of 3.4 percent. Excluding the effects arising from the disposal of Euronet Communications as of January 2, 2014, revenue increased by 1.6 percent year-on-year. On the one hand, this operational increase was driven substantially by the development of mobile data business, which grew by 25 percent compared with the first half of 2013. The new rate plans introduced in September last year and the ongoing high demand for smartphones resulted in substantially higher usage of data services. On the other hand, revenue from terminal equipment sales to branded and wholesale customers increased, offsetting the partly regulation-induced and partly price-related decreases in voice revenues.

Adjusted EBITDA rose by 34.2 percent year-on-year in the first half of 2014 to EUR 298 million. This was attributable to expenses no longer incurred as a result of the sale of shares in Euronet Communications, reduced direct costs, primarily due to more targeted measures for customer retention and acquisition as well as regulation-induced lower interconnection costs. In addition, savings in indirect costs, for example, in costs for goods and services purchased, made a positive contribution to EBITDA.

EBIT.
EBIT in our Europe operating segment totaled EUR 817 million in the first half of 2014, down 5.9 percent, mainly as a result of the decline in EBITDA. Lower depreciation and amortization, among other factors, attributable to the sale of our subsidiaries in Bulgaria as well as targeted capital expenditure initiatives in most countries of our operating segment, counteracted the negative effects from the decline in EBITDA. Depreciation was reduced in particular in Poland, Greece, and Hungary.

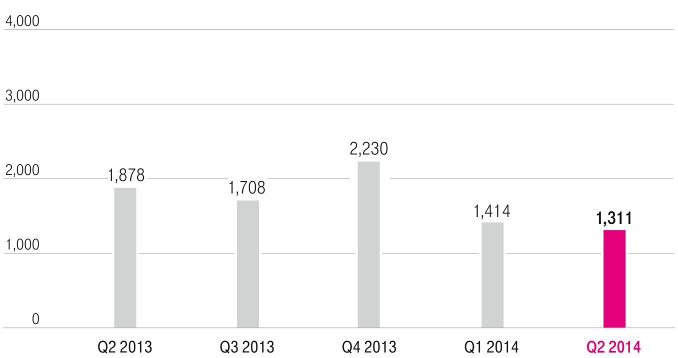
Cash capex.
In the first half of 2014, our Europe operating segment reported cash capex of EUR 1.0 billion, i.e., down by 47.2 percent, primarily due to the acquisition of mobile licenses in the Netherlands and Romania in the first half of 2013. Excluding the effects from the acquisition of spectrum and the sale of the national companies in Bulgaria, cash capex at segment level remained stable overall at the prior-year level, since our national companies continued to act very prudently in their capital spending. The reasons for this included the difficult market situation, decisions by regulatory authorities, and additional financial burdens, such as taxes.

SYSTEMS SOLUTIONS.

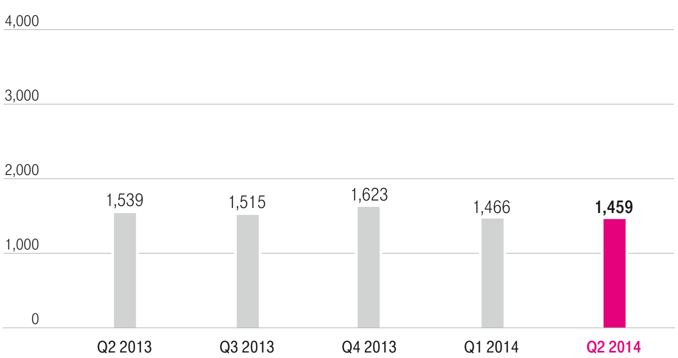
The ICSS/GNF business of the local business units (LBUs), which had previously been organizationally assigned to the Systems Solutions operating segment, was brought together as of January 1, 2014 and is now reported under the Europe operating segment. Furthermore, as of January 1, 2014, the local business customer units of T-Systems Czech Republic, which had previously been managed under the Systems Solutions operating segment, were merged with T-Mobile Czech Republic; they are reported in the Europe operating segment. Comparative figures have been adjusted retrospectively. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, page 46.

SELECTED KPIs.

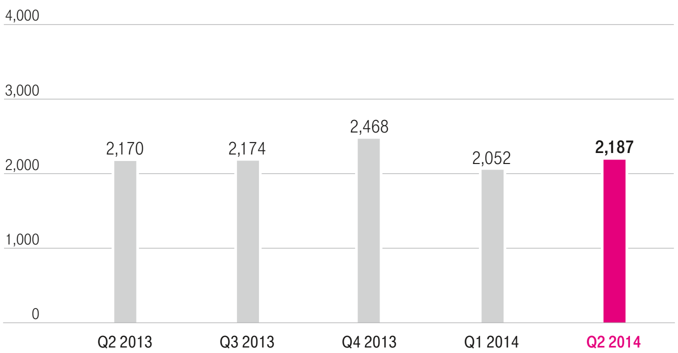
Order entry.
millions of €



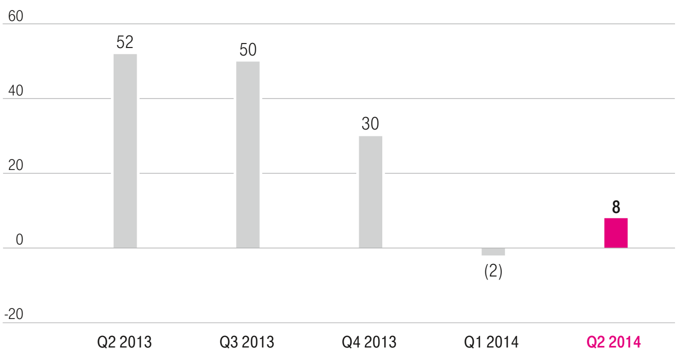
External revenue.
millions of €



Revenue.
millions of €



Adjusted EBIT.
millions of €



		June 30, 2014	Mar. 31, 2014	Change June 30, 2014/ Mar. 31, 2014 %	Dec. 31, 2013	Change June 30, 2014/ Dec. 31, 2013 %	June 30, 2013	Change June 30, 2014/ June 30, 2013 %
ORDER ENTRY	millions of €	2,725	1,414	n.a.	7,792	n.a.	3,854	(29.3)%
COMPUTING & DESKTOP SERVICES								
Number of servers managed and serviced	units	61,546	61,887	(0.6)%	62,308	(1.2)%	58,520	5.2%
Number of workstations managed and serviced	millions	1.49	1.34	11.2%	1.31	13.7%	1.21	23.1%
SYSTEMS INTEGRATION								
Hours billed	millions	3.2	1.7	n.a.	6.6	n.a.	3.4	(5.9)%
Utilization rate	%	82.3	82.8	(0.5)%p	82.5	(0.2)%p	82.0	0.3%p

Development of business.
In the first six months of 2014, we concluded new contracts in Germany and abroad. In the automotive sector, for example, Daimler AG awarded T-Systems one of the largest systems integration contracts in the history of the company. Nevertheless, order entry in the reporting period was down 29.3 percent year-on-year. This development is attributable to the start of the realignment of the business model, aimed at ensuring sustained profitable growth in the future. In this context, we tightened up the profitability criteria for the acceptance of new orders. The services that continue to yield low profits will in future be offered via specialist partners or even be discontinued completely if demand is not lucrative enough. Strengthened by the realignment, our standard solutions from our growth area of cloud computing in particular won out over strong competition. We further expanded our dynamic resources from the cloud accordingly in the reporting period. For our customers, this means that they receive bandwidth, computing capacity, memory and software as they require it, while sharing infrastructure and paying only according to what they actually use. The roll-out of the new version of the “Dynamic Services for Collaboration” (DSC) product will extend the successful cloud offering, which is now also available for smaller companies with upwards of 1,000 workstations – compared with 5,000 in the past. Several international companies are already using this offering, which means that the DSC platform from our secure private cloud now supplies around 1.5 million workstations.

To meet the requirements from the new deals, we are continuously modernizing and consolidating our ICT resources. The number of servers managed and serviced increased by 5.2 percent compared with the first half of 2013. We partially compensated for the greater demand for resources with higher-performance servers and improved utilization management. A similar trend was seen in data centers, where consolidation, e.g., in Magdeburg, is creating larger, higher-performance units. The number of workstations managed and serviced increased by 23.1 percent to 1.49 million compared with the first half of 2013.

DEVELOPMENT OF OPERATIONS.

millions of €

		Q1 2014	Q2 2014	Q2 2013	Change %	H1 2014	H1 2013	Change %	FY 2013
TOTAL REVENUE		2,052	2,187	2,170	0.8%	4,239	4,396	(3.6)%	9,038
Loss from operations **(EBIT)**		(59)	(131)	(116)	(12.9)%	(190)	(185)	(2.7)%	(294)
Special factors affecting EBIT		(57)	(139)	(168)	17.3%	(196)	(242)	19.0%	(431)
EBIT (adjusted for special factors)		(2)	8	52	(84.6)%	6	57	(89.5)%	137
EBIT margin (adjusted for special factors)	%	(0.1)	0.4	2.4		0.1	1.3		1.5
Depreciation, amortization and impairment losses		(140)	(286)	(157)	(82.2)%	(426)	(334)	(27.5)%	(652)
EBITDA		81	155	41	n.a.	236	149	58.4%	358
Special factors affecting EBITDA		(57)	(133)	(169)	21.3%	(190)	(229)	17.0%	(416)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		138	288	210	37.1%	426	378	12.7%	774
EBITDA margin (adjusted for special factors)	%	6.7	13.2	9.7		10.0	8.6		8.6
CASH CAPEX		(253)	(254)	(213)	(19.2)%	(507)	(422)	(20.1)%	(1,066)

Total revenue.
Total revenue in our Systems Solutions operating segment in the reporting period amounted to EUR 4.2 billion, a year-on-year decrease of 3.6 percent. This is largely due to the anticipated decline in revenue in connection with the realignment commenced.

At EUR 3.4 billion, revenue generated by the Market Unit, i.e., mainly from the business with external customers, was 6.7 percent below the prior-year level. Both national and international revenue decreased compared with the prior-year period. The sale of T-Systems Italia and the SI business unit at T-Systems France in the first half of 2013 as well as exchange rate effects had a negative impact on revenue. The anticipated decline in revenue resulting from the realignment was exacerbated by the general downward trend in prices in the IT and communications business.

In the Telekom IT business unit, which essentially pools the Group's domestic internal IT projects, revenue totaled EUR 0.9 billion, up 8.7 percent compared with the prior-year level. The year-on-year increase in revenue is attributable to a partial settlement of the advanced implementation of the Group-wide ERP system in the second quarter of 2014.

EBITDA, adjusted EBITDA.
Adjusted EBITDA in our Systems Solutions operating segment increased by EUR 48 million or 12.7 percent in the reporting period due to a substantially higher contribution from Telekom IT. Adjusted EBITDA from the Market Unit decreased significantly, due among other factors to necessary expenses for realigning the business model with the goal of ensuring sustained profitable growth in the future. The adjusted EBITDA margin increased from 8.6 percent in the prior-year period to 10.0 percent in the first half of 2014. EBITDA increased by EUR 87 million compared with the prior-year period to EUR 236 million. Special factors were below the prior-year level, largely due to the expense incurred in connection with the sale of T-Systems Italia in the first half of 2013.

EBIT, adjusted EBIT.
Adjusted EBIT for the first half of 2014 was EUR 51 million lower than in the prior-year period. Depreciation, amortization and impairment losses were higher than in the prior year, in particular as result of the advanced implementation of the Group-wide ERP system. The adjusted EBIT margin decreased from 1.3 to 0.1 percent in the reporting period.

Cash capex.
Cash capex was up by EUR 85 million year-on-year to EUR 507 million in the reporting period. This increase is related to the realignment of the business model, which we are developing further in line with the increasing digitization of enterprises. For this reason, we are investing in intelligent network solutions such as the connected car, healthcare or energy, as well as cutting-edge digital innovation areas like cloud computing and cyber security. Enhanced efficiency, for example as a result of the standardization of the ICT platforms, also had an offsetting effect.

GROUP HEADQUARTERS & GROUP SERVICES.

Group Headquarters & Group Services comprises all Group units that cannot be allocated directly to one of the operating segments. For more information, please refer to the section "Group structure" in the 2013 Annual Report, page 62 et seq.

Vivento, our personnel service provider, acted once again in the first half of 2014 as the central contact supporting the operating segments in their staff restructuring measures. Vivento secures external employment opportunities for civil servants and employees, predominantly in the public sector. For this, the service provider has additionally taken on a new central role since the beginning of the year with the aim of retaining professional expertise within the Group, so as to reduce the use of external staff.

DEVELOPMENT OF OPERATIONS.

millions of €

	Q1 2014	Q2 2014	Q2 2013	Change %	H1 2014	H1 2013	Change %	FY 2013
TOTAL REVENUE	622	610	761	(19.8)%	1,232	1,452	(15.2)%	2,879
Of which: Digital Business Unit	156	137	234	(41.5)%	293	447	(34.5)%	970
Profit (loss) from operations (EBIT)	1,395	(456)	(327)	(39.4)%	939	(611)	n.a.	(1,582)
Depreciation, amortization and impairment losses	(149)	(152)	(166)	8.4%	(301)	(330)	8.8%	(699)
EBITDA	1,544	(304)	(161)	(88.8)%	1,240	(281)	n.a.	(883)
Special factors affecting EBITDA	1,662	(144)	(50)	n.a.	1,518	(71)	n.a.	(228)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	(118)	(160)	(111)	(44.1)%	(278)	(210)	(32.4)%	(655)
Of which: Digital Business Unit	1	(12)	25	n.a.	(11)	55	n.a.	121
CASH CAPEX	(65)	(81)	(94)	13.8%	(146)	(171)	14.6%	(411)

Total revenue.
Total revenue in the Group Headquarters & Group Services segment in the first six months of 2014 decreased by 15.2 percent year-on-year, mainly due to the revenue lost in connection with the sale of 70 percent of the shares in the Scout24 group which was consummated in early February 2014. Both the intragroup revenue at Group Services and the external revenue from the vehicle business declined.

EBITDA, adjusted EBITDA.
Adjusted EBITDA at Group Headquarters & Group Services declined by EUR 68 million year-on-year in the first half of 2014, mainly due to the loss of the operating results of the Scout24 group. Since the closing of the transaction, the earnings from the remaining 30 percent stake are reported under profit/loss from financial activities as share of profit/loss of associates and joint ventures accounted for using the equity method. The DBU's intragroup earnings also declined due to efficiency enhancement measures. Lower consulting and IT expenses partially compensated for the decline in revenue at Group Services, the decrease in income from trademark licenses, and the positive one-time effects recorded in the prior year.

Overall, EBITDA was impacted by positive special factors of around EUR 1.5 billion in the reporting period, which mainly resulted from the income generated in connection with the deconsolidation of the Scout24 group. Expenses – primarily for staff-related measures as well as for the recognition of other provisions – had an offsetting effect in the reporting period.

EBIT.
The year-on-year increase in profit from operations by around EUR 1.6 billion is mainly due to the income from the deconsolidation of the Scout24 group.

Cash capex.
Cash capex decreased year-on-year by EUR 25 million, largely due to the purchase of fewer licenses.

EVENTS AFTER THE REPORTING PERIOD (JUNE 30, 2014).

Issue of OTE bonds. In early July 2014, OTE has successfully concluded the bookbuilding process for the issue of a EUR 0.7 billion six-year fixed-rate bond. The coupon was set at a rate of 3.5 percent p.a. Out of the total bond volume of EUR 0.7 billion, an amount of approximately EUR 0.5 billion was raised by bondholders who expressed intention to tender bonds maturing in February 2015 and May 2016 in order to subscribe to the new bond. The issue thus had a net volume of EUR 0.2 billion.

Magyar Telekom reaches agreement with the trade unions. At the end of July 2014, Magyar Telekom reached an agreement with the trade unions on a headcount reduction and wage increase measures for 2015-2016. According to the terms of the agreement, the company plans to make a maximum 1,700 employees redundant. 40 percent are expected to leave the company between October 1, 2014 and March 1, 2015 while the remaining 60 percent are expected to leave as of January 1, 2016. Total severance expenses related to the 2-year headcount reduction program will be approximately EUR 39 million.

T-Systems subsidiary awarded contract to set up toll collection system in Belgium. Satellic N.V., a subsidiary of T-Systems International GmbH established on July 22, 2014, in which STRABAG AG holds a minority stake of 24 percent, has won the contract to set up and operate a satellite-based toll collection system for trucks in Belgium. A contractual agreement between Satellic and Viapass, the relevant authority in Belgium, was signed on July 25, 2014 with a term of at least 12 years, initially envisaging that Satellic will establish the new toll collection system in the next 18 months. Deutsche Telekom AG gave a financing commitment of up to EUR 0.4 billion for the project during the bidding phase.

T-Mobile US network decommissioning. Prior to the closing of the business combination with MetroPCS, T-Mobile US developed integration plans which included the decommissioning of the MetroPCS Code Division Multiple Access (CDMA) network and certain other redundant network cell sites. In July 2014, T-Mobile US began decommissioning the MetroPCS CDMA network and redundant network cell sites.

For information on the Federal Network Agency's draft ruling published on July 11, 2014 on the cut in **fixed-network interconnection charges** in Germany, please refer to the section "The economic environment," page 10.

For information on changes in the claims by partnering publishers of telephone directories, claims for damages concerning the provision of subscriber data, and billing for premium SMS content, all of which occurred in July 2014, please refer to the section "Risk situation," page 32.

FORECAST.

The statements in this section reflect the current views of our management. The following section explains the current main findings on changes to the development of forecasts published in the 2013 combined management report (2013 Annual Report, page 127 et seq.). Accordingly, other statements made therein remain valid. For additional information and recent changes in the economic situation, please refer to the section "The economic environment" in this interim Group management report. Readers are also referred to the Disclaimer at the end of this report.

CHANGES FROM THE 2013 ANNUAL REPORT.
In the 2013 Annual Report, Deutsche Telekom presented the expectations of the Group and the Europe operating segment for 2014, excluding the GTS Central Europe group. The acquisition was consummated as of May 30, 2014, such that GTS has been fully consolidated in the Europe operating segment since that date. Our previous expectations for 2014 remain unchanged for both the Europe operating segment and the Group – on a like-for-like basis – and we confirm the forecasts made for 2014 in the 2013 Annual Report.

RISK SITUATION.

This section provides important additional information and explains recent changes in the risks and opportunities as described in the combined management report for the 2013 financial year (2013 Annual Report, page 137 et seq.). Readers are also referred to the Disclaimer at the end of this report.

LITIGATION.

Toll Collect arbitration proceedings. In the Toll Collect arbitration proceedings another hearing took place in May 2014. The two parties will submit further written statements on the outcome of the hearing in August and September 2014. Another hearing is scheduled for the end of September/beginning of October 2014. In light of the review of the proceedings performed in this connection and the share of the risk carried by Deutsche Telekom, appropriate provisions for risk were recognized in the statement of financial position.

Claims by partnering publishers of telephone directories. Several publishers that had set up joint ventures with DeTeMedien GmbH, a wholly-owned subsidiary of Deutsche Telekom AG, to edit and publish subscriber directories, filed claims against DeTeMedien GmbH and/or Deutsche Telekom AG at the end of 2013. The complainants are claiming damages or refund from DeTeMedien GmbH and to a certain extent from Deutsche Telekom AG as joint and several debtor next to DeTeMedien GmbH. The complainants base their claims on allegedly excessive charges for the provision of subscriber data in the joint ventures. In 2014, further partnering publishers made claims for compensation or refund against DeTeMedien GmbH, currently totaling around EUR 364 million plus interest. In two proceedings against DeTeMedien GmbH, hearings were held at Frankfurt/Main Regional Court on July 16, 2014. The court has scheduled the publication of its ruling for October 1, 2014.

Claims for damages due to price squeeze. In the proceedings brought by EWE Tel GmbH against Telekom Deutschland GmbH, the Düsseldorf Higher Regional Court, in its ruling dated January 29, 2014, overturned the first-instance ruling of the Cologne Regional Court dated January 17, 2013, particularly with regard to the scale of the claims barred under the statute of limitations, and referred the case back to the Cologne Regional Court without leave to appeal due to the amount of the damages. Both EWE Tel GmbH and Telekom Deutschland GmbH filed complaints against the non-allowance of appeal with the Federal Court of Justice.

Claims relating to charges for shared use of cable ducts. In the appeal proceedings brought by Kabel Deutschland Vertrieb und Service GmbH (KDG) against the first-instance ruling of the Frankfurt/Main Regional Court, KDG quantified its claims also for 2013 and is now demanding a total of approximately EUR 407 million plus interest.

Claims for damages concerning the provision of subscriber data. In its ruling on July 2, 2014, the Düsseldorf Higher Regional Court dismissed the appeal filed by the founder of telegate, Dr. Harisch. Dr. Harisch filed a complaint against the non-allowance of appeal with the Federal Court of Justice on July 8, 2014.

Billing for premium SMS content. In July 2014, a lawsuit was filed by the FTC against T-Mobile US that alleged unauthorized billing for premium SMS content provided by third parties. In addition to this lawsuit, the FCC and other government agencies have begun investigations and inquiries against T-Mobile US regarding billing for premium SMS content.

Furthermore, Deutsche Telekom intends to defend itself and/or pursue its claims resolutely in each of these court, conciliatory, and arbitration proceedings.

PROCEEDINGS CONCLUDED IN 2014.

MetroPCS. The action filed in the U.S. state of Texas against the business combination of MetroPCS and T-Mobile USA was also withdrawn after a settlement was reached with the plaintiffs on April 16, 2014 on the reimbursement of litigation costs. This means that all legal action against the business combination of MetroPCS and T-Mobile USA is concluded.

REGULATION.

The draft regulation by the European Commission on the telecommunications single market (2013 Annual Report, page 74) provides for more extensive regulation of **international roaming**, including the abolition of charges to be paid by end-customers for incoming calls, which may lead to revenue losses. In addition, the proposed new regulations could make obsolete investments already made to implement the requirements of the most recent Roaming Regulation, which only took effect on July 1, 2012. The discussion of the Commission's proposal in the legislative process could furthermore lead to an abolition of roaming premiums compared with national prices from 2016. The EU Parliament adopted a corresponding text in its first reading in April 2014. The proposals are currently being deliberated by the European Council.

The draft regulation also provides for rules to **secure net neutrality**. Depending on what form they take, such regulations could substantially limit our leeway for product design. The rules currently allow special services as well as data traffic management to be offered in certain, defined cases, but prohibit optional rates in mobile communications that restrict access to certain Internet services and applications. In the first reading, the EU Parliament significantly tightened up the proposals of the Commission in this area and also wants to impose extensive restrictions on special services. In mobile communications in particular, there is a risk that, as a result of this, business models that differentiate between services and applications can no longer be legally offered.

ASSESSMENT OF THE AGGREGATE RISK POSITION.

At the time of preparing this report, neither our risk management system nor our management could identify any material risks to the continued existence of Deutsche Telekom AG or a significant Group company as a going concern.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

millions of €

	June 30, 2014	Dec. 31, 2013	Change	Change %	June 30, 2013
ASSETS					
CURRENT ASSETS	**18,402**	**21,963**	**(3,561)**	**(16.2)%**	**18,212**
Cash and cash equivalents	4,383	7,970	(3,587)	(45.0)%	5,243
Trade and other receivables	8,112	7,712	400	5.2%	6,763
Current recoverable income taxes	113	98	15	15.3%	105
Other financial assets	2,805	2,745	60	2.2%	2,100
Inventories	1,231	1,062	169	15.9%	1,424
Other assets	1,672	1,343	329	24.5%	1,833
Non-current assets and disposal groups held for sale	86	1,033	(947)	(91.7)%	744
NON-CURRENT ASSETS	**99,626**	**96,185**	**3,441**	**3.6%**	**97,992**
Intangible assets [a]	48,566	45,967	2,599	5.7%	47,533
Property, plant and equipment [a]	37,705	37,427	278	0.7%	37,739
Investments accounted for using the equity method	6,467	6,167	300	4.9%	6,218
Other financial assets [b]	1,680	1,362	318	23.3%	1,436
Deferred tax assets	4,914	4,960	(46)	(0.9)%	4,742
Other assets	294	302	(8)	(2.6)%	324
TOTAL ASSETS	**118,028**	**118,148**	**(120)**	**(0.1)%**	**116,204**
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES	**25,691**	**22,496**	**3,195**	**14.2%**	**25,296**
Financial liabilities	10,767	7,891	2,876	36.4%	10,874
Trade and other payables	7,441	7,259	182	2.5%	6,831
Income tax liabilities	290	308	(18)	(5.8)%	346
Other provisions	2,976	3,120	(144)	(4.6)%	2,575
Other liabilities	4,179	3,805	374	9.8%	4,435
Liabilities directly associated with non-current assets and disposal groups held for sale	38	113	(75)	(66.4)%	235
NON-CURRENT LIABILITIES	**59,836**	**63,589**	**(3,753)**	**(5.9)%**	**59,658**
Financial liabilities [b]	39,104	43,708	(4,604)	(10.5)%	39,563
Provisions for pensions and other employee benefits	7,642	7,006	636	9.1%	7,131
Other provisions	2,035	2,071	(36)	(1.7)%	1,998
Deferred tax liabilities	7,194	6,916	278	4.0%	6,934
Other liabilities	3,861	3,888	(27)	(0.7)%	4,032
LIABILITIES	**85,527**	**86,085**	**(558)**	**(0.6)%**	**84,954**
SHAREHOLDERS' EQUITY	**32,501**	**32,063**	**438**	**1.4%**	**31,250**
Issued capital	11,611	11,395	216	1.9%	11,395
Treasury shares	(54)	(54)	0	0.0%	(6)
	11,557	11,341	216	1.9%	11,389
Capital reserves	51,746	51,428	318	0.6%	51,297
Retained earnings including carryforwards	(39,117)	(37,437)	(1,680)	(4.5)%	(37,348)
Total other comprehensive income	(2,250)	(2,383)	133	5.6%	(2,215)
Net profit (loss)	2,528	930	1,598	n.a.	1,094
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	**24,464**	**23,879**	**585**	**2.4%**	**24,217**
Non-controlling interests	8,037	8,184	(147)	(1.8)%	7,033
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**118,028**	**118,148**	**(120)**	**(0.1)%**	**116,204**

[a] Intangible assets and property, plant and equipment as of June 30, 2013 at T-Mobile US were adjusted retrospectively (2013 Annual Report, page 195).
[b] Non-current financial assets and non-current financial liabilities at T-Mobile US were adjusted retrospectively as of June 30, 2013 to account for the adjustment of the purchase price allocation for MetroPCS (Interim Group Report for January 1 to September 31, 2013, page 44).

CONSOLIDATED INCOME STATEMENT.

millions of €

	Q2 2014	Q2 2013	Change %	H1 2014	H1 2013	Change %	FY 2013
NET REVENUE	**15,114**	**15,157**	**(0.3) %**	**30,008**	**28,942**	**3.7 %**	**60,132**
Cost of sales	(9,005)	(8,968)	(0.4) %	(18,139)	(16,922)	(7.2) %	(36,255)
GROSS PROFIT	**6,109**	**6,189**	**(1.3) %**	**11,869**	**12,020**	**(1.3) %**	**23,877**
Selling expenses	(3,317)	(3,466)	4.3 %	(6,618)	(6,611)	(0.1) %	(13,797)
General and administrative expenses	(1,324)	(1,235)	(7.2) %	(2,294)	(2,391)	4.1 %	(4,518)
Other operating income	653	263	n.a.	2,610	619	n.a.	1,326
Other operating expenses	(345)	(226)	(52.7) %	(649)	(420)	(54.5) %	(1,958)
PROFIT FROM OPERATIONS	**1,776**	**1,525**	**16.5 %**	**4,918**	**3,217**	**52.9 %**	**4,930**
Finance costs	(577)	(521)	(10.7) %	(1,174)	(1,043)	(12.6) %	(2,162)
Interest income	76	74	2.7 %	151	139	8.6 %	228
Interest expense	(653)	(595)	(9.7) %	(1,325)	(1,182)	(12.1) %	(2,390)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	6	6	0.0 %	(21)	(74)	71.6 %	(71)
Other financial income (expense)	(51)	(146)	65.1 %	(168)	(224)	25.0 %	(569)
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(622)**	**(661)**	**5.9 %**	**(1,363)**	**(1,341)**	**(1.6) %**	**(2,802)**
PROFIT BEFORE INCOME TAXES	**1,154**	**864**	**33.6 %**	**3,555**	**1,876**	**89.5 %**	**2,128**
Income taxes	(261)	(220)	(18.6) %	(811)	(611)	(32.7) %	(924)
PROFIT (LOSS)	**893**	**644**	**38.7 %**	**2,744**	**1,265**	**n.a.**	**1,204**
PROFIT (LOSS) ATTRIBUTABLE TO							
Owners of the parent (net profit (loss))	711	530	34.2 %	2,528	1,094	n.a.	930
Non-controlling interests	182	114	59.6 %	216	171	26.3 %	274
INCLUDED IN CONSOLIDATED INCOME STATEMENT							
Personnel costs	(3,616)	(3,767)	4.0 %	(7,243)	(7,419)	2.4 %	(15,144)
Depreciation, amortization and impairment losses	(2,641)	(2,507)	(5.3) %	(5,137)	(4,894)	(5.0) %	(10,904)
Of which: amortization and impairment of intangible assets	(950)	(844)	(12.6) %	(1,843)	(1,601)	(15.1) %	(4,176)
Of which: depreciation and impairment of property, plant and equipment	(1,691)	(1,663)	(1.7) %	(3,294)	(3,293)	0.0 %	(6,728)

EARNINGS PER SHARE.

		Q2 2014	Q2 2013	Change %	H1 2014	H1 2013	Change %	FY 2013
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	711	530	34.2 %	2,528	1,094	n.a.	930
Weighted average number of ordinary shares (basic/diluted)	millions	4,442	4,319	2.8 %	4,442	4,319	2.8 %	4,370
EARNINGS PER SHARE BASIC/DILUTED	€	**0.16**	**0.12**	**33.3 %**	**0.57**	**0.25**	**n.a.**	**0.21**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

millions of €

	Q2 2014	Q2 2013	Change	H1 2014	H1 2013	Change	FY 2013
PROFIT (LOSS)	**893**	**644**	**249**	**2,744**	**1,265**	**1,479**	**1,204**
Items not reclassified to the income statement retrospectively							
Gain (loss) from the remeasurement of defined benefit plans	(340)	30	(370)	(614)	177	(791)	48
Share of profit (loss) of investments accounted for using the equity method	0	0	0	0	(17)	17	(17)
Income taxes relating to components of other comprehensive income	104	(6)	110	186	(52)	238	(16)
	(236)	**24**	**(260)**	**(428)**	**108**	**(536)**	**15**
Items reclassified to the income statement retrospectively, if certain reasons are given							
Exchange differences on translating foreign operations							
Recognition of other comprehensive income in income statement	0	0	0	(3)	0	(3)	0
Change in other comprehensive income (not recognized in income statement)	353	(266)	619	292	(452)	744	(901)
Available-for-sale financial assets							
Recognition of other comprehensive income in income statement	0	0	0	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	6	(11)	17	3	(2)	5	(4)
Gains (losses) from hedging instruments							
Recognition of other comprehensive income in income statement	(63)	54	(117)	(54)	145	(199)	178
Change in other comprehensive income (not recognized in income statement)	(30)	(65)	35	(119)	(135)	16	(162)
Share of profit (loss) of investments accounted for using the equity method							
Recognition of other comprehensive income in income statement	0	0	0	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	3	5	(2)	4	3	1	(37)
Income taxes relating to components of other comprehensive income	28	5	23	55	(3)	58	(5)
	297	**(278)**	**575**	**178**	**(444)**	**622**	**(931)**
OTHER COMPREHENSIVE INCOME	**61**	**(254)**	**315**	**(250)**	**(336)**	**86**	**(916)**
TOTAL COMPREHENSIVE INCOME	**954**	**390**	**564**	**2,494**	**929**	**1,565**	**288**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO							
Owners of the parent	722	270	452	2,246	764	1,482	197
Non-controlling interests	232	120	112	248	165	83	91

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.

millions of €

	Issued capital and reserves attributable to owners of the parent				
	Equity contributed			Consolidated shareholders' equity generated	
	Issued capital	Treasury shares	Capital reserves	Retained earnings incl. carryforwards	Net profit (loss)
BALANCE AT JANUARY 1, 2013	**11,063**	**(6)**	**51,506**	**(29,106)**	**(5,353)**
Changes in the composition of the Group					
Transactions with owners			(1,032)		
Unappropriated profit (loss) carried forward				(5,353)	5,353
Dividends				(3,010)	
Capital increase	332		811		
Capital increase from share-based payment			12		
Share buy-back				(2)	
Profit (loss)					1,094
Other comprehensive income				122	
TOTAL COMPREHENSIVE INCOME					
Transfer to retained earnings				1	
BALANCE AT JUNE 30, 2013	**11,395**	**(6)**	**51,297**	**(37,348)**	**1,094**
BALANCE AT JANUARY 1, 2014	**11,395**	**(54)**	**51,428**	**(37,437)**	**930**
Changes in the composition of the Group					
Transactions with owners			(525)		
Unappropriated profit (loss) carried forward				930	(930)
Dividends				(2,215)	
Capital increase	216		805		
Capital increase from share-based payment			38		
Share buy-back					
Profit (loss)					2,528
Other comprehensive income				(420)	
TOTAL COMPREHENSIVE INCOME					
Transfer to retained earnings				25	
BALANCE AT JUNE 30, 2014	**11,611**	**(54)**	**51,746**	**(39,117)**	**2,528**

Issued capital and reserves attributable to owners of the parent								
Total other comprehensive income						Total	Non-controlling interests	Total shareholders' equity
Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets	Hedging instruments	Investments accounted for using the equity method	Taxes			
(2,448)	**(36)**	**43**	**327**	**42**	**(104)**	**25,928**	**4,603**	**30,531**
						0	304	304
414		(1)			1	(618)	2,314	1,696
						0		0
						(3,010)	(358)	(3,368)
						1,143		1,143
						12	5	17
						(2)		(2)
						1,094	171	1,265
(441)		(2)	10	(14)	(5)	(330)	(6)	(336)
						764	**165**	**929**
	(1)					0		0
(2,475)	**(37)**	**40**	**337**	**28**	**(108)**	**24,217**	**7,033**	**31,250**
(2,603)	**(39)**	**38**	**343**	**(12)**	**(110)**	**23,879**	**8,184**	**32,063**
						0	1	1
20						(505)	(333)	(838)
						0		0
						(2,215)	(82)	(2,297)
						1,021		1,021
						38	19	57
						0		0
						2,528	216	2,744
248		4	(173)	4	55	(282)	32	(250)
						2,246	**248**	**2,494**
	(25)					0		0
(2,335)	**(64)**	**42**	**170**	**(8)**	**(55)**	**24,464**	**8,037**	**32,501**

CONSOLIDATED STATEMENT OF CASH FLOWS.

millions of €

	Q2 2014	Q2 2013	H1 2014	H1 2013	FY 2013
PROFIT (LOSS)	**893**	**644**	**2,744**	**1,265**	**1,204**
Depreciation, amortization and impairment losses	2,641	2,507	5,137	4,894	10,904
Income tax expense (benefit)	261	220	811	611	924
Interest income and interest expense	577	521	1,174	1,043	2,162
Other financial (income) expense	51	146	168	224	569
Share of (profit) loss of associates and joint ventures accounted for using the equity method	(6)	(6)	21	74	71
(Profit) loss on the disposal of fully consolidated subsidiaries	0	47	(1,709)	(8)	(131)
Other non-cash transactions	31	18	84	21	101
(Gain) loss from the disposal of intangible assets and property, plant and equipment	(379)	24	(405)	44	138
Change in assets carried as working capital	(316)	(508)	(812)	(856)	(1,266)
Change in provisions	(476)	(595)	(323)	(703)	(195)
Change in other liabilities carried as working capital	700	657	888	856	696
Income taxes received (paid)	(151)	(173)	(329)	(357)	(648)
Dividends received	5	2	242	112	273
Net payments from entering into or canceling interest rate derivatives	0	67	0	67	290
CASH GENERATED FROM OPERATIONS	**3,831**	**3,571**	**7,691**	**7,287**	**15,092**
Interest paid	(884)	(820)	(2,018)	(1,738)	(2,961)
Interest received	240	280	476	434	886
NET CASH FROM OPERATING ACTIVITIES	**3,187**	**3,031**	**6,149**	**5,983**	**13,017**
Cash outflows for investments in					
Intangible assets [a]	(2,220)	(641)	(2,954)	(2,081)	(4,498)
Property, plant and equipment [a]	(1,726)	(1,557)	(3,189)	(3,141)	(6,570)
Non-current financial assets	(397)	(32)	(448)	(202)	(667)
Payments to acquire control of subsidiaries and associates	(541)	(1)	(601)	(2)	(48)
Proceeds from disposal of					
Intangible assets	3	0	5	5	8
Property, plant and equipment	56	53	140	126	245
Non-current financial assets	25	25	29	27	54
Proceeds from the loss of control of subsidiaries and associates	(1)	61	1,589	92	650
Net change in cash and cash equivalents due to the first-time full consolidation of MetroPCS	0	1,641	0	1,641	1,641
Net change in short-term investments and marketable securities and receivables	112	(322)	389	(21)	(701)
Other	1	50	4	4	(10)
NET CASH USED IN INVESTING ACTIVITIES	**(4,688)**	**(723)**	**(5,036)**	**(3,552)**	**(9,896)**
Proceeds from issue of current financial liabilities	2,752	2,678	4,256	5,905	10,874
Repayment of current financial liabilities	(3,237)	(2,392)	(6,787)	(7,917)	(18,033)
Proceeds from issue of non-current financial liabilities	1	108	59	3,077	9,334
Repayment of non-current financial liabilities	(11)	0	(13)	(127)	(129)
Dividends	(1,285)	(2,015)	(1,285)	(2,032)	(2,243)
Deutsche Telekom AG share buy-back	0	–	–	(2)	(2)
Repayment of lease liabilities	(38)	(39)	(78)	(82)	(172)
Stock options of other T-Mobile US shareholders (previous MetroPCS programs)	5	58	15	58	102
T-Mobile US capital increase	–	–	–	–	1,313
Acquisition of the remaining shares in T-Mobile Czech Republic	–	–	(828)	–	–
OTE share buy-back	–	–	(59)	–	–
Cash inflows from the assignment of OTE stock options	26	–	26	–	–
Other	(57)	1	(56)	0	(22)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(1,844)**	**(1,601)**	**(4,750)**	**(1,120)**	**1,022**
Effect of exchange rate changes on cash and cash equivalents	22	(16)	18	(9)	(167)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	–	12	32	(85)	(32)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,323)**	**703**	**(3,587)**	**1,217**	**3,944**
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD	**7,706**	**4,540**	**7,970**	**4,026**	**4,026**
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	**4,383**	**5,243**	**4,383**	**5,243**	**7,970**

[a] Cash outflows for investments in intangible assets and property, plant and equipment at T-Mobile US as of June 30, 2013 were adjusted retrospectively (2013 Annual Report, page 195).

SIGNIFICANT EVENTS AND TRANSACTIONS.

ACCOUNTING POLICIES.

In accordance with § 37y of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) in conjunction with § 37w (2) WpHG, Deutsche Telekom AG's half-year financial report comprises interim consolidated financial statements and an interim management report for the Group as well as a responsibility statement pursuant to § 297 (2) sentence 4 and § 315 (1) sentence 6 of the German Commercial Code (Handelsgesetzbuch – HGB). The interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial reporting as adopted by the EU. The interim management report for the Group was prepared in accordance with the WpHG.

STATEMENT OF COMPLIANCE.

The interim consolidated financial statements for the period ended June 30, 2014 are in compliance with International Accounting Standard (IAS) 34. As permitted by IAS 34, it has been decided to publish a condensed version compared to the consolidated financial statements at December 31, 2013. All IFRSs applied by Deutsche Telekom have been adopted by the European Commission for use within the EU.

In the opinion of the Board of Management, the reviewed half-year financial report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the results of operations, financial position and cash flows of the Group. Please refer to the notes to the consolidated financial statements as of December 31, 2013 for the accounting policies applied for the Group's financial reporting (2013 Annual Report, page 168 et seq.).

INITIAL APPLICATION OF NEW STANDARDS, INTERPRETATIONS AS WELL AS AMENDMENTS TO STANDARDS AND INTERPRETATIONS IN THE REPORTING PERIOD RELEVANT FOR THE 2014 FINANCIAL YEAR.

In May 2011, the IASB published three new IFRSs **(IFRS 10, IFRS 11, IFRS 12)** and one revised standard **(IAS 28)** that govern the accounting for investments in subsidiaries, joint arrangements, and associates. The European Union endorsed the provisions in December 2012. The provisions are effective for the first time within the European Union for financial years beginning on or after January 1, 2014. The IASB issued further amendments to the consolidation standards **IFRS 10**, **IFRS 12**, and **IAS 27** in November 2012. The amendments relate to the consolidation of investment companies. The provisions were endorsed by the European Union in November 2013 and are effective for the first time for financial years beginning on or after January 1, 2014. The adoption of the new and amended IFRSs does not have a material impact on Deutsche Telekom's results of operations, financial position, cash flows, or the composition of the Group. The introduction of IFRS 12 results in additional disclosures in Deutsche Telekom's financial statements. The revised IAS 27 does not have an impact on Deutsche Telekom, because this standard now exclusively relates to separate financial statements under IFRS, which in application of § 325 (2a) HGB Deutsche Telekom does not prepare.

- The IASB is introducing a harmonized consolidation model by issuing **IFRS 10 "Consolidated Financial Statements."** This new standard no longer distinguishes between traditional subsidiaries (IAS 27) and special-purpose entities (SIC-12). Control only exists if an investor has the power over the investee, is exposed to variable returns, and is able to use power to affect its amount of variable returns. IFRS 10 replaces SIC-12 "Consolidation – Special Purpose Entities" as well as the requirements relevant to consolidated financial statements in IAS 27 "Consolidated and Separate Financial Statements."

- **IFRS 11 "Joint Arrangements"** replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers." It governs the accounting for joint ventures and joint operations. Proportionate consolidation for joint ventures will no longer be permissible as a result of the discontinuation of IAS 31. The amended **IAS 28 "Interests in Associates and Joint Ventures"** governs the application of the equity method when accounting for investments in both associates and joint ventures. In case of a joint operation, the share of assets, liabilities, expenses, and income is directly recognized in the consolidated financial statements and annual financial statements of the joint operator.

- **IFRS 12 "Disclosure of Interests in Other Entities"** combines all disclosures to be made in the consolidated financial statements regarding subsidiaries, joint arrangements, and associates, as well as unconsolidated structured entities.

- The revised **IAS 27 "Separate Financial Statements"** exclusively governs the accounting for subsidiaries, joint ventures, and associates in the annual financial statements and the corresponding notes (separate financial statements according to § 325 (2a) HGB).

- The revised **IAS 28 "Investments in Associates and Joint Ventures"** governs the accounting of investments in associates and joint ventures using the equity method.

In December 2011, the IASB published amendments to **IAS 32 "Financial Instruments: Presentation"** specifying the requirements for offsetting financial instruments. To meet the new offsetting requirements in IAS 32, an entity's right to set off must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default or insolvency of the entity and all counterparties. It is further specified that a gross settlement mechanism also complies with the offsetting requirements according to IAS 32, provided no major credit liquidity risks remain, and receivables and payables are processed in a single settlement step, making it equivalent to a net settlement. The new requirements were endorsed by the European Union in December 2012 and are effective for the first time retrospectively for financial years beginning on or after January 1, 2014. The amendments do not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.

In June 2013, the IASB published narrow-scope amendments to IAS 39 "Financial Instruments: Recognition and Measurement." Entitled "Novation of Derivatives and Continuation of Hedge Accounting," the amendments set out that a derivative continues to be designated as a hedging instrument in an existing hedging relationship even if the derivative is novated. The term "novation" indicates that the parties to a derivative agree that a central counterparty (CCP) replace their original counterparty to become the new counterparty to each of the parties. A fundamental requirement for this is that a central counterparty be engaged as a result of new laws or regulations. The IASB noted that the urgent changes were prompted by the G20 commitment to improve transparency and regulatory oversight of over-the-counter (OTC) derivatives at international level. As a consequence, all standardized OTC derivatives must now be concluded with a central counterparty. The amendments were endorsed by the European Union in December 2013 and are effective for the first time retrospectively for financial years beginning on or after January 1, 2014. The amendments do not have a material impact on Deutsche Telekom's results of operations, financial position, or cash flows.

For more information on standards, interpretations, and amendments that have been issued but not yet applied, as well as disclosures on the recognition and measurement of items in the statement of financial position and discretionary decisions and estimation uncertainties, please refer to the section on accounting policies in the notes to the consolidated financial statements (2013 Annual Report, page 168 et seq.).

CHANGES IN THE COMPOSITION OF THE GROUP AND TRANSACTIONS WITH OWNERS.

ACQUISITION OF THE GTS CENTRAL EUROPE GROUP.

The agreement concluded in early November 2013 with a consortium of international private equity investors for the takeover of 100 percent of the shares in Consortium 1 S.à.r.l (Luxembourg) and, as a result, in the GTS Central Europe group (GTS) was consummated on May 30, 2014. The responsible authorities had already approved the acquisition by April 15, 2014. GTS is a leading infrastructure-based provider of telecommunications services in Central and Eastern Europe and owns an extensive fiber-optic network as well as several data centers. On this basis, GTS' offering includes voice and data services, virtual private networks, and cloud services. With this acquisition, Deutsche Telekom intends to strengthen and further develop the local and pan-European B2B business, including international wholesale customers, within the Europe operating segment.

As the transaction was concluded so close to June 30, 2014, all information provided here relating to the transaction is provisional. The final purchase price has not yet been determined because the fair values as of the reporting date have not yet been finalized. The purchase price allocation and the measurement of GTS' assets and liabilities had not yet been concluded as of June 30, 2014. This concerns the valuation of the customer bases and the expected synergies from property, plant and equipment in particular. The net carrying amount of the goodwill may therefore change in future.

The cash consideration for the acquisition of GTS transferred at the acquisition date amounts to EUR 303 million. Payments for the acquisition were made in the amount of EUR 539 million (see the "Net cash used in investing activities" table in the notes to the consolidated statement of cash flows). The difference mainly resulted from the repayment of loans by GTS to third parties that were not to be added to the consideration transferred.

The preliminary fair values of GTS' acquired assets and liabilities recognized at the acquisition date are presented in the following table.

millions of €

	Fair value at the acquisition date
ASSETS	
CURRENT ASSETS	**138**
Cash and cash equivalents	24
Trade and other receivables	41
Other current assets	9
Non-current assets and disposal groups held for sale	64
NON-CURRENT ASSETS	**586**
Intangible assets	353
Of which: goodwill	153
Of which: customer base	186
Of which: other	14
Property, plant and equipment	213
Other non-current assets	20
ASSETS	**724**
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES	**375**
Financial liabilities	221
Trade and other payables	27
Other liabilities	54
Other current liabilities	9
Liabilities directly associated with non-current assets and disposal groups held for sale	64
NON-CURRENT LIABILITIES	**46**
Deferred tax liabilities	42
Other non-current liabilities	4
LIABILITIES	**421**

The figures included in the two items "non-current assets and disposal groups held for sale" and "liabilities directly associated with non-current assets and disposal groups held for sale" relate to the Slovakian part of the GTS group. The gain from the disposal and income from divestitures were not material. The transaction was completed on June 2, 2014.

The preliminary acquired goodwill of EUR 0.2 billion to be recognized in Deutsche Telekom's consolidated statement of financial position is calculated as follows:

millions of €

	Fair value at the acquisition date
Consideration transferred	303
Assets acquired for 100 % of the shares	(571)
Liabilities acquired for 100 % of the shares	421
GOODWILL	**153**

Goodwill is influenced by synergy effects in connection with the acquisition arising from future business potential on account of GTS' position as an integrated provider of telecommunications services in Central and Eastern Europe. As of June 30, 2014 there were no fluctuations attributable to exchange rate movements which impacted goodwill because it had not yet been allocated to the cash-generating units.

Goodwill resulting from the business combination will not be recognized in accordance with local tax law and is thus not tax-deductible. Purchase price allocation did not result in deferred taxes on goodwill, nor will it in future.

Deutsche Telekom's net revenue in the reporting period increased by EUR 25 million on account of the acquisition of GTS. Had the business combination already occurred on January 1, 2014, revenue of the Group would have been a further EUR 133 million higher. Deutsche Telekom's profit/loss for the current reporting period includes profit from GTS of EUR 0 million. Had the business combination already occurred on January 1, 2014, the profit of the Deutsche Telekom Group would have been a further EUR 31 million lower.

No material transaction-based costs were incurred by June 30, 2014.

SALE OF SCOUT24 HOLDING GMBH AND SCOUT24 INTERNATIONAL MANAGEMENT AG.

On February 12, 2014, Deutsche Telekom consummated the sale of 70 percent of the shares in Scout24 Holding GmbH to Hellman & Friedman LLC (H&F). As a result, the shares in the Scout24 group were deconsolidated and the remaining approximately 30 percent of the shares retained directly and indirectly by Deutsche Telekom were recognized in the consolidated statement of financial position as of the date of first-time inclusion under investments accounted for using the equity method at a fair value of EUR 0.3 billion. In addition, by acquiring 100 percent of the shares in Scout24 International Management AG (now operating under the name Classifieds Business Beteiligungs- und Verwaltungs AG), effective January 24, 2014, Ringier Digital AG took over the 57.6 percent stake in Scout24 Schweiz AG that had been held indirectly by Scout24 Holding GmbH. The two transactions, taking into account the inclusion of the approximately 30 percent of shares in the Scout24 group accounted for using the equity method, gave rise to income from divestitures of EUR 1.7 billion, which was recognized under other operating income. The cash flows from both transactions amounted to EUR 1.6 billion in total. Both entities were part of the Group Headquarters & Group Services segment. The remaining investment in the Scout24 group accounted for using the equity method continues to be part of this segment.

PRESENTATION OF THE QUANTITATIVE EFFECTS ON THE COMPOSITION OF THE GROUP IN THE FIRST HALF OF 2014.

Deutsche Telekom acquired and disposed of entities in the current and prior financial years. This imposes certain limits on the comparability of the interim consolidated financial statements and the disclosures under segment reporting.

In the prior year, this primarily included MetroPCS Communications, Inc., Dallas/United States, acquired as of May 1, 2013 in the United States operating segment. Furthermore, in the Europe operating segment, the entities Cosmo Bulgaria Mobile EAD (Globul) and Germanos Telecom Bulgaria AD (Germanos) were sold in the prior year as of July 31, 2013 and the shares in Hellas Sat S.A. as of March 31, 2013.

Effective January 2, 2014, Deutsche Telekom sold Euronet Communications B.V., The Hague/Netherlands, which up to that date had been part of the Europe operating segment. The gain from the disposal and income from divestitures were not material.

The presented effects in the Group Headquarters & Group Services segment result from the sale of the shares in the Scout24 group.

The following table shows the effect of changes in the composition of the Group on the consolidated income statement and segment reporting for the first half of 2014.

millions of €

	Germany	United States	Europe	Systems Solutions	Group Headquarters & Group Services	Reconciliation	Total
Net revenue	(8)	1,278	(168)	(38)	(149)	1	916
Cost of sales	5	(809)	77	55	25	(1)	(648)
GROSS PROFIT (LOSS)	**(3)**	**469**	**(91)**	**17**	**(124)**	**0**	**268**
Selling expenses	0	(265)	70	2	69	0	(124)
General and administrative expenses	1	(27)	4	7	21	0	6
Other operating income	0	2	(60)	0	0	0	(58)
Other operating expenses	5	0	(4)	0	(1)	0	0
PROFIT (LOSS) FROM OPERATIONS	**3**	**179**	**(81)**	**26**	**(35)**	**0**	**92**
Finance costs	0	(77)	6	0	1	0	(70)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	0	0	0	0	0	0	0
Other financial income (expense)	25	(23)	38	(5)	(1)	0	34
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**25**	**(100)**	**44**	**(5)**	**0**	**0**	**(36)**
PROFIT (LOSS) BEFORE INCOME TAXES	**28**	**79**	**(37)**	**21**	**(35)**	**0**	**56**
Income taxes	0	0	6	0	2	0	8
PROFIT (LOSS)	**28**	**79**	**(31)**	**21**	**(33)**	**0**	**64**

FIRST-TIME CONSOLIDATION OF FOUR STRUCTURED LEASING SPECIAL-PURPOSE ENTITIES (SPEs).

As of March 25, 2014, Deutsche Telekom consolidated for the first time four leasing SPEs for real estate as well as operating and office equipment at two sites for the operation of data centers in Germany. The two data centers were built under the management of an external leasing company and are operated by T-Systems International GmbH. Assets totaling EUR 0.2 billion (real estate of EUR 0.1 billion and other equipment, operating and office equipment of EUR 0.1 billion) and liabilities to banks totaling EUR 0.2 billion were recognized in Deutsche Telekom's consolidated statement of financial position in this context. Apart from the contractual obligations to make lease payments to the leasing SPEs, Deutsche Telekom has no obligation to give them further financial support.

ACQUISITION OF THE REMAINING SHARES IN T-MOBILE CZECH REPUBLIC.

On February 25, 2014, Deutsche Telekom acquired the 39.23-percent stake in T-Mobile Czech Republic that it did not previously hold for a purchase price of EUR 0.8 billion. The acquisition of these remaining shares make it possible to simplify the financial and governance structure at T-Mobile Czech Republic. In addition, the transaction results in reduced dividend payments to non-controlling interests. For the effects on shareholders' equity, please refer to the section "Shareholders' equity," page 43.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE.

The decrease in non-current assets and disposal groups held for sale of EUR 0.9 billion compared with December 31, 2013 is primarily attributable to two effects. Firstly, the exchange of mobile spectrum licenses in the amount of EUR 0.6 billion with Verizon Communications to improve mobile network coverage was completed in the United States in April 2014. Secondly, the sale of the Scout24 group was consummated in February 2014, resulting in a decrease of EUR 0.3 billion.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT.

Intangible assets increased by EUR 2.6 billion, mainly due to capital expenditure in the amount of EUR 4.7 billion. This figure includes EUR 3.3 billion for the acquisition of mobile licenses by T-Mobile US, in particular in connection with the two transactions consummated in April 2014 for the acquisition and the exchange of mobile licenses with Verizon Communications. Effects of changes in the composition of the Group totaling EUR 0.2 billion resulting from the first-time inclusion of the GTS Central Europe group and preliminary goodwill of EUR 0.2 billion recognized in this connection also contributed to this increase. The recognition of amortization of EUR 1.8 billion and disposals of EUR 0.6 billion in connection with the exchange of mobile spectrum with Verizon Communications had an offsetting effect on the carrying amount of intangible assets.

Property, plant and equipment increased by EUR 0.3 billion compared to December 31, 2013 to EUR 37.7 billion. The increase was attributable to capital expenditure of EUR 3.3 billion and effects of changes in the composition of the Group of EUR 0.4 billion, mainly from the first-time inclusion of the GTS Central Europe group (EUR 0.2 billion) and the first-time consolidation of four structured leasing SPEs (EUR 0.2 billion). However, this was reduced by depreciation of EUR 3.3 billion and disposals of EUR 0.2 billion.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD.

The carrying amount of investments accounted for using the equity method increased by EUR 0.3 billion to EUR 6.5 billion in the first half of 2014. On the one hand, the carrying amount for the investments decreased by EUR 0.2 billion as a result of a dividend payment received from the EE joint venture; on the other, the recognition of the remaining stake in the Scout24 group as an investment accounted for using the equity method had an increasing effect of EUR 0.3 billion, as did exchange rate effects – mainly resulting from the translation of pounds sterling into euros – in the amount of EUR 0.2 billion.

FINANCIAL LIABILITIES.

Financial liabilities decreased by EUR 1.7 billion to a total of EUR 49.9 billion compared with the end of 2013.

The following table shows the composition and maturity structure of financial liabilities as of June 30, 2014:

millions of €

	June 30, 2014	Due within 1 year	Due > 1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	40,084	6,617	10,473	22,994
Liabilities to banks	3,321	1,429	1,559	333
Finance lease liabilities	1,432	166	559	707
Liabilities to non-banks from promissory notes	1,044	129	645	270
Other interest-bearing liabilities	845	557	187	101
Other non-interest-bearing liabilities	1,843	1,754	87	2
Derivative financial liabilities	1,302	115	472	715
FINANCIAL LIABILITIES	**49,871**	**10,767**	**13,982**	**25,122**

SHAREHOLDERS' EQUITY.

The resolution on the dividend payout of EUR 0.50 per share for the 2013 financial year gave shareholders the choice between payment in cash or having their dividend entitlement converted into Deutsche Telekom AG shares. In June 2014, dividend entitlements of Deutsche Telekom AG shareholders amounting to EUR 1.0 billion were contributed in the form of shares from authorized capital and thus did not have an impact on cash flows. Deutsche Telekom AG carried out an increase in issued capital of EUR 0.2 billion against contribution of dividend entitlements for this purpose in June 2014. This increased capital reserves by EUR 0.8 billion, the number of shares by 84.4 million.

The amounts shown under transactions with owners primarily result from the acquisition of the remaining shares in T-Mobile Czech Republic.

millions of €

	Issued capital and reserves attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Transactions with owners	**(505)**	**(333)**	**(838)**
Acquisition of the remaining shares in T-Mobile Czech Republic	(455)	(373)	(828)
Other effects	(50)	40	(10)

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT.

OTHER OPERATING INCOME.

millions of €

	H1 2014	H1 2013
Income from divestitures	1,709	60
Income from the disposal of non-current assets	463	49
Income from reimbursements	195	180
Income from insurance compensation	36	44
Income from the reversal of impairment losses on non-current financial assets in accordance with IFRS 5	13	1
Miscellaneous other operating income	194	285
	2,610	**619**

Income from divestitures increased year-on-year by EUR 1.6 billion, due to the sale of the Scout24 group totaling EUR 1.7 billion. The portion of income attributable to the recognition of the shares remaining at Deutsche Telekom at their fair value at the date when control is lost, amounts to EUR 0.5 billion. In the prior-year period, other operating income had included gains of EUR 0.1 billion from the sale of Hellas Sat. The EUR 0.4 billion increase in income from the disposal of non-current assets mainly results from a transaction between T-Mobile US and Verizon Communications consummated in April 2014 concerning the acquisition and exchange of A-Block spectrum for around EUR 0.4 billion. Miscellaneous other operating income includes a large number of smaller individual items.

OTHER OPERATING EXPENSES.

millions of €

	H1 2014	H1 2013
Losses on the disposal of non-current assets	(59)	(93)
Impairment losses	(17)	(38)
Losses from divestitures	–	(52)
Miscellaneous other operating expenses	(573)	(237)
	(649)	**(420)**

Miscellaneous other operating expenses include expenses of EUR 0.1 billion incurred in connection with existing financial factoring agreements and a large number of smaller individual items.

INCOME TAXES.

A tax expense of EUR 0.8 billion was recorded in the first half of 2014. The comparatively low tax rate is a consequence of the low tax burden with regard to the income from the sale of the shares in the Scout24 group.

OTHER DISCLOSURES.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES.

Depreciation, amortization and impairment losses increased by EUR 0.2 billion to EUR 5.1 billion compared with the prior-year period. This increase was due to depreciation and amortization attributable by the inclusion of MetroPCS since May last year and the roll-out of the LTE network as part of T-Mobile US' network modernization program. The reduction in useful lives with regard to the decommissioning of the CDMA mobile network of MetroPCS (EUR 0.1 billion), which had been taken over in the previous year, also increased depreciation and amortization.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS.

Net cash from operating activities.

A dividend payment received from the EE joint venture, which was EUR 0.1 billion higher than in the prior year, had a positive effect on net cash from operating activities. During the reporting period, factoring agreements were concluded concerning monthly revolving sales of current trade receivables. This results in a positive effect on net cash from operating activities of EUR 0.4 billion compared with the prior-year period. Net cash from operating activities was reduced by a EUR 0.2 billion increase in net interest payments. The prior-year figure had also included proceeds from the conclusion and settlement of interest rate derivatives in the amount of EUR 0.1 billion.

Net cash used in investing activities.

millions of €	H1 2014	H1 2013
Cash capex		
Germany operating segment	(1,723)	(1,238)
United States operating segment	(3,087)	(1,656)
Europe operating segment	(1,007)	(1,906)
Systems Solutions operating segment	(507)	(422)
Group Headquarters & Group Services	(146)	(171)
Reconciliation	327	171
Proceeds from the loss of control of subsidiaries and associates [a]	1,589	92
Net cash flows for collateral deposited for hedging transactions	205	(204)
Proceeds from the disposal of property, plant and equipment	140	126
Government bonds (net)	18	(127)
Net change in cash and cash equivalents due to the first-time inclusion of MetroPCS	–	1,641
Acquisition of the GTS Central Europe group	(539)	–
Other	(306)	142
	(5,036)	**(3,552)**

[a] Includes cash inflows of EUR 1.6 billion from the sale of 70 percent of the shares in the Scout24 group in the 2014 financial year.

Cash capex increased by EUR 0.9 billion to EUR 6.1 billion. In the Germany operating segment, the increase was mainly attributable to the investments as part of the integrated network strategy in the fiber-optic cable roll-out as well as in the IP transformation and the LTE infrastructure. In the first half of 2014, mobile licenses were acquired for a total of EUR 1.9 billion, primarily in the United States operating segment, the Czech Republic, and Slovakia. In the previous year, cash capex in the Europe operating segment had included EUR 1.0 billion for mobile licenses acquired, in particular in the Netherlands.

Net cash used in financing activities.

millions of €	H1 2014	H1 2013
Commercial paper (net)	822	604
Net cash flows for collateral deposited for hedging transactions	125	(430)
Cash inflows from the assignment of OTE stock options	26	–
T-Mobile US stock options	15	58
Issuance of bonds	–	2,998
Repayment of bonds	(1,684)	(842)
Dividends (including to non-controlling interests)	(1,285)	(2,032)
Promissory notes (net)	(1,093)	(99)
Acquisition of the remaining shares in T-Mobile Czech Republic	(828)	–
Repayment of financial liabilities from financed capex and opex	(239)	–
Net repayment of cash deposits from the EE joint venture	(173)	(271)
Repayment of lease liabilities	(78)	(82)
OTE share buy-back	(59)	–
OTE loans (net)	(34)	(600)
Repayment of financial liabilities to Sireo	–	(534)
Repayment of EIB loans	–	(32)
Other	(265)	142
	(4,750)	**(1,120)**

Non-cash transactions in the consolidated statement of cash flows.

In June 2014, dividend entitlements of Deutsche Telekom AG shareholders in the amount of EUR 1.0 billion did not have an effect on net cash used in financing activities when fulfilled; rather, they were substituted by shares from authorized capital (please refer to the disclosures on "Shareholders' equity," page 43). The dividend entitlements of Deutsche Telekom AG shareholders having an effect on cash flows totaled EUR 1.2 billion.

In the first half of 2014, Deutsche Telekom chose financing options totaling EUR 0.3 billion under which the payments for trade payables become due at a later point in time by involving banks in the process. These payables are now shown under financial liabilities in the statement of financial position. As soon as the payments have been made, they are disclosed under net cash used in financing activities.

SEGMENT REPORTING.

The following table gives an overall summary of Deutsche Telekom's operating segments and the Group Headquarters & Group Services segment for the first six months of 2014 and as of December 31, 2013.

The segments structure was changed as follows in the current financial year:

The ICSS/GNF business of the local business units (LBUs), which had been organizationally assigned to the Systems Solutions operating segment until December 31, 2013, was brought together as of January 1, 2014 and is now reported under the Europe operating segment. These are units in and outside of Europe (excluding Germany) that predominantly perform wholesale telecommunications services for ICSS (International Carrier Sales & Solutions) as part of the Europe operating segment and for third parties. Furthermore, as of January 1, 2014, the local business customer units of T-Systems Czech Republic, which had previously been managed under the Systems Solutions operating segment, were merged with T-Mobile Czech Republic. In addition to mobile and fixed-network business activities, the company will now also offer ICT solutions for business customers and public administrations. The activities will be disclosed under the Europe operating segment. Reporting was changed to improve the way in which these units can be managed.

The EE joint venture in the United Kingdom, which had previously been assigned to the Europe operating segment, was transferred to the Group Headquarters & Group Services segment as of January 1, 2014. Since then, it has been reported under the Finance board department due to the new definition of the management model of our EE joint venture.

Comparative figures have been adjusted retrospectively.

A reconciliation for the changes in the disclosure of key figures can be found in the section "Additional information," page 54 et seq., of this Interim Group Report.

For details on the development of operations in the operating segments and the Group Headquarters & Group Services segment, please refer to the section "Development of business in the operating segments" in the interim Group management report, page 17 et seq.

Half-year segment information.
millions of €

		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets [a]	Segment liabilities [a]	Investments accounted for using the equity method [a]
Germany	H1 2014	10,284	663	10,947	2,488	(1,931)	(3)	29,436	22,074	17
	H1 2013	10,443	688	11,131	2,335	(1,944)	0	30,738	23,200	17
United States	H1 2014	10,342	2	10,344	861	(1,345)	0	40,879	28,461	200
	H1 2013	8,364	2	8,366	813	(926)	1	38,830	26,888	198
Europe	H1 2014	6,092	196	6,288	817	(1,268)	(1)	29,525	11,777	53
	H1 2013	6,507	271	6,778	868	(1,385)	(2)	29,976	12,695	59
Systems Solutions	H1 2014	2,925	1,314	4,239	(190)	(423)	(3)	8,397	5,477	10
	H1 2013	3,106	1,290	4,396	(185)	(321)	(13)	8,428	5,279	24
Group Headquarters & Group Services	H1 2014	365	867	1,232	939	(291)	(10)	79,480	46,002	6,192
	H1 2013	522	930	1,452	(611)	(308)	(22)	83,596	51,219	5,869
TOTAL	**H1 2014**	**30,008**	**3,042**	**33,050**	**4,915**	**(5,258)**	**(17)**	**187,717**	**113,791**	**6,472**
	H1 2013	**28,942**	**3,181**	**32,123**	**3,220**	**(4,884)**	**(36)**	**191,568**	**119,281**	**6,167**
Reconciliation	H1 2014	–	(3,042)	(3,042)	3	138	0	(69,689)	(28,264)	(5)
	H1 2013	–	(3,181)	(3,181)	(3)	27	(1)	(73,420)	(33,196)	–
GROUP	**H1 2014**	**30,008**	**–**	**30,008**	**4,918**	**(5,120)**	**(17)**	**118,028**	**85,527**	**6,467**
	H1 2013	**28,942**	**–**	**28,942**	**3,217**	**(4,857)**	**(37)**	**118,148**	**86,085**	**6,167**

[a] Figures relate to the reporting dates of June 30, 2014 and December 31, 2013, respectively.

CONTINGENT LIABILITIES.

This section provides additional information and explains recent changes in the contingent liabilities as described in the consolidated financial statements for the 2013 financial year.

Toll Collect arbitration proceedings. In the Toll Collect arbitration proceedings another hearing took place in May 2014. The two parties will submit further written statements on the outcome of the hearing in August and September 2014. Another hearing is scheduled for the end of September/beginning of October 2014. In light of the review of the proceedings performed in this connection and the share of the risk carried by Deutsche Telekom, appropriate provisions for risk were recognized in the statement of financial position. We believe that a claim arising from the joint and several liability is unlikely to be made in excess of Deutsche Telekom's share of the risk.

Claims by partnering publishers of telephone directories. Several publishers that had set up joint ventures with DeTeMedien GmbH, a wholly-owned subsidiary of Deutsche Telekom AG, to edit and publish subscriber directories, filed claims against DeTeMedien GmbH and/or Deutsche Telekom AG at the end of 2013. The complainants are claiming damages or refund from DeTeMedien GmbH and to a certain extent from Deutsche Telekom AG as joint and several debtor next to DeTeMedien GmbH. The complainants base their claims on allegedly excessive charges for the provision of subscriber data in the joint ventures. In 2014, further partnering publishers made claims for compensation or refund against DeTeMedien GmbH, currently totaling around EUR 364 million plus interest. Hearings on two of the claims against DeTeMedien GmbH were held at Frankfurt/Main Regional Court on July 16, 2014. The court has scheduled the publication of its ruling for October 1, 2014. As a result of a reexamination of the case, Deutsche Telekom no longer discloses the contingent liabilities reported in the 2013 Annual Report.

Claims relating to charges for shared use of cable ducts. In the appeal proceedings brought by Kabel Deutschland Vertrieb und Service GmbH (KDG) against the first-instance ruling of the Frankfurt/Main Regional Court, KDG quantified its claims also for 2013 and is now demanding a total of approximately EUR 407 million plus interest. It is currently not possible to estimate the financial impact of the proceedings with sufficient certainty.

Billing for premium SMS content. In July 2014, a lawsuit was filed by the FTC against T-Mobile US that alleged unauthorized billing for premium SMS content provided by third parties. In addition to this lawsuit, the FCC and other government agencies have begun investigations and inquiries against T-Mobile US regarding billing for premium SMS content. It is currently not possible to estimate the financial impact of the proceedings with sufficient certainty.

FUTURE OBLIGATIONS FROM OPERATING LEASES AND OTHER FINANCIAL OBLIGATIONS.

The following table provides an overview of Deutsche Telekom's obligations from operating leases and other financial obligations as of June 30, 2014:

millions of €	June 30, 2014
Future obligations from operating leases	16,814
Purchase commitments regarding property, plant and equipment	2,027
Purchase commitments regarding intangible assets	647
Firm purchase commitments for inventories	5,298
Other purchase commitments and similar obligations	7,930
Payment obligations to the civil service pension fund	4,618
Purchase commitments for interests in other companies	37
Miscellaneous other obligations	1,300
	38,671

DISCLOSURES ON FINANCIAL INSTRUMENTS.

Carrying amounts, amounts recognized, and fair values by class and measurement category.
millions of €

	Category in accordance with IAS 39	Carrying amounts June 30, 2014	Amounts recognized in the statement of financial position according to IAS 39			
			Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss
ASSETS						
Cash and cash equivalents	LaR	4,383	4,383			
Trade receivables	LaR	7,921	7,921			
Originated loans and receivables	LaR/n.a.	3,011	2,774			
Of which: collateral paid	LaR	800	800			
Other non-derivative financial assets						
Held-to-maturity investments	HtM	11	11			
Financial assets available for sale	AfS	716		361	355	
Derivative financial assets						
Derivatives without a hedging relationship	FAHfT	515				515
Of which: termination rights embedded in bonds issued	FAHfT	198				198
Derivatives with a hedging relationship	n.a.	232			129	103
LIABILITIES AND SHAREHOLDERS' EQUITY						
Trade payables	FLAC	7,416	7,416			
Bonds and other securitized liabilities	FLAC	40,084	40,084			
Liabilities to banks	FLAC	3,321	3,321			
Liabilities to non-banks from promissory notes	FLAC	1,044	1,044			
Other interest-bearing liabilities	FLAC	845	845			
Of which: collateral received	FLAC	77	77			
Other non-interest-bearing liabilities	FLAC	1,843	1,843			
Finance lease liabilities	n.a.	1,432				
Derivative financial liabilities						
Derivatives without a hedging relationship	FLHfT	511				511
Derivatives with a hedging relationship	n.a.	791			673	118
Of which: aggregated by category in accordance with IAS 39						
Loans and receivables	LaR	15,078	15,078			
Held-to-maturity investments	HtM	11	11			
Available-for-sale financial assets	AfS	716		361	355	
Financial assets held for trading	FAHfT	515				515
Financial liabilities measured at amortized cost	FLAC	54,553	54,553			
Financial liabilities held for trading	FLHfT	511				511

[a] The exemption provisions under IFRS 7.29a were applied for information on specific fair values.

Trade receivables include non-current receivables amounting to EUR 1.2 billion (December 31, 2013: EUR 1.0 billion) due in more than one year. The fair value generally equates to the carrying amount.

The available-for-sale financial assets include, among other assets, unquoted equity instruments whose fair values could not be reliably measured, and which were therefore recognized at cost in the amount of EUR 361 million as of June 30, 2014 (December 31, 2013: EUR 280 million). No plans existed as of the reporting date to sell these instruments.

Amounts recognized in the statement of financial position according to IAS 17	Fair value June 30, 2014[a]	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2013	Amounts recognized in the statement of financial position according to IAS 39				Amounts recognized in the statement of financial position according to IAS 17	Fair value Dec. 31, 2013[a]
				Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss		
	–	LaR	7,970	7,970					–
	–	LaR	7,580	7,580					–
237	–	LaR/n.a.	2,672	2,469				203	–
	–	LaR	941	941					–
	–	HtM	12	12					–
	355	AfS	652		280	372			372
	515	FAHfT	596				596		596
	198	FAHfT	158				158		158
	232	n.a.	175			113	62		175
	–	FLAC	7,231	7,231					–
	45,196	FLAC	40,535	40,535					44,631
	3,431	FLAC	4,105	4,105					4,219
	1,210	FLAC	1,072	1,072					1,230
	881	FLAC	891	891					881
	–	FLAC	40	40					–
	–	FLAC	1,967	1,967					–
1,432	1,787	n.a.	1,446					1,446	1,768
	511	FLHfT	581				581		581
	791	n.a.	1,002			726	276		1,002
	–	LaR	18,019	18,019					–
	–	HtM	12	12					–
	355	AfS	652		280	372			372
	515	FAHfT	596				596		596
	50,718	FLAC	55,801	55,801					50,961
	511	FLHfT	581				581		581

Financial instruments measured at fair value.
millions of €

	June 30, 2014				Dec. 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
Available-for-sale financial assets (AfS)	349	6		**355**	365	7		**372**
Financial assets held for trading (FAHfT)		515		**515**		596		**596**
Derivative financial assets with a hedging relationship		232		**232**		175		**175**
LIABILITIES AND SHAREHOLDERS' EQUITY								
Financial liabilities held for trading (FLHfT)		511		**511**		581		**581**
Derivative financial liabilities with a hedging relationship		791		**791**		1,002		**1,002**

Of the available-for-sale financial assets (AfS) carried under other non-derivative financial assets, the instruments presented in Level 1 and Level 2 constitute separate classes. In Level 1, EUR 349 million (December 31, 2013: EUR 365 million) is recognized, the majority of which relates to listed government bonds, the fair values of which are the price quotations at the reporting date.

The listed bonds and other securitized liabilities are assigned to Level 1 or Level 2 on the basis of the amount of the trading volume for the relevant instrument. Issues denominated in EUR or USD with relatively large nominal amounts are routinely to be classified as Level 1, the rest routinely as Level 2. The fair values of the instruments assigned to Level 1 equal the nominal amounts multiplied by the price quotations at the reporting date. The fair values of the instruments assigned to Level 2 are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and Deutsche Telekom's credit spread curve for specific currencies.

The fair values of liabilities to banks, liabilities to non-banks from promissory notes, other interest-bearing liabilities, and finance lease liabilities are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and Deutsche Telekom's credit spread curve for specific currencies.

Since there are no market prices available for the derivative financial instruments held in the portfolio due to the fact that they are not listed on the market, the fair values are calculated using standard financial valuation models, based entirely on observable inputs. The fair value of derivatives is the value that Deutsche Telekom would receive or have to pay if the financial instrument were transferred at the reporting date. Interest rates of contractual partners relevant as of the reporting date are used in this respect. The middle rates applicable as of the reporting date are used as exchange rates. Current market volatilities are used in option pricing models. In the case of interest-bearing derivatives, a distinction is made between the clean price and the dirty price. In contrast to the clean price, the dirty price also includes the interest accrued. The fair values carried correspond to the full fair value or the dirty price.

Disclosures on credit risk. In line with the contractual provisions, in the event of insolvency all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 77 million (December 31, 2013: EUR 40 million), which further reduced the credit risk. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 747 million as of the reporting date (December 31, 2013: EUR 771 million) had a maximum credit risk of EUR 1 million (December 31, 2013: EUR 3 million) as of June 30, 2014. There is no danger of default on the derivatives held.

When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom provided cash collateral to counterparties pursuant to collateral contracts. The corresponding receivables of EUR 800 million (December 31, 2013: EUR 941 million) were thus not exposed to any credit risks as of the reporting date. No other significant agreements reducing the maximum exposure to the credit risks of financial assets existed. The maximum exposure to credit risk of the other financial assets thus corresponds to their carrying amounts. The collateral paid, which is reported under originated loans and receivables within other financial assets, is not subject to a credit risk and therefore constitutes a separate class of financial assets. Likewise, the collateral received, which is reported under financial liabilities, constitutes a separate class of financial liabilities on account of its connection to the corresponding derivatives.

RELATED-PARTY DISCLOSURES.

There were no significant changes at June 30, 2014 to the related party disclosures reported in the consolidated financial statements as of December 31, 2013, with the exception of the matters described in the following.

Net funds of EUR 0.2 billion that had been invested by the EE joint venture were repaid to the company by Deutsche Telekom by June 30, 2014.

KfW Bankengruppe requested its dividend entitlement for the 2013 financial year relating to shares held in Deutsche Telekom AG be paid out partly in cash and partly in shares from authorized capital. As a result, it received 32,559 thousand shares in June 2014. The stake of KfW Bankengruppe in Deutsche Telekom AG as of June 30, 2014 totaled 17.4 percent.

EXECUTIVE BODIES.

Changes in the composition of the Board of Management.

On May 15, 2013, the Supervisory Board appointed Timotheus Höttges as René Obermann's successor as Chairman of Board of Management effective January 1, 2014. In addition, Thomas Dannenfeldt was appointed as successor to Timotheus Höttges in the role of Chief Financial Officer effective January 1, 2014.

Prof. Marion Schick, Chief Human Resources Officer and Labor Director of Deutsche Telekom AG, left the Company effective midnight April 30, 2014 for health reasons. In addition to his own duties, Dr. Thomas Kremer covered Prof. Marion Schick's portfolio on an interim basis from January 2014, and has been officially responsible for the Human Resources board department on an acting basis since her departure.

Changes in the composition of the Supervisory Board.

Dr. Hans Bernhard Beus, State Secretary in the Federal Ministry of Finance (retired), resigned his position as member of the Deutsche Telekom AG Supervisory Board effective midnight February 5, 2014. At the shareholders' meeting on May 15, 2014, Johannes Geismann, State Secretary in the Federal Ministry of Finance, who had previously been court-appointed as a member of the Supervisory Board, was elected to the Supervisory Board.

EVENTS AFTER THE REPORTING PERIOD (JUNE 30, 2014).

Issue of OTE bonds. In early July 2014, OTE has successfully concluded the bookbuilding process for the issue of a EUR 0.7 billion six-year fixed-rate bond. The coupon was set at a rate of 3.5 percent p.a. Out of the total bond volume of EUR 0.7 billion, an amount of approximately EUR 0.5 billion was raised by bondholders who expressed intention to tender bonds maturing in February 2015 and May 2016 in order to subscribe to the new bond. The issue thus had a net volume of EUR 0.2 billion.

Magyar Telekom reaches agreement with the trade unions. At the end of July 2014, Magyar Telekom reached an agreement with the trade unions on a headcount reduction and wage increase measures for 2015-2016. According to the terms of the agreement, the company plans to make a maximum 1,700 employees redundant. 40 percent are expected to leave the company between October 1, 2014 and March 1, 2015 while the remaining 60 percent are expected to leave as of January 1, 2016. Total severance expenses related to the 2-year headcount reduction program will be approximately EUR 39 million.

T-Systems subsidiary awarded contract to set up toll collection system in Belgium. Satellic N.V., a subsidiary of T-Systems International GmbH established on July 22, 2014, in which STRABAG AG holds a minority stake of 24 percent, has won the contract to set up and operate a satellite-based toll collection system for trucks in Belgium. A contractual agreement between Satellic and Viapass, the relevant authority in Belgium, was signed on July 25, 2014 with a term of at least 12 years, initially envisaging that Satellic will establish the new toll collection system in the next 18 months. Deutsche Telekom AG gave a financing commitment of up to EUR 0.4 billion for the project during the bidding phase.

T-Mobile US network decommissioning. Prior to the closing of the business combination with MetroPCS, T-Mobile US developed integration plans which included the decommissioning of the MetroPCS Code Division Multiple Access (CDMA) network and certain other redundant network cell sites. In July 2014, T-Mobile US began decommissioning the MetroPCS CDMA network and redundant network cell site.

For information on changes in the claims by partnering publishers of telephone directories, and billing for premium SMS content, all of which occurred in July 2014, please refer to the section "Contingent liabilities," page 47.

RESPONSIBILITY STATEMENT.

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in accordance with German accepted accounting principles, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Bonn, August 7, 2014

Deutsche Telekom AG
Board of Management

Timotheus Höttges

Reinhard Clemens

Niek Jan van Damme

Thomas Dannenfeldt

Dr. Thomas Kremer

Claudia Nemat

REVIEW REPORT.

To Deutsche Telekom AG, Bonn.

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement and statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to June 30, 2014, which are part of the half-year financial report pursuant to § 37w of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to the interim financial reporting as adopted by the EU and to the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim Group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Review Engagements, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU and that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU nor that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Frankfurt/Main, August 7, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Kayser	Verena Heineke
Wirtschaftsprüfer	Wirtschaftsprüferin

ADDITIONAL INFORMATION.

RECONCILIATION OF PRO FORMA FIGURES.

SPECIAL FACTORS.

The following table presents a reconciliation of EBITDA, EBIT, and net profit/loss to the respective figures adjusted for special factors. Reconciliations are presented for the reporting period, the prior-year period, and the full 2013 financial year:

millions of €

	EBITDA H1 2014	EBIT H1 2014	EBITDA H1 2013	EBIT H1 2013	EBITDA FY 2013	EBIT FY 2013
EBITDA/EBIT	**10,055**	**4,918**	**8,111**	**3,217**	**15,834**	**4,930**
GERMANY	**(64)**	**(64)**	**(255)**	**(255)**	**(535)**	**(540)**
Staff-related measures	(59)	(59)	(273)	(273)	(506)	(506)
Non-staff-related restructuring	(2)	(2)	(10)	(10)	(16)	(16)
Effects of deconsolidations, disposals and acquisitions	0	0	(10)	(10)	(23)	(23)
Other	(3)	(3)	38	38	10	5
UNITED STATES	**279**	**279**	**(80)**	**(80)**	**(232)**	**(329)**
Staff-related measures	(91)	(91)	(62)	(62)	(179)	(179)
Non-staff-related restructuring	0	0	(1)	(1)	(1)	(1)
Effects of deconsolidations, disposals and acquisitions	358	358	(17)	(17)	(52)	(52)
Impairment losses	–	0	–	0	–	(97)
Other	12	12	0	0	0	0
EUROPE	**(39)**	**(39)**	**41**	**41**	**(179)**	**(793)**
Staff-related measures	(29)	(29)	(28)	(28)	(327)	(327)
Non-staff-related restructuring	2	2	6	6	3	3
Effects of deconsolidations, disposals and acquisitions	0	0	59	59	183	183
Impairment losses	–	0	–	0	–	(614)
Other	(12)	(12)	4	4	(38)	(38)
SYSTEMS SOLUTIONS	**(190)**	**(196)**	**(229)**	**(242)**	**(416)**	**(431)**
Staff-related measures	(72)	(72)	(87)	(87)	(212)	(212)
Non-staff-related restructuring	(78)	(84)	(85)	(98)	(128)	(130)
Effects of deconsolidations, disposals and acquisitions	(23)	(23)	0	0	(71)	(84)
Other	(17)	(17)	(57)	(57)	(5)	(5)
GROUP HEADQUARTERS & GROUP SERVICES	**1,518**	**1,518**	**(71)**	**(71)**	**(228)**	**(228)**
Staff-related measures	(47)	(47)	(75)	(75)	(226)	(226)
Non-staff-related restructuring	(5)	(5)	(3)	(3)	(34)	(34)
Effects of deconsolidations, disposals and acquisitions	1,698	1,698	9	9	40	40
Other	(128)	(128)	(2)	(2)	(8)	(8)
GROUP RECONCILIATION	**1**	**1**	**0**	**0**	**0**	**0**
Staff-related measures	0	0	0	0	(1)	(1)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	0	0	1	1	1	1
Other	1	1	(1)	(1)	0	0
TOTAL SPECIAL FACTORS	**1,505**	**1,499**	**(594)**	**(607)**	**(1,590)**	**(2,321)**
EBITDA/EBIT (ADJUSTED FOR SPECIAL FACTORS)	**8,550**	**3,419**	**8,705**	**3,824**	**17,424**	**7,251**
Profit (loss) from financial activities (adjusted for special factors)		(1,301)		(1,331)		(2,772)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		**2,118**		**2,493**		**4,479**
Income taxes (adjusted for special factors)		(726)		(771)		(1,364)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		**1,392**		**1,722**		**3,115**
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		1,223		1,577		2,755
Non-controlling interests (adjusted for special factors)		169		145		360

GROSS AND NET DEBT.

Deutsche Telekom considers net debt to be an important performance indicator for investors, analysts, and rating agencies.

millions of €

	June 30, 2014	Dec. 31, 2013	Change	Change %	June 30, 2013
Financial liabilities (current)	10,767	7,891	2,876	36.4 %	10,874
Financial liabilities (non-current)	39,104	43,708	(4,604)	(10.5) %	39,563
FINANCIAL LIABILITIES	**49,871**	**51,599**	**(1,728)**	**(3.3) %**	**50,437**
Accrued interest	(853)	(1,091)	238	21.8 %	(814)
Other	(1,052)	(881)	(171)	(19.4) %	(980)
GROSS DEBT	**47,966**	**49,627**	**(1,661)**	**(3.3) %**	**48,643**
Cash and cash equivalents	4,383	7,970	(3,587)	(45.0) %	5,243
Available-for-sale/held-for-trading financial assets	287	310	(23)	(7.4) %	269
Derivative financial assets	747	771	(24)	(3.1) %	972
Other financial assets	1,164	1,483	(319)	(21.5) %	785
NET DEBT	**41,385**	**39,093**	**2,292**	**5.9 %**	**41,374**

RECONCILIATION FOR THE CHANGE IN DISCLOSURE OF KEY FIGURES FOR THE PRIOR-YEAR COMPARATIVE PERIOD IN THE FIRST HALF OF 2014.

millions of €

	Total revenue	Profit (loss) from operations (EBIT)	EBITDA	Adjusted EBITDA	Depreciation and amortization	Impairment losses	Segment assets[a]	Segment liabilities[a]
H1 2013/JUNE 30, 2013								
PRESENTATION AS OF JUNE 30, 2013 – AS REPORTED								
Germany	11,131	2,335	4,279	4,534	(1,944)	–	30,738	23,200
United States	8,366	813	1,738	1,818	(926)	1	38,830	26,888
Europe	6,747	859	2,237	2,196	(1,376)	(2)	35,552	12,601
Systems Solutions	4,592	(176)	167	396	(329)	(14)	8,705	5,381
Group Headquarters & Group Services	1,452	(611)	(281)	(210)	(308)	(22)	91,594	51,218
TOTAL	**32,288**	**3,220**	**8,140**	**8,734**	**(4,883)**	**(37)**	**205,419**	**119,288**
Reconciliation	(3,346)	(3)	(29)	(29)	26	–	(87,271)	(33,203)
GROUP	**28,942**	**3,217**	**8,111**	**8,705**	**(4,857)**	**(37)**	**118,148**	**86,085**
H1 2013/JUNE 30, 2013								
+/– CHANGE IN DISCLOSURE OF LOCAL BUSINESS UNITS AS OF JANUARY 1, 2014								
Germany	–	–	–	–	–	–	–	–
United States	–	–	–	–	–	–	–	–
Europe	31	9	18	18	(9)	–	268	94
Systems Solutions	(196)	(9)	(18)	(18)	8	1	(277)	(102)
Group Headquarters & Group Services	–	–	–	–	–	–	–	–
TOTAL	**(165)**	**–**	**–**	**–**	**(1)**	**1**	**(9)**	**(8)**
Reconciliation	165	–	–	–	1	(1)	9	8
GROUP	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
H1 2013/JUNE 30, 2013								
+/– CHANGE IN DISCLOSURE OF EE JOINT VENTURE AS OF JANUARY 1, 2014								
Germany	–	–	–	–	–	–	–	–
United States	–	–	–	–	–	–	–	–
Europe	–	–	–	–	–	–	(5,844)	–
Systems Solutions	–	–	–	–	–	–	–	–
Group Headquarters & Group Services	–	–	–	–	–	–	(7,998)	1
TOTAL	**–**	**–**	**–**	**–**	**–**	**–**	**(13,842)**	**1**
Reconciliation	–	–	–	–	–	–	13,842	(1)
GROUP	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
H1 2013/JUNE 30, 2013								
= PRESENTATION AS OF JUNE 30, 2014								
Germany	11,131	2,335	4,279	4,534	(1,944)	–	30,738	23,200
United States	8,366	813	1,738	1,818	(926)	1	38,830	26,888
Europe	6,778	868	2,255	2,214	(1,385)	(2)	29,976	12,695
Systems Solutions	4,396	(185)	149	378	(321)	(13)	8,428	5,279
Group Headquarters & Group Services	1,452	(611)	(281)	(210)	(308)	(22)	83,596	51,219
TOTAL	**32,123**	**3,220**	**8,140**	**8,734**	**(4,884)**	**(36)**	**191,568**	**119,281**
Reconciliation	(3,181)	(3)	(29)	(29)	27	(1)	(73,420)	(33,196)
GROUP	**28,942**	**3,217**	**8,111**	**8,705**	**(4,857)**	**(37)**	**118,148**	**86,085**

[a] Figures relate to the reporting date December 31, 2013.

GLOSSARY.

For further definitions, please refer to the 2013 Annual Report and the glossary therein (page 257 et seq.).

Fiber-optic lines. Sum of all FTTx access lines (e.g., FTTC/VDSL, vectoring, and FTTH).

FTTx. This includes the three options for fiber-optic roll-out: FTTB – fiber to the building, FTTC – fiber to the curb, and FTTH – fiber to the home.

DISCLAIMER.

This Report (particularly the section "Forecast") contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. They are generally identified by the words "expect," "anticipate," "believe," "intend," "estimate," "aim," "goal," "plan," "will," "seek," "outlook" or similar expressions and include generally any information that relates to expectations or targets for revenue, adjusted EBITDA or other performance measures. Forward-looking statements are based on current plans, estimates and projections. You should consider them with caution.

Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom's control. They include, for instance, the progress of Deutsche Telekom's workforce reduction initiative and the impact of other significant strategic or business initiatives, including acquisitions, dispositions, and business combinations. In addition, movements in exchange rates and interest rates, regulatory rulings, stronger than expected competition, technological change, litigation and regulatory developments, among other factors, may have a material adverse effect on costs and revenue development. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, Deutsche Telekom's actual results may be materially different from those expressed or implied by such statements. Deutsche Telekom can offer no assurance that its expectations or targets will be achieved. Without prejudice to existing obligations under capital market law, Deutsche Telekom does not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

In addition to figures prepared in accordance with IFRS, Deutsche Telekom presents non-GAAP financial performance measures, e.g., EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted EBIT margin, adjusted net profit, free cash flow, gross debt, and net debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Non-GAAP financial performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.

FINANCIAL CALENDAR.[a]

August 7, 2014	November 6, 2014	December 9–10, 2014	February 26, 2015
Publication of the Interim Group Report as of June 30, 2014	Publication of the Interim Group Report as of September 30, 2014	2014 Capital Markets Day	Publication of the 2014 Annual Report

May 13, 2015	May 21, 2015	August 6, 2015
Publication of the Interim Group Report as of March 31, 2015	2015 Shareholders' meeting	Publication of the Interim Group Report as of June 30, 2015

[a] For more dates, an updated schedule, and information on webcasts, please go to www.telekom.com.

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This Interim Group Report can be downloaded from the Investor Relations site on the Internet at:
www.telekom.com/investor-relations

Our Annual Report is available online at:
www.telekom.com/geschaeftsbericht2013
www.telekom.com/annualreport2013

The English version of the Interim Group Report for January 1 to June 30, 2014 is a translation of the German version of the Interim Group Report. The German version is legally binding.

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