COMBINED MANAGEMENT REPORT.

Our mid-term finance strategy is in place. We want to ensure unrestricted access to the capital markets and maintain our good ratings. We are offering our shareholders a reliable dividend. Over the next few years, we are planning a significant increase in overall investment, focused on broadband infrastructure build-out. Group-wide value management helps us to achieve our strategic goals.

53 COMBINED MANAGEMENT REPORT

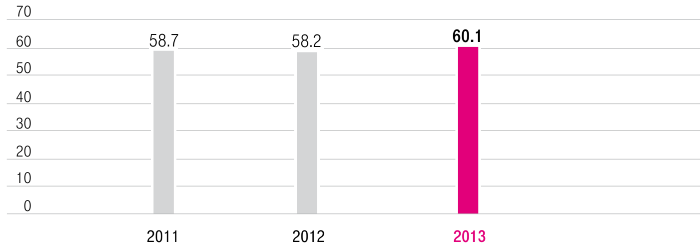
OVERVIEW OF THE 2013 FINANCIAL YEAR.

NET REVENUE.

- Net revenue increased by 3.4 percent.
- The United States operating segment in particular contributed to this revenue trend as a result of the inclusion of MetroPCS since May 1, 2013 and continued strong customer additions.
- Revenue in the Europe operating segment continues to be negatively affected by a persistently difficult economic environment, significant regulation-induced price adjustments and high competitive pressure.
- Adjusted for changes in the composition of the Group and negative exchange rate effects, net revenue increased by EUR 0.3 billion year-on-year.

G 05

Net revenue.
billions of €

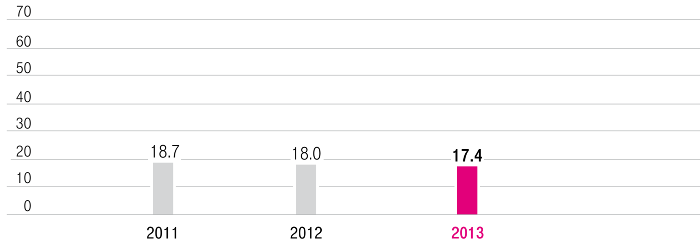


ADJUSTED EBITDA.[a]

- Adjusted EBITDA decreased by 3.1 percent.
- Positive impact: the focus on high-value revenue in connection with TV services and mobile data revenues.
- Negative impact: negative exchange rate effects of EUR 0.2 billion, higher market investments in the United States, fixed-network lines lost to competitors, price changes imposed by regulatory authorities, special levies, and national austerity programs. The negative effects were only partially offset by our comprehensive cost management.

G 06

Adjusted EBITDA.[a]
billions of €

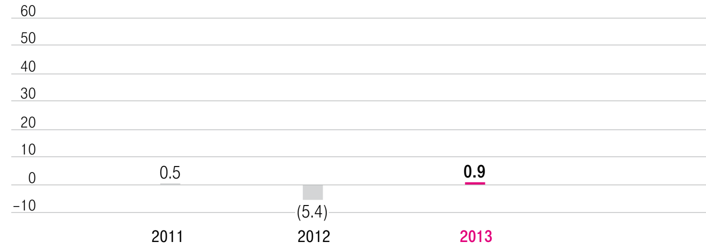


NET PROFIT/LOSS.[a]

- Net profit increased by EUR 6.3 billion.
- Net profit was increased by lower depreciation, amortization and impairment losses, attributable in particular to the impairment loss of around EUR 7.4 billion after taxes recognized on goodwill, other intangible assets and property, plant and equipment at T-Mobile USA in the third quarter of 2012 and lower depreciation due to the expiry of the economic useful life of parts of the outside plant in the Germany operating segment.
- Adjusted net profit increased from EUR 2.5 billion to EUR 2.8 billion.

G 07

Net profit/loss.[a]
billions of €

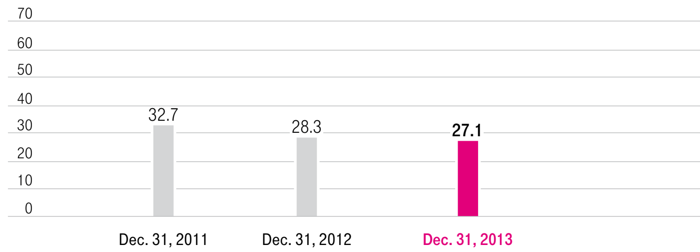


EQUITY RATIO.[a]

- Total assets increased by 9.5 percent, in particular due to the first-time inclusion of MetroPCS.
- Shareholders' equity increased by 5.0 percent to EUR 32.1 billion. This increase was primarily attributable to the first-time inclusion of MetroPCS (EUR 2.0 billion), net profit (EUR 0.9 billion) and the capital increase (EUR 1.1 billion) carried out to grant shareholders the possibility of exchanging their dividend entitlements for shares (dividend in kind). Dividend payments for the 2012 financial year to Deutsche Telekom AG shareholders (EUR 3.0 billion), in particular, had an offsetting effect.
- The equity ratio decreased to 27.1 percent, thus remaining within our target range of 25 to 35 percent.

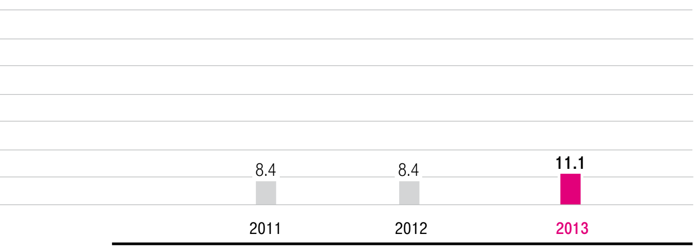
G 08

Equity ratio.[a]
%



G 09

Cash capex.
billions of €

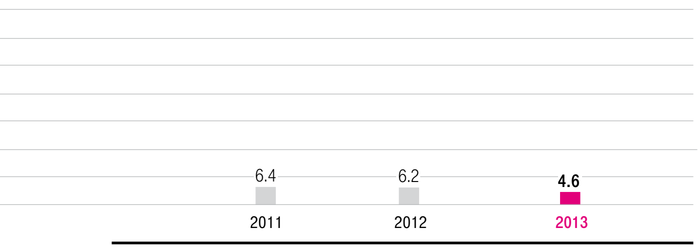


CASH CAPEX.

- Cash capex increased by 31.3 percent and mainly related to further rolling out broadband and expanding capacities in existing networks.
- The increase was due to capital expenditure for the LTE roll-out in our United States and Europe operating segments. In our home market of Germany, our investments focused on “networks of the future,” like optical fiber and LTE infrastructure.
- We acquired mobile spectrum for EUR 2.2 billion, primarily in the Netherlands, Austria, and the United States.

G 10

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

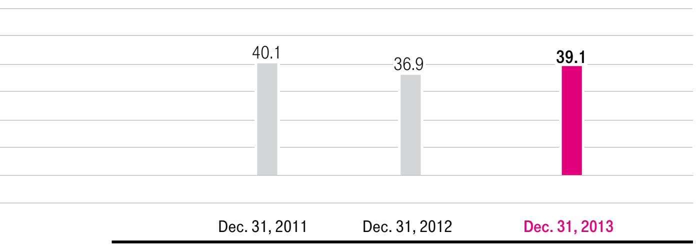


FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS, SPECTRUM INVESTMENT).[b]

- Free cash flow decreased by 26.2 percent.
- This is mainly a consequence of our strategy of investing more in the build-out and modernization of our network infrastructure and, as a result, of higher cash capex.
- Net cash from operating activities decreased by EUR 0.6 billion. The dividends received from the EE joint venture, which were down EUR 0.2 billion year-on-year, and a EUR 0.2 billion increase in severance payments, among other factors, had a negative impact.

G 11

Net debt.
billions of €

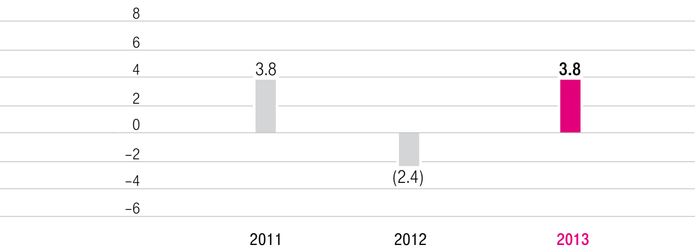


NET DEBT.

- Net debt increased by 6.1 percent.
- This increase is mainly attributable to the first-time inclusion of MetroPCS (EUR 3.4 billion), dividend payments – including to non-controlling interests – (EUR 2.2 billion), the acquisition of spectrum (EUR 2.2 billion), and payments to external pension funds (allocation under CTA; EUR 0.3 billion).
- Net debt was reduced by free cash flow (EUR 4.6 billion), the capital increase at T-Mobile US (EUR 1.3 billion), the sale of the stakes in Globul and Germanos (EUR 0.7 billion), and the sale of the stake in Hellas Sat (EUR 0.2 billion).

G 12

ROCE.[a]
%



ROCE.[a]

- At 3.8 percent, ROCE substantially recovered from the negative value in the prior year.
- Both the improvement in the operating result, due in particular to the non-recurrence of the impairment loss recognized on goodwill, other intangible assets and property, plant and equipment at T-Mobile USA in the prior year, and the reduction in the average level of tied up assets over the course of the year contributed to this recovery.

[a] The prior-year comparatives were adjusted retrospectively due to the application of IAS 19 (amended) as of January 1, 2013. ROCE was only adjusted for 2012.
[b] And before 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 78 ET SEQ.

Glossary,
PAGE 257 ET SEQ.

DEUTSCHE TELEKOM AT A GLANCE.

In 2013, we were once again in line with all of our key financial targets, with adjusted EBITDA at EUR 17.4 billion and free cash flow even slightly over target at EUR 4.6 billion. Net revenue increased by 3.4 percent to EUR 60.1 billion, largely due to encouragingly strong revenue growth in the United States. While revenue in Germany decreased only slightly, the sustained difficult economic environment, intense competition, and massive regulatory intervention had a negative impact on revenue at our European subsidiaries. As expected, adjusted EBITDA declined by 3.1 percent. Although we recorded slight growth in adjusted EBITDA in the United States and only a moderate decline in Germany, cost-cutting measures only partially offset the decline in revenues in the Europe operating segment.

Following the net loss of EUR 5.4 billion we recorded in 2012 due mainly to the impairment loss recognized in our United States operating segment, we generated net profit of EUR 0.9 billion in the reporting year. Net profit adjusted for special factors also increased from EUR 2.5 billion to EUR 2.8 billion as a result of lower depreciation, amortization and impairment losses, which more than offset the decline in adjusted EBITDA.

The business combination of T-Mobile USA and MetroPCS in May 2013 had a lasting impact on the development of earnings, contributing as much as EUR 2.5 billion to the Group's net revenue in the reporting year. By contrast, sales of companies such as Globul and Germanos in Bulgaria and Hellas Sat in Greece had a negative effect of around EUR 0.25 billion on the development of revenue. The impact of these transactions on net profit was only minor, however.

Net debt increased over the course of the year from EUR 36.9 billion to EUR 39.1 billion. Free cash flow (EUR 4.6 billion), proceeds from the sale of stakes (EUR 0.9 billion), and the capital increase at T-Mobile US (EUR 1.3 billion) in particular had a positive impact. This was offset primarily by an effect of EUR 3.4 billion from the first-time inclusion of MetroPCS, the payment of dividends, including to non-controlling interests, totaling EUR 2.2 billion, and the acquisition of mobile spectrum for a total amount of EUR 2.2 billion, mainly in the Netherlands (EUR 0.9 billion), Austria (EUR 0.7 billion) and the United States (EUR 0.3 billion).

Cash capex (before spectrum investments) totaled EUR 8.9 billion in the reporting year and mainly related to further rolling out broadband and expanding capacities in existing networks. In mobile communications, we invested in LTE, increased network coverage, and upgraded capacity to meet increasing demand for data volumes. In the fixed-network area, priority was given to expanding the fiber-optic infrastructure, to IPTV, and to the continued migration of the existing telephone network to an IP-based network. Investments in our home market in Germany remained at a consistently high level. In the United States operating segment, our investment activities continued to focus on modernizing the mobile communications network, and capital expenditure increased overall as a result of acquiring MetroPCS in 2013. Cash capex in our Europe operating segment increased slightly as a result of the intensified LTE roll-out. Capital expenditure in our Systems Solutions operating segment focused on the Group's internal IT systems as well as on investments in connection with customer orders and the continued roll-out of new multi-purpose platforms, e.g., for cloud services, De-Mail, and intelligent networks.

At 3.8 percent, our key performance indicator "return on capital employed" (ROCE) substantially recovered in 2013 from the negative value in the prior year. The improvement in the operating result after depreciation, amortization and impairment losses and tax (net operating profit after taxes, or NOPAT) and the reduction in the average value of assets tied up in the course of the year (net operating assets, or NOA) contributed to this development. Examples of measures we have implemented to date to improve our ROCE include network partnerships, our "contingent" model, joint ventures we have entered into, the changes we have made to our portfolio, cell tower sales in the United States, and the realignment of our central management and service functions.

2013 was also a good year for our shareholders: They benefited not only from the dividend of EUR 0.70 per share paid out for the 2012 financial year, but also from an increase of 42 percent in our share price.

COMPARISON OF THE GROUP'S EXPECTATIONS WITH ACTUAL FIGURES.

TABLE 010 below summarizes the results in 2012, the results expected for the reporting year, and the actual results achieved in 2013.

T 010

Comparison of the Group's expectations with actual figures.

		Results in 2012[a]	Expectations for 2013	Results in 2013
ROCE	%	(2.4)	target for 2015: around 5.5	3.8
Revenue (excluding MetroPCS)	billions of €	58.2	slight decrease	
Revenue (including MetroPCS)	billions of €		slight decrease	60.1
EBITDA (adjusted for special factors) (excluding MetroPCS)	billions of €	18.0	approx. 17.4	
EBITDA (adjusted for special factors) (including MetroPCS)	billions of €		approx. 17.5	17.4
Free cash flow (before dividend payments, spectrum investment)[b]	billions of €	6.2	approx. 4.5	4.6
Cash capex (excluding MetroPCS)[c]	billions of €	8.0	approx. 8.6	
Cash capex (including MetroPCS)[c]	billions of €		approx. 9.8[d]	8.9
Rating (Standard & Poor's, Fitch)		BBB+	A–/BBB	BBB+
Rating (Moody's)		Baa1	Baa1	Baa1

[a] The prior-year comparatives were adjusted retrospectively due to the application of IAS 19 (amended) as of January 1, 2013.
[b] And before AT&T transaction and compensation payments for MetroPCS employees.
[c] Before spectrum investments.
[d] Based on the assumption of the inclusion of MetroPCS for twelve months.

Glossary, PAGE 257 ET SEQ.

COMPARISON OF OUR STAKEHOLDERS' EXPECTATIONS WITH ACTUAL FIGURES.

The following measures and achieved targets serve to ensure that the different expectations which the four groups of stakeholders (shareholders, providers of debt capital, employees, and the "entrepreneurs within the enterprise") have of the Group are fulfilled.

For further explanations and details on our finance strategy, please refer to the section "Management of the Group," PAGE 69 ET SEQ.

G 13

Results and comparison of our stakeholders' expectations with actual figures.

Shareholders

	2013 guidance	2013 delivery
Shareholder remuneration policy[a]	Dividend for the 2013 financial year: € 0.50 per share Option to have the dividend entitlement fulfilled in the form of shares	Proposed dividend for the 2013 financial year of € 0.50 per share (€ 2.2 billion); cash dividend or, as an option, dividend converted into shares

Providers of debt capital

	2013 guidance	2013 delivery
Rating	A–/BBB	BBB+
Relative debt	2 to 2.5 x	2.2 x
Equity ratio	25 to 35 %	27.1 %
Liquidity ratio	covers maturities of the next 24 months	covers maturities > 24 months

ROCE
Return on capital employed

AMBITION LEVEL FOR 2015
Around 5.5 %

ROCE LEVEL
2013: 3.8 %
(2012: – 2.4 %, 2011: 3.8 %, 2010: 3.5 %)

Staff restructuring and staff reduction	
Expenses arising from staff restructuring in 2013	€ 1.5 billion

Employees

	Before spectrum	For spectrum
Cash capex	€ 8.9 billion	€ 2.2 billion

"Enterpreneurs within the enterprise"

[a] Subject to approval by the relevant bodies and the fulfillment of other legal requirements.

HIGHLIGHTS IN THE 2013 FINANCIAL YEAR.

DEVELOPMENTS AT SENIOR MANAGEMENT LEVEL.

On May 15, 2013, the Supervisory Board appointed **Timotheus Höttges** as René Obermann's successor as Chairman of our Group's Board of Management effective January 1, 2014. The decision was also made to appoint **Thomas Dannenfeldt** as Chief Financial Officer. He succeeded Timotheus Höttges effective January 1, 2014. The Supervisory Board also extended the contract of **Niek Jan van Damme** as member of the Board of Management for Germany for another five years.

EMPLOYEES.

Right to return for part-time employees. Since January 2014, we have been one of the first German companies to grant employees who sign a new part-time contract the right to end their part-time employment early and return to their original weekly working hours.

Sustainability at Deutsche Telekom

For more information, please refer to the section "Employees," PAGE 121 ET SEQ.

Early retirement program for civil servants extended. Our Board of Management resolved to extend the early retirement program for civil servants to 2013. This incurred expenses of EUR 0.5 billion in 2013.

Severance and early-retirement program for Telekom Deutschland. In the first half of 2013, Telekom Deutschland introduced a special severance and early retirement program for staff working in steering and centralized functions. This program made it possible to restructure the workforce in a responsible and socially considerate manner, with the aim of making a substantial contribution to implementing our integrated network strategy by systematically lowering our personnel costs in non-operational units.

OTE severance program. In November 2013, OTE finalized a new socially considerate severance program that was launched in the fourth quarter of 2013. Participation in the program, which was mainly directed at employees approaching retirement age, is voluntary. The successful completion of the exit scheme allows OTE to proceed with its transformation plans, to enhance its competitiveness, to significantly reduce its operational expenses, and, at the same time, to create new employment possibilities for young people. Around 1,800 employees accepted the program. OTE estimates the annual cost savings from staff restructuring to be around EUR 94 million. It should be noted that the voluntary exit scheme entails no burden for Greek state pension funds, as OTE bears the entire cost.

For more information, please refer to the section "Employees," PAGE 121 ET SEQ.

TRANSACTIONS AT T-MOBILE US.

Business combination of T-Mobile USA and MetroPCS. The business combination of T-Mobile USA and MetroPCS was closed on May 1, 2013. At the shareholders' meeting on April 24, 2013, the shareholders of MetroPCS approved the business combination, after we had submitted an improved offer on April 10, 2013. The core elements of this offer were a reduction in the shareholder loan from Deutsche Telekom to T-Mobile USA by USD 3.8 billion in total, a lowering of the interest rates for the remaining shareholder loans by 0.5 percentage points, and the extension of the lock-up period for shares in the combined company to 18 months from the closing of the transaction for selling shares on the stock exchange. The responsible U.S. authorities approved the business combination in the first quarter of 2013.

Upon closing of the transaction, we received a 74.29 percent stake (as of May 1, 2013) in the new company. The remaining stake of 25.71 percent is held by the previous shareholders of MetroPCS, who also received a one-time cash payment in the form of a special dividend of USD 1.5 billion. Since May 1, 2013, we have recognized the company in our consolidated financial statements as a fully-consolidated company. It operates under the name T-Mobile US, Inc. and has been traded on the New York Stock Exchange (NYSE) since May 1, 2013. The combined company's improved position in terms of mobile spectrum and the expanded customer base mean that we are able to compete more aggressively with the other national mobile carriers in the United States.

For more information on this transaction, please refer to the section "Changes in the composition of the Group and transactions with owners" in the notes to the consolidated financial statements, PAGE 182 ET SEQ.

Since the business combination, T-Mobile US has achieved significant integration milestones incorporating the MetroPCS business. T-Mobile US has launched HSPA+/LTE devices in multiple historical MetroPCS markets and combined 4G LTE spectrum in Las Vegas. In addition, T-Mobile US has extended the geographic presence of the MetroPCS distribution to 30 additional markets and launched more than 1,700 distribution points in these new markets by year-end.

Glossary, PAGE 257 ET SEQ.

Sale of T-Mobile US bonds. On October 16, 2013, we sold T-Mobile US bonds worth USD 5.6 billion from our portfolio. This related to five bonds with interest rates of between 6.464 and 6.836 percent and maturities ranging from 2019 to 2023. We are using the funds released by the sale for general corporate financing. The transaction did not increase our net debt. With the completion of the transaction, we still hold T-Mobile US bonds worth USD 5.6 billion.

New debt and equity issuance at T-Mobile US. On November 20, 2013, T-Mobile US completed a public offering of 72,765,000 shares of common stock, including 6,615,000 shares issued pursuant to the underwriters' option to purchase additional shares, at a price of USD 25.00 per share. The capital increase diluted Deutsche Telekom's stake in T-Mobile US to 67.62 percent. In August 2013, T-Mobile US issued a bond totaling USD 500 million. The notes have a coupon for 5.250 percent and fall due in 2018. On November 21, 2013, a T-Mobile US wholly-owned affiliate issued USD 2 billion in aggregate principal amount of 6.125 percent senior notes due 2022 and 6.500 percent senior notes due 2024. The proceeds from the capital transactions will be used for general corporate purposes, including capital investments, enhancing its financial flexibility, and acquiring additional spectrum.

As a result of exercised options, as part of the MetroPCS stock option plans transferred, Deutsche Telekom's equity interest in T-Mobile US was diluted by 0.87 percent. Our equity interest in T-Mobile US as of December 31, 2013 thus totaled 66.75 percent.

FURTHER CORPORATE TRANSACTIONS.

In the first quarter of 2013, OTE, which is part of our Europe operating segment, sold all of its shares in its subsidiary Hellas Sat. The sale price was EUR 0.2 billion. Income from divestiture amounted to EUR 0.1 billion (before taxes).

In addition, on July 31, 2013, OTE sold its shares in Cosmo Bulgaria Mobile (Globul) and Germanos Telecom Bulgaria (Germanos) to the Norwegian telecommunications provider Telenor, which acquired 100 percent of the shares. All relevant authorities had approved the transaction. The adjusted sale price was EUR 0.6 billion. Income from divestiture amounted to EUR 0.1 billion (before taxes).

Effective September 1, 2013, DIGI Slovakia was included in our Europe operating segment as a wholly-owned subsidiary of Slovak Telekom. Following successful negotiations, the purchase agreement was concluded on May 14, 2013. The competition authorities agreed to the acquisition on July 31, 2013. The purchase price was EUR 0.1 billion. The purchase of DIGI Slovakia expands Slovak Telekom's TV portfolio.

AGREED CORPORATE TRANSACTIONS.

In early November 2013, we concluded an agreement with a consortium of international private equity companies for the takeover of GTS Central Europe group (GTS) for a total of EUR 0.5 billion. GTS is a leading infrastructure-based provider of telecommunications services in Central and Eastern Europe and owns an extensive optical fiber network. Our aim is to create an even better basis from which to offer innovative telecommunications solutions and integrated products in our key European markets in the future. The responsible authorities still have to approve the takeover.

Also in November 2013, we agreed the sale of a 70-percent stake in Scout24 Holding GmbH to Hellman & Friedman LLC (H&F). We will continue to hold a share of 30 percent in Scout24 in the future and, as such, will go on profiting from the group's future value accretion.

For further information, please refer to the section "Significant events after the reporting period," PAGE 127.

DIVIDEND.

For the first time, Deutsche Telekom AG's shareholders had the option of having their dividend entitlement for the 2012 financial year converted into shares instead of having it paid out in cash (dividend in kind). The option of the dividend in kind was well received by our shareholders: This option was chosen for around 1.62 billion shares. As a result, around 130 million new shares were issued. This corresponds to a capital increase of 3 percent. The cash dividend paid out to our shareholders who did not choose this option totaled EUR 1.9 billion. We are considering offering our shareholders this choice again for the 2013 financial year.

PARTNERSHIPS.

Partnerships are key to the success of our Group. In 2013, we entered into and expanded a large number of partnerships. We would like to present some of them in detail:

- In early 2013, we signed an agreement with Sky Deutschland on an extensive partnership. The program packages from Sky Deutschland for our Entertain IPTV customers came just in time for the start of the 2013/2014 Bundesliga season. Entertain customers can choose from the full range of Sky packages: Sky Welt, Sky Fussball Bundesliga, Sky Sport, and Sky Film, as well as the wide-ranging Sky HD offering.

Glossary, PAGE 257 ET SEQ.

- In order to give a further boost to digital reading, we are joining forces with the leading German booksellers – including Thalia and Club Bertelsmann – and pooling our competencies in the areas of technology and trade. Together with these partners and their comprehensive e-book offerings, we are promoting the new tolino brand. The tolino shine e-reader has been available from all members of the partnership since March 2013.

- In December 2013, we entered into a strategic partnership with Twitter, one of the most popular social media companies.The details of this partnership are yet to be finalized. As a result, our customers will benefit from an improved user experience: on the start screen of their device, for example, Twitter will give a direct overview of events from politics, business and sports. From 2014, this service will be offered for selected Android smartphones, initially in Germany and later in the Netherlands, Greece, Romania, and Croatia.

Sustainability at Deutsche Telekom

Glossary, PAGE 257 ET SEQ.

- We have further expanded our strategic partnership with Microsoft in the course of 2013. The expanded offer of Office 365 packages gives our customers access to the latest Office applications, anytime and anywhere, enabling them to create documents and take advantage of cloud-based IT services that include e-mail, calendars, and web conferences.

- Since November 2013, we have been cooperating with the world's leading energy services provider, ista International, on the remote reading of consumption data via mobile communications: "ista" uses our mobile network to transmit the recorded values to its servers. This partnership is an important step toward further expanding our proposition in the area of machine communication (M2M).

NEW WHOLESALE AGREEMENTS.

- In early May 2013, we signed an agreement with Telefónica Deutschland on increased usage of our VDSL and vectoring wholesale products. This partnership is to start in 2014 and be gradually expanded until 2019. In this way, we can share investment risks and step up our efforts to push ahead with the network build-out. In its draft ruling, the Federal Network Agency approved the partnership at the end of December. We expect a final decision in the first half of 2014.

- In addition, we concluded a partnership agreement for a cooperation with Vodafone as part of what is known as the contingent model: Vodafone will make greater use of our networks in the future and use both VDSL lines and the new vectoring lines.

- The aim of our strategic partnership with Deutsche Annington is to provide the majority of the real estate group's apartments with TV services and to supply some with optical fiber. We also entered into other partnerships in the housing sector in 2013, with Landes-Bau-Genossenschaft Württemberg, FLÜWO Bauen und Wohnen, Bau- und Heimstättenverein in Stuttgart, and Howoge Wohnungsbaugesellschaft in Berlin. Technical implementation will largely be carried out in 2014. We were able to further extend our partnership with Antec Servicepool GmbH in 2013. So far a total of 68 thousand apartments have been connected to our network.

For details on regulatory decisions in 2013, please refer to the section "The economic environment," PAGES 76 and 77. Further developments in the area of regulation which we are not yet able to assess are discussed in the section "Risk and opportunity management," PAGE 143 ET SEQ.

REGULATORY DECISIONS.

Vectoring green-lighted. With its publication of the regulatory order on unbundled local loop lines (ULLs) on August 29, 2013, the Federal Network Agency essentially gave the green light for using vectoring transmission technology in Germany. However, in further proceedings known as the standard offer proceedings, details on wholesale products and services must still be set out. The Federal Network Agency's decision is expected in the first quarter of 2014, allowing vectoring to be used in Germany from this point on.

INVESTMENTS IN NETWORKS AND NEW SPECTRUM.

In order to be equipped for the rising data demand, we are already building the network of the future and investing heavily in Germany:

- Speeds of up to 150 Mbit/s are now possible in our mobile network in Germany with LTE+. The new technology is available in all cities, towns and urban centers which previously had access to transmission rates of up 100 Mbit/s. This will make LTE+ available in well over 150 towns and cities. At the end of 2013, over 40 percent of the German population were able to use LTE+. We plan to raise this figure to 60 percent by 2015.

- Thanks to our network upgrade initiative, the first ten German local networks were connected to the new VDSL network in November 2013. We set up around 500 new multi-function street cabinets and connected them with optical fiber. Overall, almost 300 kilometers of optical fiber were laid. Previously, VDSL only reached around 15 percent of local networks. This figure is now well over 90 percent. From the second half of 2014, our new vectoring technology will again double the current maximum transmission rate of 50 Mbit/s. The next 45 local networks will gradually be switched on by May 2014. A million households will profit from our roll-out.

- We also made significant progress in 2013 in the Germany-wide migration of fixed-network lines to an IP basis: By the end of 2013, we had already completed the IP migration of more than two million lines in Germany.

- At the end of 2013, we were by far the largest HotSpot operator in Germany, with some 17,000 public HotSpots. Together with the existing WLAN TO GO HotSpots, we provide WiFi Internet access at almost 30,000 HotSpots. We are working with Deutsche Bahn to expand our WiFi network: Wireless Internet is now available at more than a hundred German train stations. WiFi Internet access is currently also available on 160 ICE high-speed trains on routes covering 5,200 kilometers.

In our other operating segments, we also stepped up investment in our networks and worked intensively on rolling out our infrastructure:

- The LTE network roll-out is also making progress in the United States: T-Mobile US has initially rolled out the 4G/LTE network in seven major U.S. metropolitan areas. At the end of 2013, the 4G/LTE network covered more than 273 metropolitan areas in the United States, and now reaches 209 million people.

- T-Mobile US spectrum purchase. In October 2013, T-Mobile US purchased 10 MHz of Advance Wireless Services spectrum from U.S. Cellular for USD 308 million. The spectrum covers a total of 32 million people in 29 markets. The transaction further enhances the portfolio of nationwide broadband spectrum in the United States and enables the expansion of LTE coverage to new markets.

- The LTE network roll-out is also making good progress in Europe. We have launched this technology in almost all of our European markets: In Austria, T-Mobile Austria further expanded its LTE network. In Romania, we have been offering mobile Internet services based on 4G/LTE mobile technology since April 2013, which is now available in Bucharest and several other cities. In the Czech Republic, we have been offering LTE in Prague among other places since the start of October 2013. In November 2013, we started commercial operation of the 4G/LTE network in five Slovak cities. We also launched our 4G/LTE network in the Netherlands in November. It is now available in major cities such as Amsterdam. In Montenegro and the F.Y.R.O. Macedonia we had covered a number of cities and regions with 4G/LTE technology as of the end of the year.

- In Europe, we successfully participated in license auctions in Austria, the Czech Republic, Poland, the United Kingdom, Hungary, and Slovakia.

- The IP migration was launched in all integrated countries of our Europe operating segment. In Slovakia, Croatia and Hungary, the majority of our customers were already migrated to the IP technology in 2013. In the F.Y.R.O. Macedonia, the migration was successfully completed as of January 15, 2014.

NEW PRODUCTS.

Our innovative power should benefit our customers first and foremost. For this reason, we again launched new products and services on the market in 2013, some of which are presented below:

- At the end of 2013, we were the first network operator in Germany to introduce the A5/3 encryption standard for voice transmission in our mobile network. As a result, calls are better protected against eavesdropping, even in the GSM network. Mobile calls are automatically encrypted in the transmission between cell phone and basic network. Similar encryptions are already used in the UMTS and LTE network. Additionally, the technology has already been implemented in the F.Y.R.O. Macedonia, Montenegro, Poland and the Czech Republic; other countries will follow.

- Since December 2013, our Entertain customers have been able to use new social TV functions: Using the Remote Control app, they can chat interactively on their mobile devices about current programs, using Twitter or Facebook. This makes it especially easy and straightforward to read, write and share messages about a current program. T-Labs in Berlin designed and developed these new functions.

- The new "Entertain to go" app gives Entertain customers access to around 40 TV stations from their home WiFi network or, on the move, to the online video store. Following the successful launch of "Entertain to go" on PC, laptop and iPad, the app has been available for the iPhone since November 2013 and for Android smartphones and tablets since December 2013.

- On April 12, 2013 the iPhone 5 went on sale at T-Mobile US – since then, our customers in the United States have also been able to buy Apple products.

- In July 2013, T-Mobile US announced phase 2.0 of its Un-carrier value proposition, Just Upgrade My Phone program (JUMP!) under which qualifying customers who finance their initial handset purchase using the Equipment Installment Plan (EIP) and enroll in the JUMP! program can upgrade their handset up to twice a year, following completion of an initial six-month enrollment period, and receive a credit for their outstanding EIP balance provided they trade in their eligible used handset in good working condition to offset the purchase of a new handset from T-Mobile US. In October 2013, T-Mobile US unveiled phase 3.0 of its Un-carrier value proposition, which provides customers with reduced United States-to-International calling rates and roaming fees, and free data roaming while traveling abroad in over 100 countries.

- In November 2013, T-Mobile US began to offer the Apple iPad Air and iPad mini with Retina display. In addition, every T-Mobile US tablet user will receive 200 MB of free 4G LTE data every month for as long as they own their tablet, even if they are not yet a T-Mobile customer.

NEW CORPORATE CUSTOMER AGREEMENTS.

Since the end of November 2013, T-Systems has operated all of its cloud solutions from a single platform. For our corporate customers, the advantage of this standardized platform, which first went live in Munich, is that its scalability is unlimited and hence it can meet growing capacity requirements without any problems. Our customers can also profit from improved service levels, since required maintenance work and updates no longer entail interruptions.

The cloud was a key driver of business in the reporting year, but we also successfully concluded and extended a number of deals in other areas. Examples of new corporate customer contracts:

- Energy provider RWE outsources its European workstation management to T-Systems for the next five years. In future, we will manage around 40,000 workstations.

- In early June 2013, we were awarded the internationally tendered contract with the Finnish elevator and escalator company KONE for the outsourcing of its IT services to T-Systems. KONE will outsource, among other activities, the operation of its data center, the SAP landscape and customer service for its workstation systems around the world to our subsidiary. In the future, the systems will be provided as a cloud application.

- The European Commission signed a three-year framework agreement with T-Systems for the construction of a communication infrastructure for the electronic exchange of data between the bodies of the European Union and the member states.

For further information on the allocation of mobile spectrum, please refer to the section "The economic environment," PAGE 77.

For more information on our new products and innovative services, please refer to the section "Innovation and product development," PAGE 116 ET SEQ.

Glossary, PAGE 257 ET SEQ.

- **Deutsche Rentenversicherung** has commissioned us to provide all services for the secure operation of its communication networks for the next four years. T-Systems will upgrade the existing infrastructure of the voice, data and mobile networks.

- The **Swiss National Railways** have extended their agreements with T-Systems and will continue to procure their central computing and infrastructure services through us.

- **Rhineland Palatinate** is the first German federal state to conclude a two-year agreement on a strategic partnership with T-Systems for cloud services. In addition to much more flexibility, these cloud services offer a high degree of data privacy and data security.

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- Building on a long-standing partnership, T-Systems and **Microsoft** are planning to pool their expertise in the area of cloud computing. In future, corporate customers will be able to use Microsoft's cost effective infrastructure to move data seamlessly from the public cloud to T-Systems' highly secure private cloud.

AWARDS.

We receive regular recognition for our excellent network and our customer service. In particular, our state-of-the-art networks topped the tables in all the major network tests in our home market Germany. We also scored well in the national companies of our Europe operating segment. Selection of the awards we received in 2013:

For information on awards received for our HR activities, please refer to the section "Employees," PAGE 123.

For more information, please refer to the section "Risk and opportunities management," PAGE 148 ET SEQ.

- In early December 2013, we won the extensive mobile network test of **"connect"** magazine for the third time in a row, beating our competitors by a substantial margin. Our score was particularly high in the tests for voice quality, network coverage, and high-speed mobile data communication. In May 2013, the readers of "connect" also voted us the "Mobile communications network operator of the year" in Germany for the fourteenth time in a row.

- Our fixed network also took first place in the major **"connect"** network test for 2013: The new IP-based lines were given top marks for reliability and voice quality in telephony. We also received very good marks for data transmission and for our stable high-level performance across the board.

- The trade journal **Computer Bild** also gave top marks to our modern LTE mobile network. The test measured the average download speeds in 50 major cities in which we verifiably offer the fastest network.

- For the fourth time in a row, our mobile network in Germany has taken the award for the best network of the year in the **CHIP Online** portal's national network test. In addition, we received the title "Best LTE network" for the first time.

- According to the **Futurezone** technology portal, our subsidiary T-Mobile Austria has the "Best network in Austria." The independent test conducted in May 2013 highlighted our excellent voice telephony in particular. We were also once again given the rating of "very good" for our network quality in the **"connect"** network test.

- In the latest **QUDAL** survey, our Croatian subsidiary Hrvatski Telekom (HT) received the highest scores as "Best Mobile Operator on the Market" and "Best Provider of Services for Business Customers." In addition, the survey participants rated us the best telecommunications provider in as many as eleven out of 16 categories. The results are based on a survey of 1,200 users and business people.

- Magyar Telekom won the **Customer Service Award** in the telephone customer service (call center) enterprise category and was given the grade "Excellence." We thus proved to be Hungary's best in call center services among enterprises.

- We took first place in customer satisfaction in this year's **Kundenmonitor Deutschland** survey, conducted by the research institute ServiceBarometer – thanks to our network coverage and availability. Our second brand "congstar" also scored highest among the discounters.

- In a detailed test, **TÜV Rheinland** examined the satisfaction of our customers and gave us the overall score of "good." Our hotline, our Telekom shops and our Technical Service were tested. We were the only provider in Germany to receive the score "good" for the seventh time in a row.

LITIGATION.

We concluded the following proceedings in the reporting year: "Eutelsat arbitration proceedings," "Shareholder litigation" (shareholders' meeting for 2010 financial year), "Year-end bonus for civil servants," and "Mobile communications patent litigation."

GROUP ORGANIZATION.

BUSINESS ACTIVITIES AND ORGANIZATION.

We want to continue to be successful in future. That's why we are already making the transition from a traditional telephone company to a service provider with completely new prospects. All the while, our goal remains clearly in view: becoming the leading European telecommunications corporation. The basis for this is and remains our core business: operating and selling networks and lines. At the same time we are intensively exploiting business areas that offer new growth opportunities.

A "gigabit society" is growing up around us, in which high-speed Internet is taken for granted both at home and on the move. The digital age is fundamentally changing the way we communicate. Internet applications have long been an indispensable part of our lives. The utopias of the past are the realities of the present. We can download films from the Web, watch soccer games on our mobile phones, and send photographs and videos from our smartphones, or share them with our friends via a social network.

In technical terms, this means that increasingly large volumes of data need to be transported at increasingly fast speeds. We at Deutsche Telekom want to make this possible. In addition, we aim to offer our customers fixed network, mobile communications, Internet and IPTV from a single source, ensuring they have secure access to all private data – no matter where they are and what device they are using. The "gigabit society" requires increasingly high-performance networks. We are building these networks – networks that will not only cover the rapidly growing need for bandwidth, but that are also intelligent enough to open up new business areas for entire sectors, such as energy, healthcare or the automotive industries.

But there's more to it than that. Over the next years, many areas will see agenda-setting developments for society, and Deutsche Telekom wants to be part of these. This requires us to have an understanding of responsible corporate governance. We believe that economic, social and ecological aspects can be reconciled, and place sustainability at the heart of all we do. Just two examples: We were the first DAX 30 company to introduce a women's quota in management, and have adopted a Group-wide binding climate protection target. In other words: We want to be a company that delights its customers, creates value for its investors, and in which employees enjoy their work.

Business activities: leading integrated telecommunications provider. With around 143 million mobile customers, 31 million fixed-network and over 17 million broadband lines, we are one of the leading integrated telecommunications companies worldwide. We provide fixed-network/broadband, mobile, Internet, and IPTV products and services for consumers, and information and communication technology (ICT) solutions for business and corporate customers. We have an international focus and are represented in around 50 countries. In the 2013 financial year, we generated over half of net revenue, i.e., EUR 34.7 billion outside Germany. Overall, we employ around 228,600 people (December 31, 2013).

The fixed-network business encompasses all voice and data communications activities based on fixed-network and broadband technology. This includes the sale of terminal equipment and other hardware, as well as the sale of services to resellers.

The mobile communications business offers mobile voice and data services to consumers and business customers. When marketing these services, we also sell mobile handsets and other hardware. In addition, we also sell mobile communications services to resellers and to companies that buy network services and market them independently to third parties (mobile virtual network operator, or MVNOs).

Drawing on a global infrastructure of data centers and networks, T-Systems, our corporate customer arm, operates information and communication technology (ICT) systems for multinational corporations and public sector institutions. On this basis, T-Systems provides integrated solutions for the future of a connected business world and society, focusing increasingly on dynamic platforms – such as cloud computing.

Organization: four operating segments. Our financial reporting conforms with our Group strategy and is based on the following organizational structure. The Group is broken down into four operating segments whose business activities are assigned in three segments by region and in one segment by customer and product.

GRAPHIC 14 provides an overview of the organizational structure of our Group, which we will explain in detail.

G 14

Organizational structure.

Deutsche Telekom Group

Group Headquarters & Group Services

Germany	United States	Europe	Systems Solutions
Fixed-network and mobile communications	Mobile communications	Fixed-network and mobile communications	T-Systems

Sustainability at Deutsche Telekom

Our **Germany** operating segment comprises all fixed-network and mobile activity in Germany. In addition, it provides wholesale telecommunications services for the Group's other operating segments.

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Our **United States** operating segment combines all mobile activities in the U.S. market.

Our **Europe** operating segment comprises all fixed-network and mobile operations of the national companies in Greece, Romania, Hungary, Poland, the Czech Republic, Croatia, the Netherlands, Slovakia, Austria, Albania, the F.Y.R.O. Macedonia, and Montenegro, as well as the EE joint venture in the United Kingdom. We sold our national companies in Bulgaria, discontinuing our mobile business activities in the country effective July 31, 2013.

In addition, individual national companies also offer their business customers information and communication technology solutions. The Europe operating segment also includes the International Carrier Sales & Solutions unit, which mainly provides wholesale telecommunications services for the Group's other operating segments. The tasks and functions of Group Technology, including the Global Network Factory, were previously part of the Group Headquarters & Group Services segment; they have been reported in the Europe operating segment since January 1, 2013. Group Technology ensures efficient, customer-oriented provision of technologies, platforms, and services for mobile and fixed-network communications. Global Network Factory designs and operates a global network for providing wholesale customers with voice and data communication. Reporting was changed to improve the way in which these units can be managed. Comparative figures have been adjusted retrospectively.

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Our **Systems Solutions** operating segment bundles business with ICT products and solutions for large multinational corporations under the T-Systems brand and public institutions. T-Systems offers its customers information and communication technology from a single source and develops and operates infrastructure and industry solutions. The products and services if offers range from standard products and IP-based high-performance networks through to complete ICT solutions. Our Systems Solutions operating segment comprises two business areas: Market Unit and Telekom IT. The Market Unit is responsible for business with external customers as well as telecommunications services within the Group and international IT services that do not fall within the remit of Telekom IT. Telekom IT bundles all of the Group's internal national IT projects.

We have realigned our central management and service functions. January 1, 2013 saw the launch of our new Group Headquarters and the newly formed Group Services. As part of this reorganization, the segment previously known as Group Headquarters & Shared Services was renamed **Group Headquarters & Group Services**. It comprises all Group units that cannot be allocated directly to one of the operating segments. Group Headquarters sets the course and provides impetus. It defines strategic aims for the Group, ensures they are met, and becomes directly involved in selected Group projects. The Group Services provide services to the entire Group. In addition to typical services such as financial accounting, human resources services, and operational procurement, Group Services also includes Vivento, which, among other tasks, is responsible for providing employees with new employment opportunities as part of the workforce restructuring program. Further units are Group Real Estate Management and MobilitySolutions, full-service providers for fleet management and mobility services. The tasks and functions of the Digital Services growth business as well as the Internet service provider STRATO have been pooled within the Digital Business Unit under Group Headquarters & Group Services.

For more information, please refer to the segment reporting in the notes to the consolidated financial statements, PAGE 220 ET SEQ.

MANAGEMENT AND SUPERVISION.

The management and supervisory structures, as well as the compensation system for the Board of Management and the Supervisory Board, are oriented toward the long-term performance of the Group and follow the recommendations of the German Corporate Governance Code.

As of December 31, 2013, Board of Management responsibilities were distributed across seven Board departments. Four of these cover cross-functional management areas:

- Chairman of the Board of Management

and the Board departments

- Finance
- Human Resources
- Data Privacy, Legal Affairs and Compliance

In addition, there are three segment-based Board departments:

- Germany
- Europe & Technology
- T-Systems

Changes in the composition of the Board of Management. The Supervisory Board resolved on December 20, 2012 to agree to René Obermann's request to terminate his mandate as a member of the Board of Management and his appointment as Chairman of the Board of Management effective December 31, 2013. Timotheus Höttges was appointed Chairman of the Board of Management effective January 1, 2014 as per a resolution of May 15, 2013. Thomas Dannenfeldt was appointed as the Board member responsible for Finance as per a resolution of May 15, 2013. He succeeded Timotheus Höttges as Board member responsible for Finance effective January 1, 2014. The appointment of Niek Jan van Damme as Board member responsible for Germany was extended by five years effective March 1, 2014 as per a resolution of May 15, 2013.

Changes in the composition of the Supervisory Board (shareholder representatives). At the shareholders' meeting on May 16, 2013, Sari Baldauf, who had previously been court-appointed as a member of the Supervisory Board, was elected to the Supervisory Board. Prof. Ulrich Lehner was elected to the Supervisory Board for a further five years at the 2013 shareholders' meeting and then reelected as Chairman of the Supervisory Board by the Supervisory Board. Prof. h.c. (CHN) Dr.-Ing. E.h. Dr. Ulrich Middelmann passed away on July 2, 2013. Lawrence Guffey resigned his mandate effective October 1, 2013. Lars Hinrichs and Karl-Heinz Streibich were appointed as members of the Supervisory Board as shareholders' representatives by the relevant district court effective October 1, 2013 until the end of the 2014 shareholders' meeting. Dr. Hans Bernhard Beus resigned his mandate effective midnight on February 5, 2014. The relevant district court appointed Johannes Geismann as a member of the Supervisory Board as a shareholders' representative effective February 6, 2014 until the end of the 2014 shareholders' meeting.

Changes in the composition of the Supervisory Board (employees' representatives). Petra Steffi Kreusel was appointed as a member of the Supervisory Board as an employees' representative by the relevant district court effective January 1, 2013 until the end of the 2013 shareholders' meeting. Effective as from the end of the 2013 shareholders' meeting, eight employees' representatives, who had previously already been members of the Supervisory Board, were court-appointed as members of the Supervisory Board until the end of the delegates' assembly to elect employees' representatives on November 26, 2013. Lothar Holzwarth did not stand for reelection at the delegates' assembly and therefore stood down from the Supervisory Board. Josef Bednarski was elected to the Supervisory Board as a new employees' representative. All other existing employees' representatives were reelected to the Supervisory Board by the delegates' assembly.

The Supervisory Board of Deutsche Telekom AG advises the Board of Management and oversees its management of business. It is composed of 20 members, ten of whom represent the shareholders and the other ten the employees.

The members of the Board of Management are appointed and discharged in accordance with § 84 and § 85 of the German Stock Corporation Act (Aktiengesetz – AktG) and § 31 of the German Codetermination Act (Mitbestimmungsgesetz – MitbestG).

Amendments to the Articles of Incorporation are made pursuant to §§ 179 and 133 AktG and § 18 of the Articles of Incorporation. According to § 21 of the Articles of Incorporation, the Supervisory Board is authorized, without a resolution by the shareholders' meeting, to adjust the Articles of Incorporation to comply with new legal provisions that become binding for the Company and to amend the wording of the Articles of Incorporation.

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Composition of the Board of Management.

Members of the Board of Management	Department
René Obermann (until Dec. 31, 2013) Timotheus Höttges (from Jan. 1, 2014)	Chairman of the Board of Management (CEO)
Reinhard Clemens	T-Systems
Niek Jan van Damme	Germany
Timotheus Höttges (until Dec. 31, 2013) Thomas Dannenfeldt (from Jan. 1, 2014)	Finance (CFO)
Dr. Thomas Kremer	Data Privacy, Legal Affairs and Compliance
Claudia Nemat	Europe & Technology
Prof. Marion Schick	Human Resources

Basis of Board of Management compensation. On February 24, 2010, the Supervisory Board resolved on a new system for the compensation of the Board of Management members, taking into account the provisions specified in the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) that has been in effect since August 5, 2009. The shareholders' meeting of Deutsche Telekom AG on May 3, 2010 approved this new system. As at December 31, 2013, all current members of the Board of Management were covered by the new Board of Management compensation system.

The compensation of Board of Management members comprises various components. Under the terms of their service contracts, members of the Board of Management are entitled to an annual fixed remuneration and annual variable performance-based remuneration, a long-term variable remuneration component, as well as fringe benefits and deferred benefits based on a company pension entitlement. The Supervisory Board defines the structure of the compensation system for the Board of Management and reviews this structure and the appropriateness of compensation at regular intervals.

The fixed remuneration is determined for all Board of Management members based on market conditions in accordance with the requirements of stock corporation law. It is ensured that Board of Management compensation is oriented toward the sustained development of the Company and that there is a multi-year measurement base for the variable components.

At its discretion and after due consideration, the Supervisory Board may also reward extraordinary performance by individual or all Board of Management members in the form of a special bonus.

In accordance with market-oriented and corporate standards, the Company grants all members of the Board of Management additional benefits under the terms of their service contracts, some of which are viewed as non-cash benefits and taxed accordingly. This mainly includes being furnished with a company car and accident and liability insurance, and reimbursements in connection with maintaining a second household.

Sideline employment generally requires prior approval. Generally, no additional compensation is paid for being a member of the management or supervisory board of other Group entities.

The current version of the German Corporate Governance Code includes a new recommendation for variable compensation elements and an overall cap on compensation of the Board of Management. To comply with this recommendation, the Supervisory Board and the Board of Management have adjusted the existing contracts for Board of Management members by mutual agreement. The variable compensation elements now include clear upper limits, while the amount of compensation was capped overall. Ordinary members of the Board of Management may therefore not receive more than EUR 4.5 million in annual compensation. The compensation of the Chairman of the Board of Management may not exceed EUR 7.5 million per year.

GROUP STRATEGY.

- Successful strategy implementation in 2013
- Successfully shaping our future with our updated "Leading Telco" strategy

We are one of the world's leading providers of telecommunications and information technology. This is backed by our broad product portfolio for consumers and business customers, more than 170 million customers and investments of over EUR 11 billion.

RESULTS OF OUR "TELCO PLUS" GROUP STRATEGY.

In 2010, we formulated the "Telco Plus" Group strategy with which our activities were again aligned in the reporting year. It was the basis for our success in the past years. As GRAPHIC 15 shows, "Telco Plus" comprised four areas of operation, all customer-oriented. From 2014 we will focus on our new "Leading Telco" strategy.

G 15

"Telco Plus" corporate strategy.

Seamless connectivity for the Gigabit Society	More innovation by cooperation	Secure cloud solutions	Best-in-class customer experience

For more information on the compensation of the Board of Management and the disclosures required by § 314 HGB, German Accounting Standard No. 17 (GAS 17), and the disclosures required by the German Corporate Governance Code, please refer to Note 40 "Compensation of the Board of Management and the Supervisory Board" in the notes to the consolidated financial statements, PAGE 240 ET SEQ.

Seamless connectivity for the Gigabit Society.
We rely on our excellent network quality. Our goal is to always offer our customers the best and fastest possible connection wherever they are. We are building out our networks – both fixed and mobile – in line with demand. We invested EUR 8.9 billion in our networks in 2013 alone (before spectrum investment). In the reporting year we also began to implement our integrated network strategy in Germany: We are supporting our customers in becoming part of the information society by building out the broadband network.

Sustainability at Deutsche Telekom

One focus is on the high-performance LTE+ mobile communications standard, which enables speeds of up to 150 Mbit/s. We intend to increase the current coverage in Germany of over 40 percent to 60 percent by 2015. We regularly win awards for our excellent network. We won the extensive mobile network test of "connect" magazine for the third time in a row, beating our competitors by a substantial margin.

For more information on our LTE network and on awards, please refer to the section "Highlights in the 2013 financial year," PAGE 58 ET SEQ.

In the German fixed-network, we increased the number of households that could have a VDSL line to 13.4 million as of the end of 2013. In August 2013, the Federal Network Agency approved our application for rolling out the innovative VDSL vectoring technology. This technology allows us to push ahead with the network build-out in an even more efficient way by laying optical fiber up to the nearest street cabinet, and from there using the VDSL vectoring technology on existing copper lines to realize download bandwidths of up to 100 Mbit/s and upload bandwidths of up to 40 Mbit/s. Our aim is to provide coverage with VDSL vectoring lines for around 65 percent of German households by 2016. In addition, we are also working intensively on launching a hybrid router that will support high bandwidths – for both download and upload.

Sustainability at Deutsche Telekom

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More innovation by cooperation.
As an innovative telecommunications provider, we do not just focus on our own innovation, but also integrate new external solutions successfully: For us, innovation should be based on a three-pronged approach: in-house developments, partnerships, and equity investments. One example of a successful in-house development in the reporting year was "Entertain to go": Our TV service in Germany is now also available on laptops, tablets and smartphones. We have entered into an extensive partnership with Twitter, which offers our mobile customers an optimized user experience on selected Android devices in five countries at present. Our hub:raum incubator welcomed six start-ups in 2013 and opened up new offices in Krakow and Tel Aviv following the Berlin base.

For further information on our product and innovation topics, please refer to the section "Innovation and product development," PAGE 116 ET SEQ.

Secure cloud solutions.
We want to enable constant access to data and services for all of our customers – at all times, from anywhere and on any device, with the full range of services and maximum security. That's why we offer an extensive range of attractive cloud solutions for both business customers and consumers. Small and medium-sized business customers can access more than 40 applications on our cloud software platform known as the Business Marketplace, provided by our partners (as of the end of 2013). Our consumers are also offered secure cloud solutions, such as the TelekomCloud. We also made the traditional e-mail service significantly more secure this year – together with our partners United Internet and "freenet" we cover approx. two thirds of all German e-mail accounts. We guarantee that e-mails are encrypted when they are transferred via data centers within Germany. T-Systems offers multinational corporations comprehensive cloud solutions. In 2013, for example, we started operation of a dynamic cloud platform, which provides our customers with flexible scaling of all cloud services in line with their requirements.

Sustainability at Deutsche Telekom

Best-in-class customer experience.
We do not just want our customers to be satisfied, we want to delight them. Providing the best customer experience is at the heart of our actions – wherever the customers come into contact with our Group. The fact that this is anchored in our organizational structure underscores how important the topic is to us. For example, management compensation is to a certain extent tied to the development of customer retention/satisfaction – measured using the globally recognized TRI*M method. This performance indicator also serves to optimize our customer relations processes and improve our products and services. In these surveys, we ascertain the loyalty of our customers compared to other companies, derived entirely from the answers to the following questions: "How our customers rate our performance," "Whether they intend to remain with us and would recommend us to others," "What is our cutting edge over the competition," and "How satisfied are our customers." The results are presented as a performance indicator, the TRI*M index, ranging between – 66 and 134. In 2013, the figure was 64.9: T-Systems, in particular, developed very positively and the Germany and Europe operating segments showed positive developments with a slightly positive trend in the course of the year.

We were also able to demonstrate further measurable success. For example, we achieved the best satisfaction score of all network operators for German mobile consumer business according to Kundenmonitor Deutschland. Our "congstar" brand won first place among the mobile discounters. Our corporate customer arm T-Systems achieved its best TRI*M customer satisfaction score to date in 2013.

In the United States, T-Mobile US has successfully set itself apart from the competition since merging with MetroPCS. T-Mobile US has re-designed its entire rate plans under the Un-carrier strategy, making them more customer-friendly. Customers now regard their pricing as particularly attractive and transparent. For example, T-Mobile US is the first U.S. mobile provider to offer free data roaming in over 100 countries. The numbers speak for themselves: In 2013, we recorded net customer additions of 4.4 million, excluding customers gained in connection with the acquisition of MetroPCS, and increased our customer figure in the United States operating segment to a total of 46.7 million.

T-Systems was also able to gain or retain well-known customers in the business customer segment in 2013. For example, in September we concluded a contract with energy provider RWE, which is outsourcing its 40,000 or so workstations across Europe to T-Systems over the next five years. Our zero distance approach to fully focus on customer needs sees us on the right track.

The four areas of operation as part of the "Telco Plus" Group strategy have helped us make significant progress over the past four years.

- We have built out our networks in line with demand. Customers who surf, phone or watch television with us enjoy state-of-the-art high-performance technology. We are leaders in quality.
- We are an innovative company. We set trends.
- We have established ourselves as one of the top cloud providers and offer consumers and business customers of any size the right solution from a single source.
- We are again the first choice for our customers. And an increasing number of customers are delighted by our service.

GROWTH AREAS.

We want to increase revenue in our five growth areas from EUR 15 billion in 2009 to EUR 27 billion in 2015. In the reporting year, we have made considerable progress in the individual growth areas:

- **Mobile Internet** includes all revenue that we generate with mobile data services. In 2013, revenue in this area totaled EUR 8.3 billion. We are therefore well on our way to achieving or even exceeding our ambition level of EUR 10 billion in revenue in 2015.
- In our **connected home** growth area we have bundled all revenue that we generate with our double- and triple-play packages, i.e., our fixed network-based voice, data, and TV services. This also includes innovative products such as our home management platform QIVICON, which was launched successfully in 2013. Despite the difficult environment in our European sales markets, we remain optimistic that we will achieve our revenue goal of EUR 7 billion in 2015.
- **Internet services** generated revenue of EUR 1.0 billion in 2013. As a result of the sale in November 2013 of a 70-percent stake in the Scout24 group, we are unlikely to realize our ambition level of EUR 2 billion.
- **T-Systems** generated **external revenue** of EUR 6.2 billion, i.e., from all activities bundled in the Market Unit, including, in particular, business with innovative cloud services. We expect the revenue target of EUR 7 billion to be difficult to achieve in light of the continuing strong competitive pressure in business with corporate customers and as a consequence of the transformation of our business model toward sustainable, profitable growth.
- In the **intelligent network solutions** growth area we expect a significant revenue increase, clearly outperforming the market. These solutions contribute to positive development of our Company in the long run and help our customers to reduce their energy consumption and carbon emissions, conserve resources, and ultimately reduce costs.

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Growth areas of Deutsche Telekom.
billions of €

Revenue	2013	Ambition level for 2015[a]
Mobile Internet	8.3	≈ 10
Connected home	6.3	≈ 7
Internet services	1.0	≈ 2
T-Systems (external revenue)[b]	6.2	≈ 7
Intelligent network solutions (energy, healthcare, connected car)	0.2	≈ 1

[a] Ambition level for 2015 communicated at the 2012 Capital Markets Day.
[b] Excluding revenue from intelligent network solutions.

FURTHER DEVELOPMENT OF OUR "LEADING TELCO" GROUP STRATEGY.

We developed our Group strategy further in the reporting year. From 2014, we will base our action on the updated "Leading Telco" strategy. The revised strategy will again feature four customer-centric strategic areas of operation, accompanied by three supporting areas of operation. GRAPHIC 16 provides an overview of the "Leading Telco" strategy and the associated areas of operation.

G 16

"Leading Telco" corporate strategy.

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STRATEGIC AREAS OF OPERATION.

Integrated IP networks.

Our core business is and remains operating and selling networks and lines. An integrated pan-European all-IP network will allow us to offer our customers the best and fastest possible connection at all times.

Step by step we will migrate our entire fixed network to the **Internet protocol** (IP) for all customer segments. Uniform IP networks allow us to react to changing customer wishes quickly, flexibly and economically. Migration to modern IP networks has already begun in all of our integrated national companies and we intend to complete this by 2018. The F.Y.R.O. Macedonia, Slovakia, and Croatia are pioneers in this respect. In the F.Y.R.O. Macedonia, we successfully completed the migration of our customers to IP-based lines on January 15, 2014. In the other two countries, we have already migrated between 42 and 59 percent of fixed-network lines to the IP standard. We aim to complete migration in these countries by the end of 2014 or 2015. We had already migrated more than two million lines in Germany to IP by the end of 2013.

Sustainability at Deutsche Telekom

Sustainability at Deutsche Telekom

In mobile communications, we intend to further **roll out our LTE networks.** We plan to cover around 85 percent of the population in Germany with LTE by 2016. Our European national companies have various roll-out targets, ranging between 50 and 85 percent population coverage with LTE by 2017. We will also continue our modernization program in the United States in 2014 and expect to make LTE access available for around 225 million people towards the end of the year.

Sustainability at Deutsche Telekom

Fixed and mobile networks are becoming increasingly intertwined, which is why we will significantly expand our **fixed-mobile convergence** (FMC) portfolio. Based on our nationwide mobile and fixed-network infrastructure, we want to offer our customers a seamless – in other words, uniform and technology-independent – telecommunications experience. One first example of the FMC focus introduced to our rate plan portfolio is the “Familien-Vorteil” (family advantage) rate plan which has been available in Germany since November 2013. In the medium term, we are working on offering consumers fully-converged products, consisting of voice, Internet access and television, both in fixed and mobile networks. We will also bring bundled products, including attractive cloud services, to market for our business customers.

Glossary, PAGE 257 ET SEQ.

In Germany, our range of roll-out programs come together in an **integrated network strategy.** We are aiming to provide optimum broadband coverage, thus improving our market position vis-à-vis cable network operators, as well as stabilize the development of our revenue. Our integrated network strategy rests on four key measures:

- Accelerated LTE roll-out will consolidate our leading position on the mobile communications market.
- Accelerated roll-out of the FTTC optical fiber access technology will bring optical fiber closer to our customers.
- The combination of FTTC roll-out and the use of the new vectoring technology will allow us to optimize the capacity of our existing copper lines.
- We will develop “hybrid” products that combine the strengths of fixed-network and mobile communications, in other words, capacity and speed. IP transformation provides the basis for the successful implementation of the integrated network strategy – and thus for all our future products and services. In our network, we will offer vectoring and hybrid products – based on IP, for example.

Best customer experience.
We want to offer our customers the best experience – simple, honest, specifically surprising and different. In order to serve our customers with excellent quality whilst also remaining efficient, we are constantly improving our **processes and IT systems.** We are investing in communication with our customers – across all channels. In this way, by 2018 we plan to offer our customers even better support in solving smaller problems quickly and easily themselves.

Sustainability at Deutsche Telekom

Our customers’ satisfaction is one of our most important goals. That is why we are dedicated to continuing our programs “Kunde zuerst” (customer first) in Germany and Customer Experience in Europe.

We will delight consumers and business customers with **service innovations.** For example, in 2013, we had very good experience with modern communication channels such as Facebook and Twitter, which allow customers to contact us and receive an uncomplicated answer or assistance.

In 2013, it became apparent that **data privacy and security** have the public’s attention like never before and are a key customer requirement. It has been a long-standing objective of ours to offer our customers the best possible protection for their data and networks. In order to come to terms with the growing challenges, we make ongoing investments in data privacy and security and sell relevant security solutions. As an example, we improved the eavesdropping protection of our GSM networks in 2013 by introducing the A5/3 encryption standard in additional national companies.

Win with partners.
In addition to our strong brand, we at Deutsche Telekom offer modern infrastructure, mass market-ready processes and professional marketing and sales structures. Together with attractive partners, we deliver the digital products our customers want. We want to focus our own innovative power on our networks, our process landscape, selected platforms for the production and sale of our products, and on our access products.

We will establish a **technical and commercial platform** to which we can connect partners and their products quickly, flexibly and at low cost. We want to be the preferred telecommunications provider when it comes to innovative partners selling their products. We will delight our customers with products and product bundles that offer real added value. One example of our success in this respect is our partnership with the music streaming provider Spotify in Germany: Customers who choose the music streaming option can use the Spotify app on the go on their smartphone and tablet without using up the data volume included in their mobile rate plan. Our business customers will benefit from our Business Marketplace.

We want to grow our **TV business** further. We will expand our range to include attractive content – also building on partnerships such as that with Sky. We will make this content accessible to our customers across all screens – television, smartphone, tablet, etc.

Lead in business.
We want to be the preferred provider of telecommunications and IT services for business customers. The fact that we have dedicated a separate area of operation in our “Leading Telco” strategy to the business customer segment underlines how important this customer group is to us.

We want to strengthen our **business with small and medium-sized enterprises** (SMEs). That is why we are expanding our product portfolio in line with demand, focusing increasingly on customer needs. We see great potential in particular in IT services for SMEs and aim to significantly increase our revenue in this area by 2017. To this end, we will also expand our partner sales activities.

T-Systems serves our largest business customers and will continue to position itself as the expert telecommunications and IT partner for multinational corporate customers. The aim is and remains **profitable and sustainable growth.** This also involves further standardizing and optimizing our internal IT landscape.

The goal in our European sales markets is to transform our revenue mix from business customers towards a higher proportion of revenue from ICT solutions and mobile data. To do so, we are focusing increasingly on **bundled offers consisting of fixed network, mobile communications and cloud services** along with converged services.

SUPPORTING AREAS OF OPERATION.
The supporting areas of operation provide the framework for our internal activities.

Transform the portfolio. We will continue to develop our **portfolio of shareholdings.** The sale of 70 percent of our shares in the Scout24 group agreed in November 2013 shows that we are successfully increasing the value of our non-core business. The proceeds from the sale allows us to further strengthen our core business, particularly in our integrated national companies. With the acquisition of the GTS Central Europe group, one of the leading infrastructure-based providers of telecommunications services in Central and Eastern Europe, we are strengthening our position in the business customer segment and creating an even better starting position for offering pan-European telecommunications services and integrated products. The focus for our U.S. business in the short to medium term will be to leverage the synergies from the MetroPCS transaction.

Evolve financial targets & efficiency. Our **finance strategy** ensures that our balance sheet ratios remain sound. We want to earn our cost of capital in the medium term and cost-effectively manage our non-current assets in terms of utilization and replacement investments. We will continue to pursue our strict cost discipline.

Encourage leadership & performance development. Our employees are key to the success of our Group. We will implement our **HR strategy** in four directions: First we will establish Group-wide leadership principles, developing our performance and development instruments accordingly. Second, we want to foster the employability of our workforce through consistent employee training and diversity management. We stand by increasing the women's quota and are working on the internationalization of our staff. We see the demographic change as an opportunity which we will take advantage of using integrated demographics management. The third direction involves increasing Deutsche Telekom's effectiveness, for example, by using innovative ways of working, new learning formats, and flexible work environments. The fourth direction is to restructure our total workforce in a business-driven manner in response to changing requirements profiles. Our general principle when filling positions is "internal before external."

We want to ensure sustainable business practices and assume social and ecological responsibility in all that we do.

Sustainability at Deutsche Telekom
For more information, please refer to the section "Corporate responsibility," PAGE 110 ET SEQ.

In summary, our "Leading Telco" strategy is also reflected in our goal:

The leading European telecommunications provider.

- We have a **leading market position,** because high-performance networks and the best service make us the first choice for our customers.
- Our networks are **integrated** and employ uniform technical standards.
- We provide the platforms for **successful partnerships** in the consumer and business customer segments.
- At heart we are a **telecommunications provider** – that also offers selected ICT business models.

MANAGEMENT OF THE GROUP.

- **Finance strategy for 2013 consistently implemented**
- **Group-wide value management**

We continue to be committed to the concept of value-oriented corporate governance. In order to govern our Group successfully and sustainably, we must bear in mind the expectations of all four stakeholder groups at all times.

Glossary, PAGE 257 ET SEQ.

- **Shareholders** expect an appropriate, reliable return on their capital employed.
- **Providers of debt capital** expect an appropriate return and that Deutsche Telekom is able to repay its debts.
- **Employees** expect jobs that are secure, prospects for the future, and that any necessary staff restructuring will be done in a responsible manner.
- **"Entrepreneurs within the enterprise"** expect sufficient investment funding to be able to shape Deutsche Telekom's future business and to develop products, innovations, and services for the customer.

Sustainability at Deutsche Telekom

FINANCE STRATEGY.
We want to strike a balance between the contrasting expectations of these stakeholders so that sufficient funding is available for an attractive dividend, debt repayment, responsible staff restructuring, and new investment.

We presented our finance strategy for 2013 to 2015 at our Capital Markets Day in Bonn in December 2012. We consistently implemented this strategy in 2013. This also involved achieving our financial ratios

Please refer to the section "Group strategy," PAGE 65 ET SEQ.

– relative debt (ratio of net debt to adjusted EBITDA) and equity ratio – along with a liquidity reserve that covers our capital market maturities for the next 24 months at least. With these clear statements we intend to maintain the A–/BBB rating and safeguard unrestricted access to the capital market. A dividend statement for the 2013 and 2014 financial years for shareholders has been drawn up and is subject to approval by the relevant bodies and to other statutory requirements. We intend to decide again on the dividend policy for the 2015 financial year after the planned phase of increased investments for broadband networks and products. For the first time, our shareholders had the option to choose between having their dividend entitlement for 2012 paid out in cash or converted into shares of Deutsche Telekom AG (dividend in kind). The latter offers investors the opportunity to leave funds in our Company, improve financial ratios further, and to benefit even more from the success of their investment in the long term. The scale on which this option was taken up was encouraging. We consider offering our shareholders this option again for the 2013 financial year. Total capital expenditure is also to increase significantly in the next two years. The higher investment volume is to be used to roll out our broadband infrastructure in Germany and the United States in particular. In mobile communications, it will focus on latest LTE standard, and in the fixed network, on optical fiber and vectoring. The dividend for financial years 2013 and 2014 was adjusted in favor of our planned investments in future growth; we plan to pay a dividend of EUR 0.50 per share for each year respectively. Our dividend plans offer our shareholders both an attractive return and planning reliability.

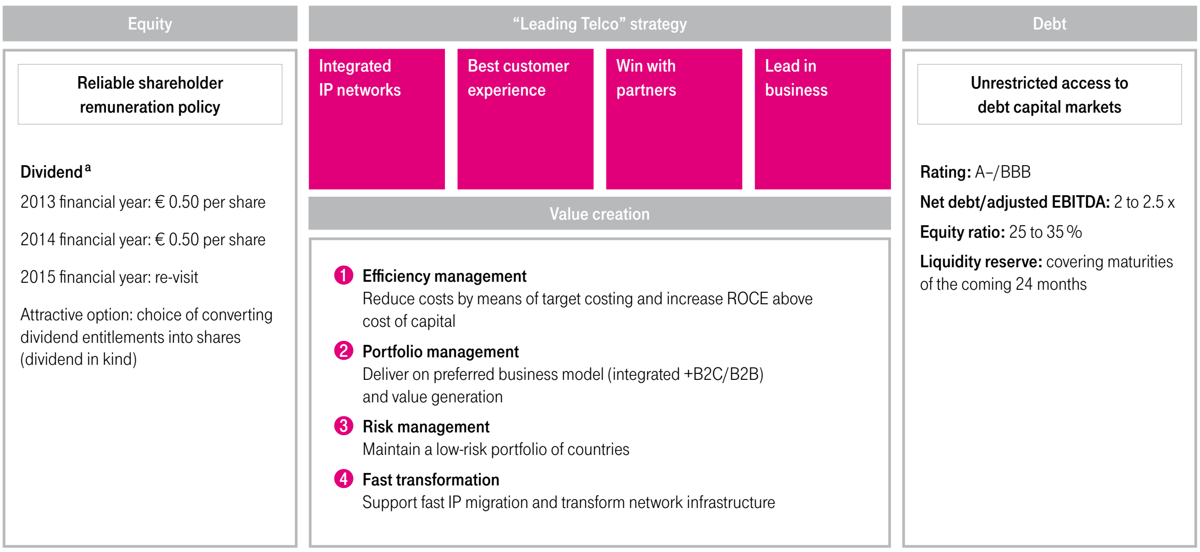
The finance strategy supports our "Leading Telco" Group strategy in transforming our Group. In order to generate a sustainable increase in value, we intend to earn our cost of capital in the medium term. We aim to achieve this goal in part by optimizing the utilization of our non-current assets. We launched further network partnerships in the reporting year, such as in the Netherlands and the Czech Republic. Our new "contingent" models, which are intended to improve the utilization of our networks, are also an important part of this strategy.

We also intend to achieve our target of earning our cost of capital through strict cost discipline. We plan to introduce the target costing method throughout the Group with this goal in mind, the aim being to move away from a historical view of our costs and to follow a consistent course oriented toward our target costs based on market prices achievable in the future. We will also focus our steering more clearly on our unadjusted EBIT. Taking investment costs into account, EBIT is closer to the ROCE concept (please refer to the explanations later in this section for a more detailed information about ROCE as a key performance indicator) and therefore supports our consistent focus on an efficient allocation of capital in the Deutsche Telekom Group.

Last year we reviewed all opportunities to modify our portfolio, for instance with regard to our EE joint venture or the Scout24 group. In November 2013, Deutsche Telekom agreed to sell 70 percent of the shares in Scout24 Holding GmbH. The transaction itself was closed on February 12, 2014. After a thorough review of our EE joint venture together with our partner Orange, we agreed to maintain the existing ownership structure for the time being and to continue to collaborate successfully on the UK market.

G 17

Our finance strategy for 2014 through 2015.



[a] Subject to approval by the relevant bodies and other legal requirements.

VALUE MANAGEMENT AND PERFORMANCE MANAGEMENT SYSTEM.

In order to set and achieve our strategic goals more effectively, we are pursuing a Group-wide value management approach. Ultimately, specific performance indicators are required to measure success. The basis for this is a reliable and understandable performance management system. TABLE 013 and TABLE 014 provide an overview of our key financial and non-financial performance indicators.

PROFITABILITY.

In order to underline the importance of the successful long-term development of our Group, we have incorporated sustainable growth in enterprise value into our medium-term aims and implemented it as a separate KPI for the entire Group. **Return on capital employed (ROCE)** has been our central KPI since 2009. ROCE is the ratio of operating result after depreciation, amortization and impairment losses plus imputed taxes (net operating profit after taxes, or NOPAT) to the average value of the assets tied up for this purpose in the course of the year (net operating assets, or NOA).

ROCE is the performance indicator that helps us to embed our aim of sustainably increasing the value of our Group across all operational activities. Additional value accrues when the return on capital employed exceeds the cost of capital. Our goal, therefore, is to achieve or exceed the return targets imposed on us by providers of debt capital and equity on the basis of capital market requirements. We measure return targets using the weighted average cost of capital (WACC).

We believe that ROCE best reflects the expectations of the four aforementioned stakeholders. The indicator measures how efficiently we generate revenues with the capital employed. ROCE is especially informative when taking a long-term view, because it takes into account both the immense value of the assets that are tied up in our capital-intensive infrastructure, and their utilization. This reveals the crucial advantage of this KPI. It does not focus on the absolute amount of the earnings generated, but rather how much earnings the capital employed generates. ROCE gives us a holistic perspective from which we can consider our investments with fresh insight.

We are implementing measures in all relevant areas at the same time to make a sustainable improvement to our ROCE. Cost-cutting programs and specific restructuring measures are intended to increase our NOPAT, the focus being on the continuous reduction of our indirect costs. A committee was set up with the specific task of ensuring Group-wide efficient capital allocation and utilization of the capital already tied up. A key element in this respect is the pre-marketing of products to make our investments pay off faster. Further examples of measures we have implemented to date to improve our ROCE include network partnerships, our "contingent" model, joint ventures we have entered into, the changes we have made to our portfolio, tower sales in the United States, and the realignment of our central management and service functions.

For operational management, we use the KPIs described in the following.

For the development of the KPIs, please refer to TABLE 013 below and TABLE 014, **PAGE 72**, and the section "Development of business in the Group," **PAGE 78 ET SEQ.**

REVENUE AND EARNINGS.

The development of our **revenue** is an essential indicator for measuring the Company's success.

EBITDA corresponds to **EBIT** (profit/loss from operations) before depreciation, amortization and impairment losses. EBIT and EBITDA measure the short-term operational performance and the success of individual business areas. We also use the EBIT and EBITDA margins to show how these indicators develop in relation to revenue. This makes it possible to compare the earnings performance of profit-oriented units

T 013

Financial performance indicators.

		2013	2012[a]	2011[a]	2010	2009
ROCE	%	3.8	(2.4)	3.8	3.5	3.9
Net revenue	billions of €	60.1	58.2	58.7	62.4	64.6
Profit (loss) from operations (EBIT)	billions of €	4.9	(4.0)	5.6	5.5	6.0
EBITDA (adjusted for special factors)	billions of €	17.4	18.0	18.7	19.5	20.7
Free cash flow (before dividend payment, spectrum investment)[b]	billions of €	4.6	6.2	6.4	6.5	7.0
Cash capex	billions of €	(11.1)	(8.4)	(8.4)	(9.9)	(9.2)
Rating (Standard & Poor's, Fitch)		BBB+	BBB+	BBB+	BBB+	BBB+
Rating (Moody's)		Baa1	Baa1	Baa1	Baa1	Baa1

[a] The prior-year comparatives were adjusted retrospectively due to the application of IAS 19 (amended) as of January 1, 2013. ROCE was only adjusted for 2012.
[b] And before PTC and AT&T transactions and compensation payments for MetroPCS employees.

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PAGE 257 ET SEQ.

For the reconciliation of EBITDA, EBIT, and net profit/loss to the respective figures adjusted for special factors, please refer to TABLE 018, **PAGE 81.**

Sustainability at Deutsche Telekom

of different sizes. Taking unadjusted EBITDA/EBIT as performance indicators means special factors are also taken into account. This promotes a holistic view of our costs. However, special factors have an impact on the presentation of operations, making it more difficult to compare performance indicators with corresponding figures for prior periods. For this reason, we additionally adjust our performance indicators to provide transparency. Without this adjustment, statements about the future development of earnings are only possible to a limited extent. The adjusted values are calculated on the basis of the unadjusted performance indicators.

FINANCIAL FLEXIBILITY.

We define **free cash flow** as net cash from operating activities less net cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment. This indicator is the main yardstick for providers of debt capital and equity. It measures the potential for further developing our Company, e.g., for generating organic growth and the ability to pay dividends and repay debt.

Our central free cash flow management is aimed at further improving **working capital.** Free cash flow management is responsible for transparency, steering, forecasts, and performance measurement in relation to the Group's free cash flow and especially in relation to working capital. In 2010, we set up CORE (Cash Optimization for ROCE Enhancement), a project to improve working capital on a long-term basis. In 2013, the focus was on optimizing receivables management throughout the Group, especially in our United States, Europe, and Systems Solutions operating segments; this also involved factoring measures. We intend to continue to work on improving working capital over the coming years. To this end, we will focus on the following areas: further improvements on the basis of the payment policy and reverse factoring programs, receivables and inventories management at T-Mobile US and in Europe, and working capital management at the OTE group.

Cash capex (before spectrum investments) relates to cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment, which are relevant for cash outflows as a component of free cash flow. In contrast to book capex, cash capex does not include any investments capitalized in the current period, but paid for in a future period.

A **rating** is an assessment or classification of the creditworthiness of debt securities and its issuer according to uniform criteria. Assessment of creditworthiness by rating agencies influences interest rates on debt securities and thus also our borrowing costs. As part of our finance policy, we have defined a target range for our ratings. We are convinced that with a rating between A– and BBB (Standard & Poor's, Fitch) or between A3 and Baa2 (Moody's) we essentially have the necessary entry to the capital markets to generate the required financing.

As one of the leading providers of telecommunications and information technology worldwide with more than 170 million customers, the development of our Group – and thus also our financial performance indicators – is closely linked to the development of **customer figures.** Acquiring and retaining customers are thus essential to the success of our Company. We have different ways of measuring the development of our customer figures according to the business activity in our operating segments: Depending on the activities of each segment, we measure the number of mobile customers and/or the number of broadband and fixed-network lines.

We want our customers to be satisfied – or even delighted – as satisfied customers act as multipliers for our Company's success. As a responsible, service-oriented company, the needs and opinions of our customers are of great importance to us, and we want our customers to stay with our Company in the long term. For this reason we measure **customer retention/satisfaction** in our companies using the globally recognized **TRI*M** method. The results of systematic surveys are expressed by an indicator known as the TRI*M index. To underscore the

T 014

Non-financial performance indicators.

		2013	2012	2011	2010	2009
Customer satisfaction (TRI*M index)		64.9	–	–	–	–
Employee satisfaction (commitment index)[a]		n. a.	4.0	–	–	–
FIXED-NETWORK AND MOBILE CUSTOMERS						
Mobile customers[b]	millions	142.5	127.8	125.1	124.6	130.6
Fixed-network lines	millions	31.0	32.4	34.7	36.0	38.5
Broadband lines[c]	millions	17.4	17.2	16.9	16.4	15.4
SYSTEMS SOLUTIONS						
Order entry	millions of €	8,259	8,737	7,396	9,281	9,305

[a] Commitment index according to the most recent employee survey in 2012.
[b] The customers of our companies in Bulgaria have no longer been included in the Europe operating segment since August 1, 2013 following the sale of the shares held in the companies. They have been eliminated from historical customer figures to improve comparability.
[c] Excluding wholesale.

major significance of customer retention/satisfaction for our operations, since 2010 we have made this key indicator one of four parameters for the newly defined long-term variable remuneration (Variable II) for our executives. We take the TRI*M indexes calculated for the operating entities as an approximation of the respective entities' percentage of total revenue to create an aggregate TRI*M Group value. Over a period of four years, the entitled executives can benefit from the development of customer retention/satisfaction across the Group.

Our employees want to contribute to the further development of the Company and identify with it. We want to establish an open dialog and a productive exchange with our employees: New ways of working and modern means of communication help us achieve this, as do regular surveys. The Group's most important feedback instruments for assessing employee satisfaction include regular employee surveys and the pulse check carried out twice a year. In our Company, we measure the employee satisfaction performance indicator using the commitment index – derived from the results of the last employee survey and updated with the results of the last pulse check.

In view of the major significance of employee satisfaction for the success of the Company, executives are now also being managed and incentivized by means of the long-term variable performance-based remuneration (Variable II). Since 2010, employee feedback has been part of Variable II as one of four relevant parameters. This allows entitled executives to benefit from the development of employee satisfaction across the Group.

In our Systems Solutions operating segment we use order entry as a non-financial performance indicator. We define and calculate order entry as the total of all amounts resulting from customer orders – those yet to be processed – within the Systems Solutions operating segment. Order entry in the form of long-term contracts is of great significance to the Group in order to estimate revenue potential. In other words, order entry is an indicator that provides a high degree of planning reliability.

THE ECONOMIC ENVIRONMENT.

- Economic development in our core countries improved
- Pressure for consolidation in telecommunications market increased

GLOBAL ECONOMIC DEVELOPMENT.

In 2013, the global economy showed only cautious growth: In its current forecast from January 2014, the International Monetary Fund expects the global economy to have grown by 3.0 percent in 2013; growth in the previous year was 3.1 percent. Some contrasting developments could be observed in individual national economies in 2013: While growth rates in the United States, Western and Central Europe increased from the middle of the year, they decreased slightly in emerging markets.

The economic situation in our core markets improved slightly over the course of the year. Gross domestic product (GDP) grew by 0.5 percent in Germany – a greater increase than in other Western European countries. In the United States, the economic situation of private households continued to improve, while the real estate market also recovered further. Overall, the U.S. economy grew by 1.9 percent in the reporting period. However, austerity measures prevented stronger economic growth. Almost all national economies in our Europe operating segment recorded an improvement in economic development in the second half of the year. The decline in Greece's economic performance was significantly tempered for the first time by the end of the year. However, at the end of 2013, Greece remained in a recession with a growth rate of minus 3.5 percent. The Czech Republic, the Netherlands, and Croatia also recorded negative growth rates for the full year 2013. By contrast, growth was seen in the Romanian, UK, Polish, Hungarian, Slovakian, and Austrian economies.

TABLE 15 shows the GDP growth rate trends in 2013 in our most important markets.

For more information on customer satisfaction, please refer to the section "Group strategy," PAGE 65 ET SEQ.

Sustainability at Deutsche Telekom

For more information on employee satisfaction, please refer to the section "Employees," PAGE 121 ET SEQ.

T 015

GNP growth rates.
%

	Q1 2013 compared with Q1 2012	Q2 2013 compared with Q2 2012	Q3 2013 compared with Q3 2012	Q4 2013 compared with Q4 2012	Estimate for full year 2013
Germany	(0.3)	0.5	0.6	1.3	0.5
United States	1.3	1.6	2.0	2.8	1.9
Greece	(5.5)	(3.7)	(3.0)	(1.8)	(3.5)
Poland	0.8	1.2	1.7	2.1	1.4
Hungary	(0.3)	0.5	1.6	2.8	1.2
Czech Republic	(2.4)	(1.5)	(1.3)	(0.4)	(1.5)
Croatia	(1.0)	(0.7)	(0.6)	(0.3)	(0.7)
Netherlands	(1.4)	(1.9)	(0.6)	0.0	(1.0)
Slovakia	0.7	0.7	0.7	1.1	0.8
Austria	0.3	0.1	0.2	0.6	0.3
Romania	2.3	1.6	4.1	2.4	2.6
United Kingdom	0.7	2.0	1.9	2.8	1.9

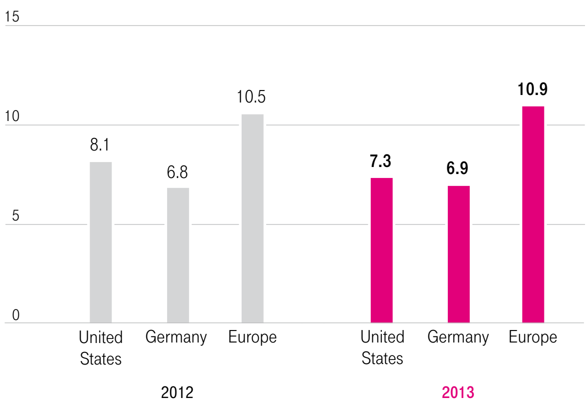
Source: Oxford Economics, January 2014.

Development in national labor markets varied in our core countries in 2013. These markets remained stable in Germany and Austria. The economic recovery in the United States also revived the local labor market. As a result, unemployment rates fell from 8.1 percent in the previous year to 7.3 percent in 2013. The harsh recession in recent years in Greece has weakened the labor market to a great extent. Recessions in Croatia, the Netherlands and the Czech Republic had a negative impact on the local labor markets. High structural unemployment rates, particularly among the older workforce, were evident in Poland, Slovakia, Hungary, and Croatia. Structural unemployment led to reduced purchasing power among those affected and impacted on their willingness to spend. We observed that some of our customers have adjusted their consumption habits, and feel the effects of high unemployment rates, especially in Greece, Hungary, Croatia, and Slovakia.

GRAPHIC 18 provides an overview of the development of unemployment rates.

G 18

Development of the unemployment rate.
%



Source: Oxford Economics, January 2014.

In addition to high unemployment, austerity measures in the public sector and the low willingness to invest also had a detrimental effect on demand for telecommunication services. In some countries, the intense pressure to consolidate state finance led to special taxes being maintained for telecommunications companies, as was the case in Hungary, for example. In the Systems Solutions operating segment's market environment, poor growth on a global economic scale in 2013 resulted in continued cost pressure, delayed investments, and increasing intensity of competition.

TELECOMMUNICATIONS MARKET.

Development of the information and communication technology (ICT) markets varied greatly across regions and segments. The European Information Technology Observatory (EITO) published market data on information and communication technology and consumer electronics. According to EITO, the U.S. ICT market grew by 4.8 percent in 2013. This growth was primarily driven by strong demand for telecommunications equipment as well as mobile devices and services. Up by just 1.2 percent, growth on the European ICT markets was rather weak in 2013, due to increasingly intense competition and regulatory intervention which brought about further price erosion. Development among ICT market segments was also varied. While the market segments for software, telecommunications equipment and mobile data services recorded growth, revenue from IT equipment and voice telephony decreased.

Pressure for consolidation in the European telecommunications industry grew in light of decreasing revenues and, at the same time, high demand for investment in network build-out. This development is also reflected in the acquisition of Kabel Deutschland by Vodafone, approved by the EU antitrust authorities in September 2013.

The low stock market valuation of many European telecommunications companies in comparison to international competitors, ultimately again attributable to excessive network access and price regulation, has awakened the interest of strategic investors in purchasing or expanding equity interests in European telecommunications companies. América Móvil is the largest mobile communications provider in Latin America. The Mexican company has held a stake in the Dutch KPN since 2010 and in Telekom Austria since 2012. In 2013, they attempted to take over KPN entirely. América Móvil retracted the takeover bid in October 2013, however, after this met with great resistance. In January 2013, Hutchison 3G Austria completed the takeover of Orange Austria following approval from anti-trust authorities. The U.S. telecommunications corporation AT&T also showed interest in entering the European market. In September 2013, the sale of Vodafone's shares in Verizon Wireless for USD 130 billion was announced; the transaction is to be completed in early 2014. This could also influence the further development of the European telecommunications industry.

EUROPEAN REGULATORY ENVIRONMENT.

On September 11, 2013, the European Commission submitted proposals to the European Parliament and the Council for an EU regulation on the further development of the single market for electronic communications. In addition to positive proposals on frequency policy and regulatory principles, the draft also provides for regulatory cuts in roaming fees and international call rates within Europe. At the same time, customer protection regulations are to be further harmonized, which could create additional burdens for providers of telecommunications services. The draft also includes Net neutrality regulations. The current legislative processes in the EU Parliament and the Council are expected to bring significant changes to the proposals. We expect the regulation to be adopted in fall 2014 at the earliest, although this could be pushed back to the first half of 2015.

GERMANY.

The German telecommunications market was once again heavily impacted by regulatory intervention and further revenue declines in 2013, particularly those caused by substitution technologies such as messaging applications (apps) like Joyn and WhatsApp. As a result of the growing popularity of smartphones and changing user habits, text messaging is expected to be replaced by messaging apps and e-mails.

In addition, the mobile communications and fixed network sectors saw many take-overs, business combinations and significant investments in optical fiber and LTE. Furthermore, new contract models in the fixed-network wholesale market (generally referred to as the contingent model) had a lasting effect on the market environment. 2013 was characterized in particular by the planned merger of Telefónica and E-Plus on the mobile market and the takeover of Kabel Deutschland by Vodafone. Internet giants like Facebook stormed the telecommunications market with products and services, such as Facebook Messenger.

According to the Federal Network Agency, the volume of the German telecommunications market shrank from EUR 58.0 billion in 2012 to EUR 57.1 billion in 2013. The market saw a slight decline in particular in the traditional fixed network, while combined products containing telephony and broadband Internet access continued to grow, primarily to the benefit of broadband cable operators. The Federal Network Agency estimates that the number of broadband lines in Germany increased to 28.4 million. This is equivalent to a penetration rate of over 34 percent of the population (the EU average is currently 28.8 percent), or around 70 percent of households. Germany is thus well above average compared to other EU states. In particular the sale of high-bandwidth lines of between 30 and 100 Mbits/s increased. In light of the Federal Government's highly ambitious goal of achieving nationwide coverage with 50 Mbit/s based on the build-out of high-performance networks by 2018, implementing the right mix of technology and strategy will be key. Important industry trends in this respect are the different varieties of the ongoing roll-out of optical fiber (FTTx: Fiber to the Curb, Building or Home) as well as dynamic broadband competition between telecommunications providers using optical fiber and cable network operators using coaxial cable.

In addition to the revenue decline attributable to messaging apps, the growing intensity of competition through subsidized mobile handsets and the decreasing price level due to combined products, along with regulatory intervention, have resulted in a further decrease in revenue on the mobile market. By contrast, mobile data volumes are currently undergoing dynamic growth and have more than doubled in just two years to an estimated 200 million gigabit. This increase in mobile data traffic requires high-performance networks, which is why investments, particularly in LTE technology, can be observed. As a result, the number of LTE sites grew. According to the Federal Government's broadband atlas, LTE network coverage increased to over 50 percent in 2013. 60 percent of the population will be able to surf with top speeds of up to 150 Mbit/s by 2015.

As in previous years, the proportion of contracts concluded in the telecommunications market that offer combined products consisting of telephone and Internet lines continued to grow. Germany leads Europe in this development. It is a fairly recent trend that apart from integrated TV services, the combined products are increasingly being supplemented by mobile services. These bundles are much more attractive than traditional individual offers, as they simplify the business relationship for the customer and, at the same, make it easier for the Company to retain customers.

We reacted to the new challenges in the telecommunications market in 2013 and intensified the regulatory and strategic basis for our network upgrade initiative by stepping up investments in broadband networks and new spectrum.

For further information on the network upgrade initiative, please refer to the sections "Highlights in the 2013 financial year," **PAGE 58 ET SEQ.**, "Development of business in the operating segments," **PAGE 90 ET SEQ.**, and "Expectations for the operating segments," **PAGE 133 ET SEQ.**

UNITED STATES.

Slowing smartphone penetration, coupled with wireless saturation (penetration now above 100 percent) continued to weigh on the growth of the U.S. mobile telecommunications market in 2013. Total market voice revenues continued to decline, but the continued growth in data revenues more than compensated for this in 2013. The market in the United States is still divided between four national mobile providers – AT&T, Verizon Wireless, Sprint-Nextel, and T-Mobile USA – and various regional network operators. There are also a number of mobile virtual network operators, which use the networks of one or more of the four national operators to transport their mobile and data traffic. The two largest national network operators are AT&T and Verizon Wireless. They recorded strong growth and solid margins again in 2013. This was driven by rising data usage, which has helped them increase their postpaid average revenue per user.

The exclusive sale of the Apple iPhone was an important competitive advantage for an operator. Since 2013, however, all four national operators have now been offering the iPhone. In December 2012, we announced a sales partnership between T-Mobile USA and Apple, which resulted in T-Mobile USA launching the iPhone in April 2013. This helped remove the competitive disadvantage T-Mobile USA had in terms of device lineup.

In October 2012, Deutsche Telekom announced the agreed merger with MetroPCS. The merger was completed successfully in the spring of 2013. On May 1, 2013, the newly merged company, T-Mobile US, started trading as a separately listed company under the ticker "TMUS" on the New York Stock Exchange.

T-Mobile US underwent a significant operational turnaround in 2013, and heightened the level of competition in the U.S. mobile market. This is mainly due to improvement in its network, device parity with other operators due to the launch of the iPhone, and its Un-carrier initiatives which contributed successfully to customer satisfaction. As a result, T-Mobile US has now been leading the U.S. wireless industry in terms of postpaid phone net additions since the second quarter of 2013.

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EUROPE.

The national companies in the countries of our Europe operating segment continued to experience intense competition with other competitors and MVNOs in 2013. We continue to see increasing substitution effects from providers of Internet-based (over-the-top) services, such as messaging (e.g., WhatsApp) and Internet television (e.g., Watchever). Most markets were also heavily impacted by regulatory interventions.

The large number of existing and new market players increased price pressure for our companies, particularly in the Czech Republic and Greece, which led to further decreases in retail prices. Intervention by state authorities continued to weigh heavy on telecommunication revenue, with the national mobile termination rates and roaming fees abroad significantly lowered as a result of regulation. Government austerity programs, such as those in Greece and Hungary, also had a negative impact on the telecommunications industry, for example in the form of infrastructure fees and the continued imposition of special taxes on telecommunications services. Moreover, telecommunications markets, such as those in Greece, the Czech Republic, and Croatia, suffered as a result of weak or restrained private purchasing power. This resulted in telecommunications markets shrinking or stagnating in all countries of our Europe operating segment.

Similar to the previous year, there were two main trends in fixed-network business: Growing demand for broadband and a greater focus on consumers resulted in increasing combined products comprising broadband and television. This underscores the growing importance of integrated telecommunications companies. Optical fiber in particular plays a key role in increasing high-speed broadband coverage. In order to realize a range of innovative products and services, such as a variety of TV services, we are upgrading our networks and systematically migrating to the Internet protocol (IP). Ultimately, this will significantly increase network efficiency, for example due to lower energy consumption. Migration of fixed-network lines to IP has started in all our integrated subsidiaries and has been completed in the F.Y.R.O. Macedonia as of January 15, 2014. The TeraStream technology is currently being tested successfully in a pilot project in Croatia to further modernize the network infrastructure. ICT business continues to be a key growth driver. The expansion in this area has allowed us to strengthen our position in the business customer segment in particular.

Sustainability at
Deutsche Telekom

The need for faster data transmission has also grown rapidly on the mobile market. Mobile networks in our countries are thus continually modernized and upgraded, for example to comply with the LTE standard. Seven of our subsidiaries have already acquired LTE spectrum, while the LTE roll-out is being pushed forward in all countries of the operating segment with the exception of Albania.

As a result of price pressure, caused particularly by the decline in revenue, and due to high investments in spectrum and network build-out, we have entered into partnerships with other mobile carriers. We launched further network partnerships in 2013, such as in the Netherlands and the Czech Republic.

SYSTEMS SOLUTIONS.

2013 saw further change in overall demand in our Systems Solutions operating segment: Growth and innovation topics such as cloud services, big data (storage, preparation, processing and analysis of large volumes of data), ICT security, embedded systems, and intelligent networks in particular are increasingly gaining in importance.

Global economic recovery only had a limited effect on the ICT market for our Systems Solutions operating segment. There was substantial variation in the development of the individual segments of the ICT market.

- The overall economic trend had a comparatively small effect on the telecommunications market segment. As in previous years, the market was dominated by continued price erosion in telecommunications services and intense competition.

- Growth in the IT services market was significantly higher in 2013 than in the prior year. Further recovery has been especially tangible in the area of computing & desktop services. This can be traced back to the positive development of traditional outsourcing business and the growing success of cloud services. The IT project business largely depended on the economy. After relatively weak development in 2012 compared to the two previous years, growth gained momentum in the reporting year. Standard project business in the following areas contributed significantly to this momentum: ERP (Enterprise Resource Planning), CRM (Customer Relationship Management) and SCM (Supply Chain Management). By contrast, industry-specific system integration business grew only slightly.

MAJOR REGULATORY DECISIONS.

Our business activities are largely subject to national and European regulation, which is associated with extensive powers to intervene in our product design and pricing. We were again subject to extensive regulation in our mobile and fixed-network businesses in 2013.

This primarily involved the regulation of wholesale services – in particular broadband wholesale services and investments in new networks and infrastructure (next-generation network & next-generation access; NGN & NGA) – and the corresponding rates, along with the allocation of mobile spectrum.

REGULATION OF WHOLESALE BROADBAND SERVICES AND INVESTMENTS IN NEW NETWORKS AND INFRASTRUCTURE (NGN, NGA).

Vectoring green-lighted. The Federal Network Agency published the new regulatory order for unbundled local loop lines (ULL) on August 29, 2013. The decision was preceded by an application submitted by Telekom Deutschland GmbH on December 19, 2012 for an amendment to the regulatory framework, and two public hearings on the introduction of VDSL vectoring by the Federal Network Agency on January 24, 2013 and April 24, 2013. With its decision, the Federal Network Agency essentially gives the green light to the use of vectoring transmission technology in Germany. The Agency's decision does not yet give us final legal certainty, however, as several rules are subject to the provisions of a certain wholesale offer (bitstream access). This offer must be defined by the Federal Network Agency in a further administrative procedure. In addition, the decision is designed in such a way as to substantially reduce the incentives for Deutsche Telekom to invest in rural areas. The standard offer proceedings for the detailed design of the wholesale products and services is expected to take until the start of 2014, so that vectoring can be used in Germany from this time.

RATE REGULATION.

Increase of rates for unbundled local loop lines in Germany. On June 26, 2013, the Federal Network Agency published its final decision on the monthly charges for unbundled local loop lines (ULLs) under which the charge for the most important ULL product will increase by 11 eurocents to EUR 10.19. The charge for the (shorter) connection from the cable distribution box (sub-loop unbundling) will be reduced by 38 eurocents to EUR 6.79. The rates apply for three years from July 1, 2013.

Regulation of mobile and fixed-network termination rates in Germany. On March 1 and April 8, 2013, the European Commission expressed "serious doubts" about the Federal Network Agency's draft proposals on the regulatory orders and rate decisions for mobile termination and fixed-network termination (interconnection – IC). On June 27, 2013, the Commission recommended to the Federal Network Agency with regard to mobile termination rates (MTR) that the draft decisions on MTR be rescinded or amended. However, the Commission has no right to veto these decisions made by the Federal Network Agency. The Federal Network Agency published the final MTR decisions on July 19, 2013. The rates are identical with those set as of December 1, 2012 as part of a preliminary rate approval (1.85 eurocents/min with retroactive effect from December 1, 2012 and 1.79 eurocents/min from December 1, 2013). The rate cuts reduced our mobile revenue by EUR 118 million in the 2013 financial year. The final decision on the fixed-network termination rates was published on August 30, 2013. Here too, the rates were set at the same amount that had already been given provisional approval since December 1, 2012.

Retroactive rate approval for unbundled local loop lines. On June 24, 2013, the Federal Network Agency redefined the ULL one-time rates for the period from July 1, 2005 to June 30, 2007 with retroactive effect for individual competitors on the basis of rulings of the Cologne Administrative Court. Compared with the originally approved rates the different rate items decreased by between 3.6 and 13.9 percent. The Federal Network Agency set new one-time ULL retroactive rates for the period July 1, 2004 through June 30, 2005 on September 23, 2013. Here too, the original approval of the rates by the ruling of the Cologne Administrative Court in favor of the complainant was revoked. Compared with the original approval of rates from 2004, the rates are lower in the overall effect, although certain charge items also increased.

Rate reductions at subsidiaries. In Greece, the regulatory authorities reduced the wholesale prices for VDSL. With the coming into effect of the new cost standard for termination rates as a result of the corresponding EU recommendation, regulated mobile termination rates have been substantially reduced since January 1, 2013 in all subsidiaries and associates, apart from Romania, in the range of 23 to 65 percent compared with the rates from December 2012.

ALLOCATION OF MOBILE SPECTRUM.

The following significant spectrum auctions took place in our international subsidiaries in 2013:

- In **Austria,** the regulatory authority RTR started to auction spectrum in the 0.8 GHz, 0.9 GHz and 1.8 GHz ranges on September 9, 2013. Some of the spectrum was GSM frequency spectrum currently held by the three mobile operators and due to expire between 2015 and 2019. A very intransparent auction method was used (combinatorial clock auction). In the 0.8 GHz range, spectrum was reserved for a potential new player. The auction ended on October 21, 2013, with no involvement from any potential new players. The three network operators are to pay a total of over EUR 2 billion for the spectrum. T-Mobile Austria and Hutchison filed an action against the auction result, claiming serious procedural violations.

- In the **Czech Republic,** an auction started on November 11, 2013 for spectrum in the 0.8 GHz, 1.8 GHz and 2.6 GHz ranges. An initial attempt to sell this spectrum had been abandoned in March 2013. The bidding phase ended on November 19, 2013, with all three mobile network operators obtaining spectrum in all three ranges. Two potential new players ended the procedure without acquiring any spectrum.

- In **Poland,** our subsidiary T-Mobile Polska purchased 2x10 MHz of additional spectrum in the 1.8 GHz range. The previous 1.8 GHz spectrum was thus doubled, creating an excellent basis for the LTE network. The spectrum rights run until 2027.

- In the **United Kingdom,** our EE joint venture purchased new spectrum in the 0.8 GHz and 2.6 GHz frequency ranges. EE was thus able to expand its existing frequency resources, particularly for the market-leading LTE network.

- In **Hungary,** Magyar Telekom acquired extensions to the terms of existing frequencies in the 0.9 GHz and 1.8 GHz ranges until 2022.

- The bidding phase of an auction in **Slovakia** with spectrum from the 0.8 GHz, 1.8 GHz and 2.6 GHz ranges, also started on November 11, 2013, ended on December 6, 2013. In addition to the three existing mobile network operators – Slovak Telekom, Orange and Telefónica O_2 – spectrum was reserved in the 1.8 GHz range for potential new players. The Slovakian regulator announced in mid-January 2014 that the three existing mobile network operators had successfully been allocated spectrum. Slovak Telekom obtained frequencies in the 0.8 GHz and 2.6 GHz, which support LTE build-out. SWAN, previously known as a provider of Internet, cable TV and mobile communications services, purchased the reserved 1.8 GHz spectrum. This means that there will now be four network operators on the Slovak mobile communications market. The value of the spectrum purchased by the four companies totaled EUR 163.9 million.

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DEVELOPMENT OF BUSINESS IN THE GROUP.

- Corporate targets achieved or slightly exceeded
- Adjusted EBITDA of EUR 17.4 billion
- Free cash flow of EUR 4.6 billion

STATEMENT OF THE BOARD OF MANAGEMENT ON BUSINESS DEVELOPMENT IN 2013.

Bonn, February 18, 2014

We had another successful financial year in 2013. We succeeded in meeting our corporate targets with adjusted EBITDA of EUR 17.4 billion, and with free cash flow of EUR 4.6 billion (before dividend payments and spectrum investment), we even slightly exceeded them. Subject to approval by the relevant bodies and the fulfillment of other legal requirements, we continue to adhere to our shareholder remuneration strategy and will propose to the shareholders' meeting a dividend of EUR 0.50 per share. As we did for the first time in the prior year, we are once again considering offering our shareholders the option of having their dividend entitlement converted into shares of Deutsche Telekom AG, instead of having it paid out in cash.

On May 1, 2013, we completed the merger of T-Mobile USA and MetroPCS and thus the combination of our business activities in the United States. The new company operates under the name T-Mobile US, Inc. and has been traded on the New York Stock Exchange (NYSE) since May 1, 2013. Due to the improved position in terms of mobile spectrum and the expanded customer base, we are now able to compete more aggressively with the other national mobile carriers in the United States.

Following the loss from operations of EUR 4.0 billion recorded in 2012, due mainly to the impairment loss recognized that year in our United States operating segment, we generated a profit from operations of EUR 4.9 billion in the reporting year. This also had an impact on net profit. While in the prior year, we recorded a net loss of EUR 5.4 billion, we generated a net profit of EUR 0.9 billion in the reporting year.

Our net debt increased from EUR 36.9 billion to EUR 39.1 billion. We achieved a very good result, despite the first-time inclusion of MetroPCS, dividend payments, and the acquisition of spectrum. Factors having a reducing effect included free cash flow, the sale of stakes, and capital transactions at T-Mobile US.

Negative trends in the telecommunications industry such as saturated markets, rising competition, continued severe regulatory intervention, and the resulting continued price erosion impacted negatively on earnings, resulting in a profit decline. Our efforts to respond to these challenges and ensure the continued viability of our Company included investments (before spectrum) of EUR 8.9 billion, most of which went towards the continued broadband build-out and increasing capacities in existing networks. In the fixed network, the focus was on investments in the fiber-optic roll-out, IPTV, and the continued migration to an IP-based network. In mobile communications, we invested in LTE, increased network coverage, and upgraded capacity to meet increasing demand for data volumes. In addition, we acquired spectrum for a total EUR 2.2 billion, primarily in the Netherlands, Austria, and the United States.

We developed our Group strategy further in the reporting year. From 2014, we will focus on this updated "Leading Telco" strategy, which is summed up in our goal of being the leading European telecommunications provider in our markets.

RESULTS OF OPERATIONS OF THE GROUP.

NET REVENUE.

We increased net revenue by 3.4 percent compared with the prior year to EUR 60.1 billion in the 2013 reporting year. Our United States operating segment in particular contributed to this revenue trend as a result of the first-time inclusion of MetroPCS as of May 1, 2013 and continued strong customer additions on the back of our Un-carrier strategy. Intense competition, the in some cases substantial price changes imposed by regulatory authorities, and the still strained economic situation in many countries of our Europe operating segment 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, mainly due to lower revenue in the traditional fixed network. The general downward trend in prices for IT and communications services had a negative impact on revenue in our Systems Solutions operating segment.

Adjusted for the effects of changes in the composition of the Group of EUR 2.3 billion in total, as well as negative exchange rate effects of EUR 0.7 billion, especially from the translation of U.S. dollars into euros, revenue increased by EUR 0.3 billion 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 90 ET SEQ.

T 016

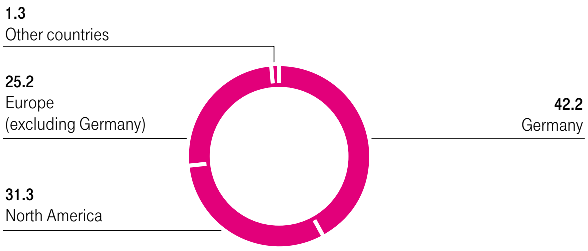
Contribution of the segments to net revenue.
millions of €

	2013	2012	Change	Change %	2011
NET REVENUE	**60,132**	**58,169**	**1,963**	**3.4 %**	**58,653**
Germany	22,435	22,736	(301)	(1.3) %	23,206
United States	18,556	15,371	3,185	20.7 %	14,811
Europe	13,659	14,406	(747)	(5.2) %	15,124
Systems Solutions	9,491	10,016	(525)	(5.2) %	9,953
Group Headquarters & Group Services	2,879	2,835	44	1.6 %	2,822
Intersegment revenue	(6,888)	(7,195)	307	4.3 %	(7,263)

At 35.0 percent, our Germany operating segment again provided the largest contribution to net revenue of the Group. Our United States operating segment increased its share in net revenue of the Group by 4.5 percentage points year-on-year, partly due to the inclusion of MetroPCS, whereas the contribution by our Germany, Europe, and Systems Solutions operating segments shrank. The proportion of net revenue generated internationally continued to increase, up from 55.7 percent in the prior year to 57.8 percent in the reporting period.

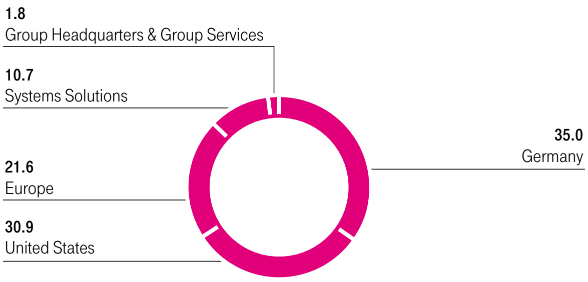
G 19

Breakdown of revenue by region.
%



G 20

Contribution of the segments to net revenue.
%



EBITDA, ADJUSTED EBITDA.

Our EBITDA decreased year-on-year by EUR 2.2 billion to EUR 15.8 billion. Higher expenses in connection with special factors compared with the prior year had a particularly negative impact on earnings. Negative special factors totaling EUR 1.6 billion were included in EBITDA in 2013. These special factors mainly comprised expenses incurred in connection with staff-related measures and non-staff-related restructuring expenses, which were EUR 0.2 billion higher than in the prior year. A loss of EUR 0.1 billion was incurred in connection with the disposal of T-Systems Italia and the sale of the Systems Integration business area of T-Systems France. Deconsolidation gains arising from the sale of stakes in Hellas Sat of around EUR 0.1 billion and in Globul and Germanos, also totaling around EUR 0.1 billion, had a contrasting effect. Special factors in the prior year were positively impacted by income amounting to EUR 1.4 billion in connection with the agreement concluded between T-Mobile USA and Crown Castle concerning the sale, lease, and use of cell sites in the United States.

Excluding special factors, adjusted EBITDA decreased year-on-year by EUR 0.5 billion to EUR 17.4 billion in the reporting year. Exchange rate effects of EUR 0.2 billion, especially from the translation of U.S. dollars into euros, had a negative effect on the development of adjusted EBITDA.

For an overview of the development of special factors, please refer to TABLE 018, PAGE 81.

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 90 ET SEQ.

T 017

Contribution of the segments to adjusted Group EBITDA.

	2013 millions of €	Proportion of adjusted Group EBITDA %	2012 millions of €	Proportion of adjusted Group EBITDA %	Change millions of €	Change %	2011 millions of €
EBITDA (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	**17,424**	**100.0**	**17,973**	**100.0**	**(549)**	**(3.1)**	**18,697**
Germany	8,936	51.3	9,166	51.0	(230)	(2.5)	9,553
United States	3,874	22.2	3,840	21.4	34	0.9	3,831
Europe	4,518	25.9	4,936	27.5	(418)	(8.5)	5,276
Systems Solutions	806	4.6	747	4.2	59	7.9	672
Group Headquarters & Group Services	(655)	(3.8)	(715)	(4.0)	60	8.4	(640)
Reconciliation	(55)	(0.2)	(1)	(0.1)	(54)	n. a.	5

MARKETING EXPENSES.

In the 2013 financial year, marketing expenses amounted to EUR 2.4 billion and were thus on a par with the prior-year level. They comprise costs from market research, market analysis, target market studies, determining marketing strategies, designing the marketing mix, and carrying out and managing marketing initiatives. They also include costs from customer retention programs, market planning and segmentation, and product forecasts.

At Deutsche Telekom, marketing communication mainly takes the form of product and brand campaigns, such as Entertain, TelekomCloud, Mobile Internet – LTE, "Network upgrade initiative – networks of the future," or campaigns such as "Special stories deserve the best network" with "Bob and Linda."

EBIT.

Group EBIT increased from minus EUR 4.0 billion in the previous year to plus EUR 4.9 billion. This growth is primarily attributable to the year-on-year reduction in depreciation, amortization and impairment losses of EUR 11.1 billion, owing to the impairment loss recognized on goodwill, other intangible assets and property, plant and equipment at T-Mobile USA in the third quarter of the prior year. In addition, depreciation and amortization were down EUR 0.8 billion on the prior-year level. This is attributable to a reduced depreciation and amortization base, mainly as a result of the impairment loss recognized in the prior year in the United States operating segment, and the expiry of the economic useful lives of parts of the outside plant in the Germany operating segment. In the Europe operating segment, impairment losses recognized on goodwill (EUR 0.6 billion), licenses (EUR 0.1 billion), and property, plant and equipment (EUR 0.1 billion) had a negative impact on EBIT in the reporting year.

PROFIT/LOSS BEFORE INCOME TAXES.

Loss before income taxes increased year-on-year by EUR 8.5 billion to a profit of EUR 2.1 billion in 2013 as a result of the aforementioned effects. Loss from financial activities increased by EUR 0.4 billion year-on-year to EUR 2.8 billion. In the first quarter of the prior year, loss from financial activities had included the sale of the shares in Telekom Srbija. At the time, the closing of the transaction resulted in income of EUR 0.2 billion. Finance costs increased only slightly by EUR 0.1 billion, primarily due to the first-time inclusion of MetroPCS and the overall less favorable financing conditions. Deutsche Telekom AG benefited from improved interest rates in the 2013 financial year.

NET PROFIT/LOSS.

Net profit increased to EUR 0.9 billion. In the prior year, we recorded a net loss of around EUR 5.4 billion, mainly due to the recognition of an impairment loss in connection with the business combination of T-Mobile USA and MetroPCS. The tax expense for the financial year amounted to EUR 0.9 billion.

Profit attributable to non-controlling interests decreased to EUR 0.3 billion, primarily as a result of the sale of shares in Telekom Srbija in the prior year. The sale of Globul and Germanos had an offsetting, positive effect of EUR 0.1 billion.

TABLE 018 presents a reconciliation of EBITDA, EBIT, and net profit/loss to the respective figures adjusted for special factors.

For further information, please refer to Note 25 "Income taxes" in the notes to the consolidated financial statements, **PAGE 213 ET SEQ.**

For further information on the development of earnings, please refer to the disclosures under "Notes to the consolidated income statement" in the notes to the consolidated financial statements, **PAGE 210 ET SEQ.**

For further details, please refer to Note 30 "Depreciation, amortization and impairment losses" in the notes to the consolidated financial statements, **PAGES 218** and **219**.

T 018

Consolidated income statement and effects of special factors.
millions of €

	EBITDA 2013	EBIT 2013	EBITDA 2012[a]	EBIT 2012[a]	EBITDA 2011[a]	EBIT 2011[a]
EBITDA/EBIT	**15,834**	**4,930**	**17,995**	**(3,962)**	**19,999**	**5,563**
GERMANY	**(535)**	**(540)**	**(560)**	**(560)**	**(612)**	**(612)**
Staff-related measures	(506)	(506)	(492)	(492)	(495)	(495)
Non-staff-related restructuring	(16)	(16)	0	0	(4)	(4)
Effects on earnings from business combinations and other transactions	(23)	(23)	(8)	(8)	0	0
Other	10	5	(60)	(60)	(113)	(113)
UNITED STATES	**(232)**	**(329)**	**1,479**	**(9,110)**	**(134)**	**(2,431)**
Staff-related measures	(179)	(179)	(69)	(69)	(116)	(116)
Non-staff-related restructuring	(1)	(1)	(28)	(28)	0	0
Effects on earnings from business combinations and other transactions	(52)	(52)	1,558	1,558	0	0
Impairment losses	–	(97)	–	(10,589)	–	(2,297)
Other	0	0	18	18	(18)	(18)
EUROPE	**(178)**	**(792)**	**(208)**	**(571)**	**(246)**	**(1,286)**
Staff-related measures	(328)	(328)	(182)	(182)	(132)	(132)
Non-staff-related restructuring	4	4	(16)	(19)	0	0
Effects on earnings from business combinations and other transactions	183	183	0	0	0	0
Impairment losses	–	(614)	–	(360)	–	(1,040)
Other	(37)	(37)	(10)	(10)	(114)	(114)
SYSTEMS SOLUTIONS	**(416)**	**(431)**	**(405)**	**(417)**	**(398)**	**(418)**
Staff-related measures	(213)	(213)	(238)	(238)	(204)	(204)
Non-staff-related restructuring	(128)	(130)	(166)	(178)	(163)	(175)
Effects on earnings from business combinations and other transactions	(71)	(84)	0	0	0	0
Other	(4)	(4)	(1)	(1)	(31)	(39)
GROUP HEADQUARTERS & GROUP SERVICES	**(228)**	**(228)**	**(282)**	**(282)**	**2,691**	**2,691**
Staff-related measures	(226)	(226)	(243)	(243)	(231)	(231)
Non-staff-related restructuring	(34)	(34)	(13)	(13)	(22)	(22)
Effects on earnings from business combinations and other transactions	40	40	(46)	(46)	(56)	(56)
Compensation from AT&T	–	–	–	–	3,000	3,000
Other	(8)	(8)	20	20	0	0
GROUP RECONCILIATION	**(1)**	**(1)**	**(2)**	**(1)**	**1**	**1**
Staff-related measures	1	1	(1)	(1)	0	0
Non-staff-related restructuring	0	0	0	0	0	0
Effects on earnings from business combinations and other transactions	1	1	0	0	0	0
Other	(3)	(3)	(1)	0	1	1
TOTAL SPECIAL FACTORS	**(1,590)**	**(2,321)**	**22**	**(10,941)**	**1,302**	**(2,055)**
EBITDA/EBIT (ADJUSTED FOR SPECIAL FACTORS)	**17,424**	**7,251**	**17,973**	**6,979**	**18,697**	**7,618**
Profit (loss) from financial activities (adjusted for special factors)		(2,772)		(2,546)		(2,607)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		**4,479**		**4,433**		**5,011**
Income taxes (adjusted for special factors)		(1,364)		(1,451)		(1,690)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		**3,115**		**2,982**		**3,321**
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		2,755		2,537		2,879
Non-controlling interests (adjusted for special factors)		360		445		442

[a] The prior-year comparatives were adjusted retrospectively due to the application of IAS 19 (amended) and the change in segment reporting resulting from the change in disclosure of Group Technology and the Global Network Factory as of January 1, 2013.

FINANCIAL POSITION OF THE GROUP.

T 019

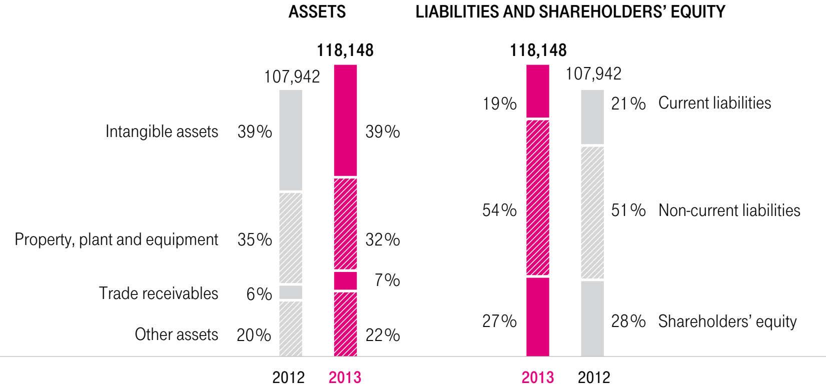
Condensed consolidated statement of financial position.
millions of €

	Dec. 31, 2013	Change	Dec. 31, 2012 [a]	Dec. 31, 2011 [a]	Dec. 31, 2010	Dec. 31, 2009
ASSETS						
CURRENT ASSETS	**21,963**	**6,944**	**15,019**	**15,865**	**15,243**	**23,012**
Cash and cash equivalents	7,970	3,944	4,026	3,749	2,808	5,022
Trade and other receivables	7,712	1,295	6,417	6,557	6,889	6,757
Other current assets	5,248	762	4,486	5,123	5,495	4,706
Non-current assets and disposal groups held for sale	1,033	943	90	436	51	6,527
NON-CURRENT ASSETS	**96,185**	**3,262**	**92,923**	**106,631**	**112,569**	**104,762**
Intangible assets	45,967	4,120	41,847	50,227	53,807	51,705
Property, plant and equipment	37,427	20	37,407	41,797	44,298	45,468
Investments accounted for using the equity method	6,167	(559)	6,726	6,873	7,242	147
Other non-current assets	6,624	(319)	6,943	7,734	7,222	7,442
TOTAL ASSETS	**118,148**	**10,206**	**107,942**	**122,496**	**127,812**	**127,774**
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES	**22,496**	**(499)**	**22,995**	**24,215**	**26,452**	**24,794**
Financial liabilities	7,891	(1,369)	9,260	10,219	11,689	9,391
Trade and other payables	7,259	814	6,445	6,436	6,750	6,304
Current provisions	3,120	235	2,885	3,095	3,193	3,369
Other current liabilities	4,113	(283)	4,396	4,465	4,820	4,307
Liabilities directly associated with non-current assets and disposal groups held for sale	113	104	9	–	–	1,423
NON-CURRENT LIABILITIES	**63,589**	**9,173**	**54,416**	**58,249**	**58,332**	**61,043**
Financial liabilities	43,708	8,354	35,354	38,099	38,857	41,800
Non-current provisions	9,077	(92)	9,169	7,771	8,001	8,340
Other non-current liabilities	10,804	911	9,893	12,379	11,474	10,903
SHAREHOLDERS' EQUITY	**32,063**	**1,532**	**30,531**	**40,032**	**43,028**	**41,937**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**118,148**	**10,206**	**107,942**	**122,496**	**127,812**	**127,774**

[a] The prior-year comparatives were adjusted retrospectively due to the application of IAS 19 (amended) as of January 1, 2013.

G 21

Structure of the consolidated statement of financial position.
millions of €

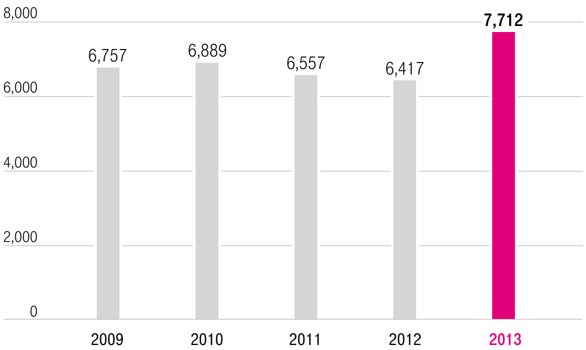


Total assets increased by EUR 10.2 billion compared with December 31, 2012, largely due to the acquisition of MetroPCS as of May 1, 2013. Furthermore, our consolidated statement of financial position was mainly influenced by the following factors:

Cash and cash equivalents increased by EUR 3.9 billion year-on-year.

G 22

Trade and other receivables.
millions of €



Trade and other receivables increased by EUR 1.3 billion to EUR 7.7 billion, due in particular to an increased percentage of terminal equipment sold under installment plans in our United States operating segment. This results from T-Mobile US's 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.

The net carrying amounts of the **non-current assets and disposal groups held for sale** increased by EUR 0.9 billion, primarily due to the swap of mobile spectrum licenses at T-Mobile US with Verizon Communications, Inc. to improve mobile network coverage, and the agreed sale of the Scout24 group.

For detailed information, please refer to the section "Changes in the composition of the Group and transactions with owners" in the notes to the consolidated financial statements, **PAGE 182 ET SEQ.**

For detailed information on this change, please refer to the consolidated statement of cash flows, **PAGES 166** and **167**, and Note 31 "Notes to the consolidated statement of cash flows" in the notes to the consolidated financial statements, **PAGES 219** and **220.**

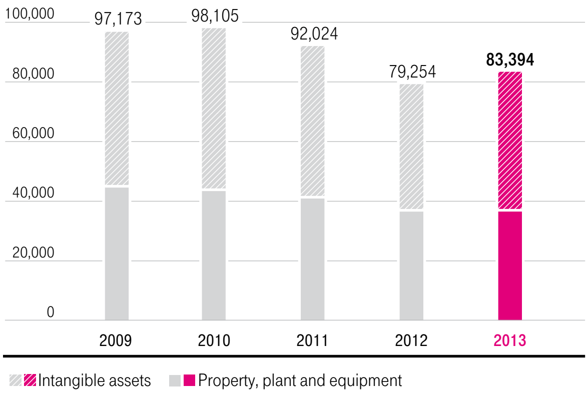
The increase of EUR 4.1 billion in **intangible assets and property, plant and equipment** as of December 31, 2013 was primarily attributable to the increase in the carrying amounts of intangible assets, which were up mainly as a result of capital expenditure of EUR 6.2 billion. Mobile spectrum accounted for EUR 2.2 billion of this increase. Effects of changes in the composition of the Group totaling EUR 4.1 billion from the first-time inclusion of MetroPCS and goodwill of EUR 1.0 billion recognized in this connection also contributed to this increase. Capital expenditure for property, plant and equipment totaled EUR 7.1 billion. Of the additions to assets, 68 percent related to investments intended to increase operating capacities. Apart from investments in new products and technologies, these were primarily measures to increase capacities and improve quality in existing products and technologies.

The increase was offset by depreciation and amortization of EUR 10.1 billion and impairment losses of EUR 0.8 billion. The impairment losses were primarily attributable to the year-end impairment test. As a result, we recorded total impairment losses of EUR 0.6 billion in our Europe operating segment. Exchange rate effects of EUR 1.5 billion – mainly from the translation from U.S. dollars into euros – also reduced the carrying amounts, as did reclassifications to non-current assets and disposal groups held for sale totaling EUR 0.9 billion resulting from the agreed spectrum swap in the United States operating segment and the agreed sale of the Scout24 group.

Investments accounted for using the equity method decreased by EUR 0.6 billion, mainly due to the EE joint venture. Dividend payments received reduced the carrying amount of the investment by EUR 0.3 billion; exchange rate effects reduced the carrying amount of the investment by a further EUR 0.1 billion.

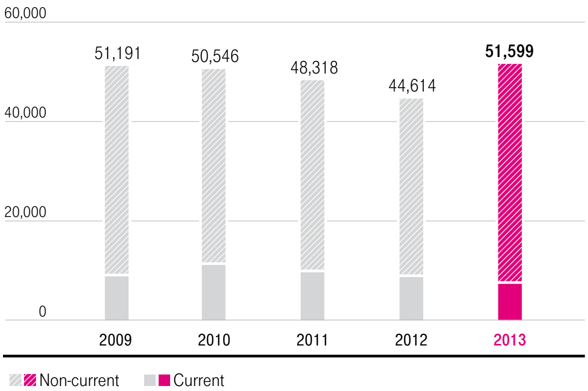
G 23

Intangible assets and property, plant and equipment.
millions of €



G 24

Financial liabilities.
millions of €



Our current and non-current **financial liabilities** increased by EUR 7.0 billion compared with the prior year to EUR 51.6 billion in total. The first-time inclusion of MetroPCS alone gave rise to an increase of EUR 5.1 billion. Significant effects on financial liabilities are set out in the following tables and the accompanying explanations.

Trade and other payables increased by EUR 0.8 billion compared with the end of 2012 due to intensified network modernization measures and increased stock levels of terminal equipment (in particular smartphones).

Provisions (current and non-current) increased by EUR 0.1 billion overall, partly as a consequence of restructuring programs initiated by OTE. The increase in plan assets of EUR 0.3 billion (allocation under contractual trust agreement), however, had an offsetting effect on pension provisions.

The increase in **other liabilities** (current and non-current) of EUR 0.6 billion is primarily attributable to the increase in deferred tax liabilities arising from the first-time inclusion of MetroPCS.

Shareholders' equity increased by EUR 1.5 billion compared with December 31, 2012, due to the first-time inclusion of MetroPCS accounting for EUR 2.0 billion, a capital increase at T-Mobile US of EUR 1.3 billion, and profit of EUR 1.2 billion, EUR 0.3 billion of which was attributable to non-controlling interests. Dividend payments of EUR 3.0 billion to Deutsche Telekom AG shareholders for the 2012 financial year reduced shareholders' equity. In connection with the option granted to our shareholders to have their dividend entitlements converted into shares, a capital increase of EUR 1.1 billion was carried out involving the contribution of the dividend entitlements. Currency translation effects of EUR 0.9 billion (including non-controlling interests) recognized directly in equity and dividend payments to non-controlling interests of EUR 0.4 billion also reduced shareholders' equity.

T 020

Financial liabilities.
millions of €

	Dec. 31, 2013			
	Total	Due ≤ 1 year	Due >1 year ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities				
Non-convertible bonds	28,211	545	9,531	18,135
Commercial paper, medium-term notes and similar liabilities	12,324	2,770	4,145	5,409
Liabilities to banks	4,105	1,721	2,185	199
	44,640	**5,036**	**15,861**	**23,743**
Finance lease liabilities	1,446	162	550	734
Liabilities to non-banks from promissory notes	1,072	127	529	416
Other interest-bearing liabilities	891	577	210	104
Other non-interest-bearing liabilities	1,967	1,855	109	3
Derivative financial liabilities	1,583	134	594	855
	6,959	**2,855**	**1,992**	**2,112**
FINANCIAL LIABILITIES	**51,599**	**7,891**	**17,853**	**25,855**

Cost of debt. At the end of the financial year, the average interest rate for financial liabilities was 5.6 percent (2012: 5.2 percent).

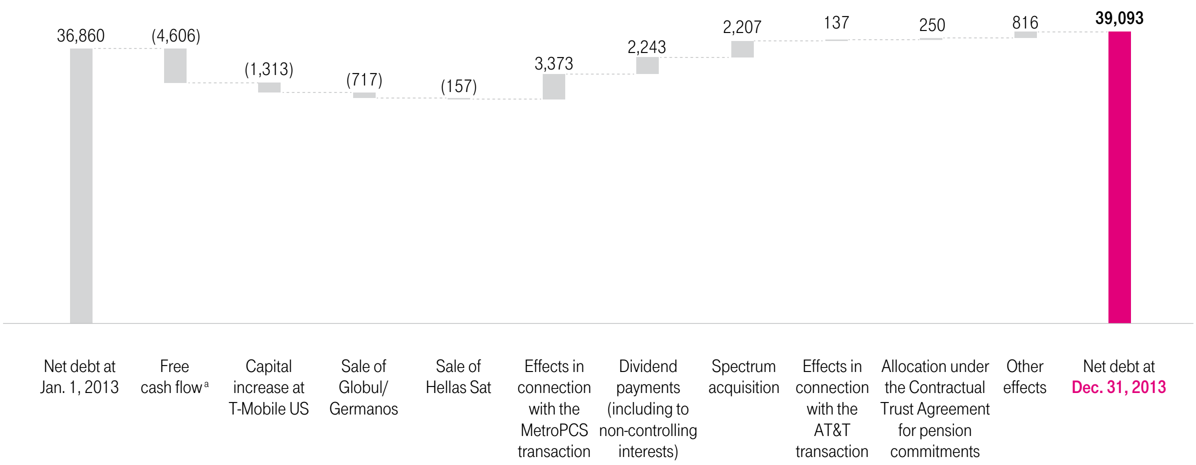
T 021

Net debt.
millions of €

	Dec. 31, 2013	Change	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Financial liabilities (current)	7,891	(1,369)	9,260	10,219	11,689	9,391
Financial liabilities (non-current)	43,708	8,354	35,354	38,099	38,857	41,800
FINANCIAL LIABILITIES	**51,599**	**6,985**	**44,614**	**48,318**	**50,546**	**51,191**
Accrued interest	(1,091)	(188)	(903)	(966)	(1,195)	(1,175)
Liabilities from corporate transactions	–	–	–	–	(1,566)	(1,455)
Other	(881)	(127)	(754)	(615)	(467)	(444)
GROSS DEBT	**49,627**	**6,670**	**42,957**	**46,737**	**47,318**	**48,117**
Cash and cash equivalents	7,970	3,944	4,026	3,749	2,808	5,022
Available-for-sale/held-for-trading financial assets	310	283	27	402	75	162
Derivative financial assets	771	(516)	1,287	1,533	835	1,048
Other financial assets	1,483	726	757	932	1,331	974
NET DEBT	**39,093**	**2,233**	**36,860**	**40,121**	**42,269**	**40,911**

G 25

Changes in net debt.
millions of €



[a] Before dividend payments, spectrum investment, and effects in connection with the AT&T transaction.

Our net debt increased by EUR 2.2 billion year-on-year to EUR 39.1 billion. The factors responsible for this are shown in GRAPHIC 25.

Net debt increased by EUR 3.4 billion due to the first-time inclusion of MetroPCS at the date of acquisition. Financial liabilities also increased by EUR 5.1 billion as a result of this transaction; at the same time, we took over cash and cash equivalents as well as other assets with a total value of EUR 1.7 billion.

For more information, please refer to the explanations in Note 34 "Leases," **PAGES 226** and **227**, and Note 35 "Other financial obligations," **PAGE 228,** in the notes to the consolidated financial statements.

Off-balance sheet assets and financial instruments. In addition to the assets recognized in the statement of financial position, we use off-balance-sheet assets. This primarily relates to leased property.

Off-balance-sheet financial instruments mainly relate to the sale of receivables by means of factoring. Total receivables sold as of December 31, 2013 amounted to EUR 1.5 billion (December 31, 2012: EUR 1.3 billion).

Furthermore, in the 2013 financial year, we chose financing options totaling EUR 0.4 billion, which extended the period of payment for trade accounts payable by involving banks in the process.

Finance management. Deutsche Telekom's finance management ensures the Group's ongoing solvency and hence its financial equilibrium. The fundamentals of Deutsche Telekom's finance policy are established each year by the Board of Management and overseen by the Supervisory Board. Group Treasury is responsible for implementing the finance policy and for ongoing risk management.

T 022

The rating of Deutsche Telekom AG.

	Standard & Poor's	Moody's	Fitch
LONG-TERM RATING			
Dec. 31, 2009	BBB+	Baa1	BBB+
Dec. 31, 2010	BBB+	Baa1	BBB+
Dec. 31, 2011	BBB+	Baa1	BBB+
Dec. 31, 2012	BBB+	Baa1	BBB+
Dec. 31, 2013	**BBB+**	**Baa1**	**BBB+**
SHORT-TERM RATING	**A-2**	**P-2**	**F2**
OUTLOOK	**Stable**	**Stable**	**Stable**

T 023

Financial flexibility.

		2013	2012	2011	2010	2009
RELATIVE DEBT						
Net debt / EBITDA (adjusted for for special factors)		**2.2**	**2.1**	**2.1**	**2.2**	**2.0**
EQUITY RATIO	%	**27.1**	**28.3**	**32.7**	**33.7**	**32.8**

To ensure financial flexibility, we essentially used the KPI relative debt in 2013. One component of this KPI is net debt, which the Group uses as an important indicator for investors, analysts, and rating agencies.

Glossary, **PAGE 257 ET SEQ.**

T 024

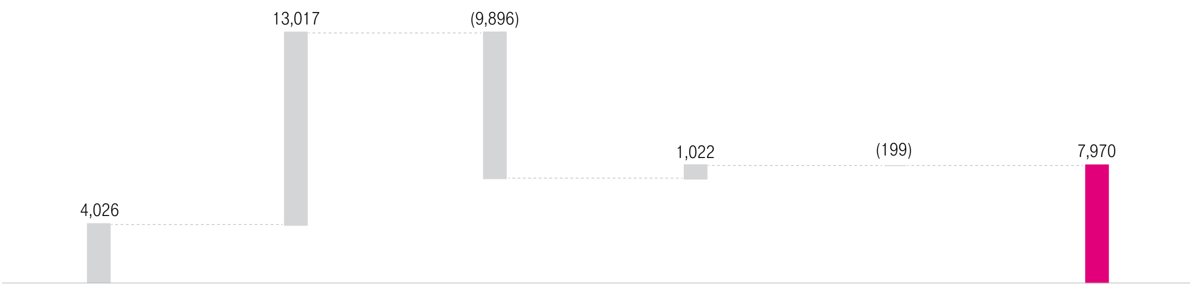
Condensed consolidated statement of cash flows.
millions of €

	2013	2012	2011
NET CASH FROM OPERATING ACTIVITIES	**13,017**	**13,577**	**16,214**
Effects from the AT&T transaction	137	470	(2,289)
Cash outflow as part of the PTC transaction	–	–	400
Compensation payments for MetroPCS employees	60	–	–
NET CASH FROM OPERATING ACTIVITIES [a]	**13,214**	**14,047**	**14,325**
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment (CASH CAPEX)	(8,861)	(8,021)	(8,260)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	253	213	356
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT) [a]	**4,606**	**6,239**	**6,421**
NET CASH USED IN INVESTING ACTIVITIES	**(9,896)**	**(6,671)**	**(9,275)**
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**1,022**	**(6,601)**	**(5,958)**
Effect of exchange rate changes on cash and cash equivalents	(167)	(28)	(40)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	(32)	–	–
Net increase (decrease) in cash and cash equivalents	3,944	277	941
CASH AND CASH EQUIVALENTS	**7,970**	**4,026**	**3,749**

[a] Before PTC and AT&T transactions and compensation payments for MetroPCS employees.

G 26

Changes in cash and cash equivalents.
millions of €



Free cash flow. Free cash flow of the Group before dividend payments and spectrum investment amounted to EUR 4.6 billion, EUR 1.6 billion less than in the prior year. This was due to the decrease in net cash from operating activities as well as the increase in cash capex. The latter is a consequence of our strategy to focus investments on the improvement of network quality and coverage and the continued modernization of our "networks of the future."

Net cash from operating activities decreased by EUR 0.6 billion year-on-year to EUR 13.0 billion.

This development was primarily influenced by effects for T-Mobile USA in connection with the AT&T transaction relating to the termination of the agreement for the sale: These effects accounted for cash outflows of EUR 0.1 billion in the reporting year and of EUR 0.5 billion in 2012. In 2013, the effects also included compensation payments for employees of MetroPCS of EUR 0.1 billion as a result of the business combination with T-Mobile USA. The dividends received from the EE joint venture, which were down EUR 0.2 billion year-on-year, and a EUR 0.2 billion increase in severance payments also had a negative impact. Net cash from operating activities in the 2013 financial year was also impacted by higher market investments in the United States operating segment. Whereas in the prior year, this item had included cash inflows of EUR 0.1 billion from the agreement on the leasing and use of cell sites in the United States, no corresponding cash inflows were recorded in 2013. EUR 0.2 billion higher cash inflows from canceling interest rate derivatives and EUR 0.1 billion lower net interest payments had a positive effect compared with the prior year.

For information on net cash used in investing activities and net cash from/used in financing activities, please refer to Note 31 "Notes to the consolidated statement of cash flows" in the notes to the consolidated financial statements, **PAGE 219** and **220.**

T 025

Reconciliation for the change in disclosure of key performance indicators in 2013.
millions of €

	Total revenue		Profit (loss) from operations (EBIT)	
	2012	2011	2012	2011
PRESENTATION AS REPORTED (BEFORE ADJUSTMENTS)				
Germany	22,736	23,206	4,345	4,520
United States	15,371	14,811	(7,547)	(710)
Europe	14,408	15,124	1,484	780
Systems Solutions	10,016	9,953	(299)	(290)
Group Headquarters & Group Services	2,978	2,977	(1,786)	1,274
TOTAL	**65,509**	**66,071**	**(3,803)**	**5,574**
Reconciliation	(7,340)	(7,418)	(7)	12
GROUP	**58,169**	**58,653**	**(3,810)**	**5,586**
+/– CHANGE IN DISCLOSURE OF GROUP TECHNOLOGY AND GLOBAL NETWORK FACTORY AS OF JANUARY 1, 2013				
Germany	–	–	–	–
United States	–	–	–	–
Europe	(2)	–	(42)	(32)
Systems Solutions	–	–	–	–
Group Headquarters & Group Services	(143)	(155)	42	32
TOTAL	**(145)**	**(155)**	**–**	**–**
Reconciliation	145	155	–	–
GROUP	**–**	**–**	**–**	**–**
+/– CHANGE IN DISCLOSURE DUE TO IAS 19 (AMENDED) AS OF JANUARY 1, 2013				
Germany	–	–	(132)	77
United States	–	–	–	–
Europe	–	–	(5)	12
Systems Solutions	–	–	(8)	(105)
Group Headquarters & Group Services	–	–	(6)	(7)
TOTAL	**–**	**–**	**(151)**	**(23)**
Reconciliation	–	–	(1)	–
GROUP	**–**	**–**	**(152)**	**(23)**
= PRESENTATION AS OF DECEMBER 31, 2013				
Germany	22,736	23,206	4,213	4,597
United States	15,371	14,811	(7,547)	(710)
Europe	14,406	15,124	1,437	760
Systems Solutions	10,016	9,953	(307)	(395)
Group Headquarters & Group Services	2,835	2,822	(1,750)	1,299
TOTAL	**65,364**	**65,916**	**(3,954)**	**5,551**
Reconciliation	(7,195)	(7,263)	(8)	12
GROUP	**58,169**	**58,653**	**(3,962)**	**5,563**

EBITDA		Adjusted EBITDA		Depreciation and amortization		Impairment losses		Segment assets	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
8,738	8,864	9,165	9,553	(4,389)	(4,340)	(4)	(4)	31,224	32,578
5,319	3,697	3,840	3,831	(2,265)	(2,110)	(10,601)	(2,297)	27,436	38,075
4,717	4,995	4,921	5,241	(2,845)	(3,159)	(388)	(1,056)	36,348	37,815
350	379	747	672	(632)	(654)	(17)	(15)	9,044	9,308
(975)	2,081	(695)	(617)	(711)	(722)	(100)	(85)	95,360	100,168
18,149	**20,016**	**17,978**	**18,680**	**(10,842)**	**(10,985)**	**(11,110)**	**(3,457)**	**199,412**	**217,944**
(2)	6	–	5	(6)	–	1	6	(91,470)	(95,402)
18,147	**20,022**	**17,978**	**18,685**	**(10,848)**	**(10,985)**	**(11,109)**	**(3,451)**	**107,942**	**122,542**
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
15	23	19	23	(58)	(55)	–	–	224	221
–	–	–	–	–	–	–	–	–	–
(15)	(23)	(19)	(23)	57	54	1	1	(219)	(218)
–	**–**	**–**	**–**	**(1)**	**(1)**	**1**	**1**	**5**	**3**
–	–	–	–	1	1	(1)	(1)	(5)	(3)
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
(132)	77	1	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
(4)	12	(4)	12	–	–	–	–	7	5
(8)	(105)	–	–	–	–	–	–	1	–
(7)	(7)	(1)	–	–	–	–	–	41	(3)
(151)	**(23)**	**(4)**	**12**	**–**	**–**	**–**	**–**	**49**	**2**
(1)	–	(1)	–	–	–	–	–	(49)	(48)
(152)	**(23)**	**(5)**	**12**	**–**	**–**	**–**	**–**	**–**	**(46)**
8,606	8,941	9,166	9,553	(4,389)	(4,340)	(4)	(4)	31,224	32,578
5,319	3,697	3,840	3,831	(2,265)	(2,110)	(10,601)	(2,297)	27,436	38,075
4,728	5,030	4,936	5,276	(2,903)	(3,214)	(388)	(1,056)	36,579	38,041
342	274	747	672	(632)	(654)	(17)	(15)	9,045	9,308
(997)	2,051	(715)	(640)	(654)	(668)	(99)	(84)	95,182	99,947
17,998	**19,993**	**17,974**	**18,692**	**(10,843)**	**(10,986)**	**(11,109)**	**(3,456)**	**199,466**	**217,949**
(3)	6	(1)	5	(5)	1	–	5	(91,524)	(95,453)
17,995	**19,999**	**17,973**	**18,697**	**(10,848)**	**(10,985)**	**(11,109)**	**(3,451)**	**107,942**	**122,496**

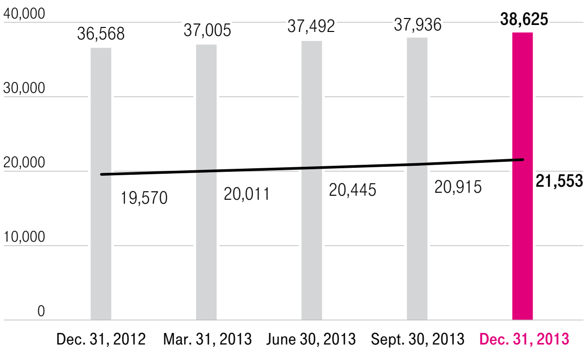
DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS.

GERMANY.

CUSTOMER DEVELOPMENT.

G 27

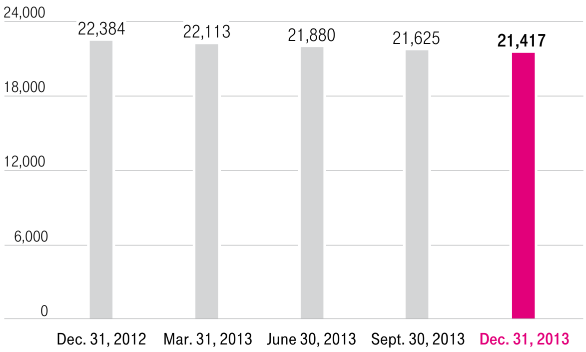
Mobile customers.
thousands



— Contract customers

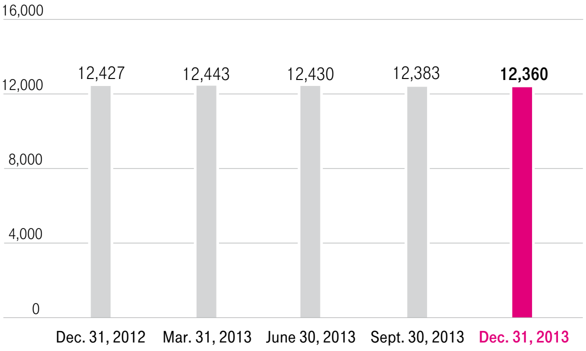
G 29

Fixed-network lines.
thousands



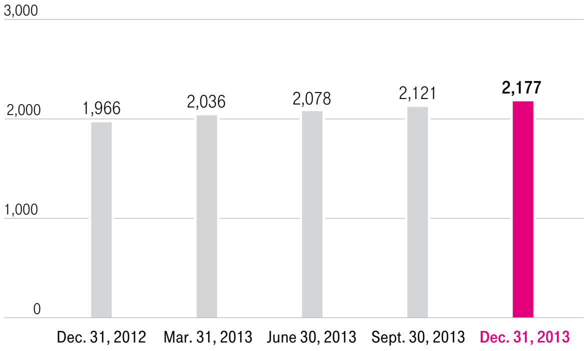
G 28

Broadband lines.
thousands



G 30

TV customers (IPTV, satellite).[a]
thousands



[a] Customers connected.

T 026

thousands

	Dec. 31, 2013	Dec. 31, 2012	Change	Change %	Dec. 31, 2011
TOTAL					
Mobile customers	38,625	36,568	2,057	5.6 %	35,403
Contract customers	21,553	19,570	1,983	10.1 %	18,221
Prepay customers	17,072	16,997	75	0.4 %	17,182
Fixed-network lines	21,417	22,384	(967)	(4.3) %	23,399
Of which: IP-based	2,141	937	1,204	n. a.	514
Broadband lines	12,360	12,427	(67)	(0.5) %	12,265
TV (IPTV, satellite)	2,177	1,966	211	10.7 %	1,553
Unbundled local loop lines (ULLs)	9,257	9,436	(179)	(1.9) %	9,598
Wholesale unbundled lines	1,564	1,303	261	20.0 %	1,222
Wholesale bundled lines	390	518	(128)	(24.7) %	704
OF WHICH: CONSUMERS					
Mobile customers	29,943	28,811	1,132	3.9 %	28,382
Contract customers	15,669	13,990	1,679	12.0 %	12,874
Prepay customers [a]	14,275	14,821	(546)	(3.7) %	15,508
Fixed-network lines	16,923	17,789	(866)	(4.9) %	18,763
Of which: IP-based	1,960	856	1,104	n. a.	488
Broadband lines	9,963	10,039	(76)	(0.8) %	9,959
TV (IPTV, satellite)	2,001	1,804	197	10.9 %	1,434
OF WHICH: BUSINESS CUSTOMERS					
Mobile customers	8,682	7,757	925	11.9 %	7,021
Contract customers	5,885	5,581	304	5.4 %	5,347
Prepay customers (M2M) [a]	2,797	2,176	621	28.5 %	1,675
Fixed-network lines	3,445	3,510	(65)	(1.9) %	3,505
Of which: IP-based	164	55	109	n. a.	21
Broadband lines	2,072	2,062	10	0.5 %	1,973
TV (IPTV, satellite)	174	161	13	8.1 %	117

[a] Since January 1, 2013, M2M (machine-to-machine) has been reported exclusively under prepay business customers in mobile communications. Prior-year figures have been adjusted accordingly.

Total.
In our home market of Germany, we are the market leader in fixed-network and mobile communications and we plan to remain so in the future. We are also ahead of the competition in terms of quality of service and technology. We have the best network quality, confirmed by the fact that we won all major network tests in 2013. For this reason, customers perceive us as better than our competitors.

Several positive trends continued in the 2013 financial year. Compared with the end of 2012, we recorded a total of 2,057 thousand mobile customer additions by the end of 2013. Smartphone sales increased to 4.3 million in 2013. In the fixed network, our fiber-optic products are growing increasingly important: The total number of lines – VDSL and FTTH – increased by 534 thousand to 1.5 million, in particular due to existing customers switching to higher-quality products with higher bandwidth. We had also migrated 2.1 million customers to IP-based lines by the end of 2013. In broadband business, we recorded an almost stable development of lines in the 2013 financial year, with the total number of lines reaching 12.4 million.

We are still competing with cable operators. With the progress in fiber-optic roll-out and innovative vectoring technology, we will also drive forward the marketing of substantially higher bandwidths. At the end of 2013, we had rolled out vectoring-enabled VDSL lines to the first 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.

With our "contingent model" and its further future development, we create incentives for migration from traditional wholesale products, such as bundled wholesale lines or unbundled local loop lines to higher-quality VDSL wholesale lines. Under partnerships with network operators that are based on increased usage of our VDSL and vectoring wholesale products, we can share investment risks and drive forward further roll-out. Our partnerships in the housing sector also proved successful: In total, 68 thousand apartments were connected to our network.

For more information on awards, please refer to the section "Highlights in the 2013 financial year," PAGE 58 ET SEQ.

Glossary, PAGE 257 ET SEQ.

For more information on our wholesale agreements, please refer to the section "Highlights in the 2013 financial year," PAGE 58 ET SEQ.

Mobile communications.

Mobile telephony and data services. In mobile communications, we stepped up our efforts to attract and win back customers in 2013, for example with the new mobile rate plans launched in May 2013. As of the end of 2013, the number of mobile customers increased to 38.6 million, up 2.1 million or 5.6 percent compared with the end of the prior year. The mobile contract customer base grew by 1,983 thousand in 2013. 746 thousand of these new customers were added in branded business under the Deutsche Telekom brand and our second brand "congstar." The remainder were added in the fast-growing, but much lower-revenue reseller segment (service providers).

The positive trend in the area of machine-to-machine solutions and our Call & Surf Comfort via Funk rate plan continued. By the end of 2013, 229 thousand customers had already subscribed to Call & Surf Comfort via Funk. This is part of our integrated network strategy: Thanks to our LTE and 3G roll-out, we can offer these customers a high-quality and faster broadband connection via our mobile network.

Glossary, PAGE 257 ET SEQ.

We sold 6.3 million mobile phones in the 2013 financial year. The proportion of smartphones, especially Android devices and iPhones, totaled 68.3 percent.

Fixed network.

Telephony, Internet, and television. A total of 17.6 percent of our broadband customers use our television service Entertain. By the end of 2013, the number of TV customers had increased by 10.7 percent compared with 2012; Entertain Sat grew by 34.8 percent.

In the traditional fixed network, the number of lines decreased by 4.3 percent compared with the prior year. Customers switched primarily to cable operators, but increasingly also to mobile products.

Consumers.

Connected life across all screens. We increased the number of mobile contract customers by 12.0 percent in the reporting year compared with 2012. Above all, rate plans with integrated data flat rates for mobile Internet (Complete Comfort, special rate plans like Special Allnet), pure data rates, e.g., for tablets, LTE add-on options, and Travel & Surf, and SpeedOn passes developed positively. Call & Surf Comfort via Funk also performed very well, with customer growth of 85.1 percent year-on-year. The number of prepay customers decreased by 3.7 percent in the reporting year, mainly due to the decline in the reseller segment, which was partially offset by customer additions through "congstar."

In the fixed network, we won another 197 thousand customers for Entertain in 2013, up 10.9 percent against the prior year. The marketing of the Sky Deutschland program packages from June 2013 was also successful. The line losses in the fixed network totaled 866 thousand, which was less than in the prior year. In the broadband market, we won 288 thousand customers for fiber-optic lines.

Business Customers.

Connected work with innovative solutions. Growth in mobile communications is attributable to contract additions and the 621 thousand cards sold for our machine-to-machine solutions in 2013. In mobile Internet, customers are increasingly opting for plans with higher bandwidths, such as Complete Comfort and BusinessProfi, including high-quality handsets. The number of fixed-network lines in the Business Customer area decreased only slightly by 1.9 percent against 2012.

Products in the area of connected work developed positively. Accordingly, we recorded a higher number of Company Connect dedicated Internet connections. 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 number of unbundled wholesale lines increased by 261 thousand in the reporting year, due to the growth in VDSL lines. The "contingent" model, which was launched successfully in the second half of 2012, contributed substantially to this trend. The number of bundled wholesale lines, however, declined by 128 thousand. We expect this trend to continue for the next few years, due in particular to the fact that our competitors are switching from bundled to unbundled wholesale products or to their own infrastructure. The number of unbundled local loop lines (ULLs) decreased by 179 thousand compared with the end of 2012. This decrease is attributable both to the trend towards higher-quality VDSL wholesale lines and to the market situation, since competitors migrate their customers to mobile-based lines or the customers switch to cable companies.

DEVELOPMENT OF OPERATIONS.

T 027

millions of €

		2013	2012	Change	Change %	2011
TOTAL REVENUE		22,435	22,736	(301)	(1.3)%	23,206
Consumers		12,122	12,197	(75)	(0.6)%	12,497
Business Customers		5,676	5,680	(4)	(0.1)%	5,615
Wholesale		3,811	4,035	(224)	(5.6)%	4,209
Value-Added Services		288	367	(79)	(21.5)%	425
Other		538	457	81	17.7 %	460
Profit from operations **(EBIT)**		4,435	4,213	222	5.3 %	4,597
EBIT margin	%	19.8	18.5			19.8
Depreciation, amortization and impairment losses		(3,966)	(4,393)	427	9.7 %	(4,344)
EBITDA		8,401	8,606	(205)	(2.4)%	8,941
Special factors affecting EBITDA		(535)	(560)	25	4.5 %	(612)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		8,936	9,166	(230)	(2.5)%	9,553
EBITDA margin (adjusted for special factors)	%	39.7	40.3			41.1
CASH CAPEX		(3,411)	(3,418)	7	0.2 %	(3,506)

The operations of Regional Services and Solutions (RSS) have been managed by the Germany operating segment since January 1, 2013 and no longer by the Systems Solutions operating segment to allow a more focused market approach.

Total revenue.

The revenue decline totaled 1.3 percent in 2013, an improvement of 0.7 percentage points compared with the prior year. This ongoing revenue decline was primarily attributable to intensified price cuts imposed by regulation, lower revenue from the traditional fixed network, as well as a downward trend in voice telephony and mobile text messaging. The decline was partially offset by growing demand for complete packages with mobile data and/or TV rate plans and by increased revenue from the sale of attractive handsets, in particular smartphones.

In mobile communications, revenue increased by 1.3 percent compared with 2012. Our market share of mobile service revenue in Germany exceeded market level in 2013. However, mobile service revenue decreased by 1.9 percent, due to prices being impacted by high competitive pressure in particular. Other reasons for the decrease were regulation-imposed reductions in mobile termination rates in December 2012 and roaming fees as of July 1, 2012 and July 1, 2013. Revenue from text messaging decreased by 27 percent or EUR 193 million, due in part to a shift in consumer behavior toward IP messaging services. By contrast, data and mobile equipment revenue increased. The marketing of Entertain and add-on options as well as revenue from the terminal equipment lease model had a positive impact on our fixed-network business, although this was not sufficient to offset the revenue decrease in traditional voice telephony due to line losses.

Revenue from Consumers decreased slightly by 0.6 percent. Revenue from mobile communications grew by 0.9 percent thanks to the positive development in the marketing of mobile devices. By contrast, mobile service revenues decreased by 2.7 percent, mainly due to the decline in mobile voice telephony, intensified regulatory price cuts, and lower text messaging revenue. These negative effects were partially offset by the positive trend in data revenue, due in particular to strong smartphone sales. Fixed-network revenue declined by 2.9 percent in the core business due to the downward trend in voice telephony. Year-on-year growth in TV revenue – including add-on options – of 14.5 percent and in terminal equipment revenue of 18.7 percent had an offsetting effect.

Glossary,
PAGE 257 ET SEQ.

In the Business Customers area, total revenue remained more or less on a par with the prior-year level, down by 0.1 percent. Growth in mobile communications was attributable to the increase in revenue from mobile devices of 27.0 percent, as well as an almost stable trend in service revenues with a focus on data revenues. This almost offset the decline in revenue from traditional fixed-network voice telephony.

The decline in Wholesale revenue – down 5.6 percent to EUR 3.8 billion – was primarily attributable to the following factors: regulatory price cuts for services such as interconnection calls (from December 1, 2012) and unbundled local loop lines due to new rulings in earlier proceedings, the declining use of interconnection calls, and a volume- and price-related revenue decrease.

The decline in revenues from Value-Added Services of 21.5 percent mainly resulted from the amended regulations concerning free-of-charge queuing, which came into effect as of September 1, 2012 and June 1, 2013, and from weaker use of premium rate call numbers, such as directory assistance services, and of public telephones. To focus more on our core business, we abandoned business with digital out-of-home advertising in the fourth quarter of 2013, with a resultant loss of revenue.

EBITDA, adjusted EBITDA.

EBITDA totaled EUR 8.4 billion in the reporting year. This includes EUR 0.5 billion in expenses for special factors, mainly for responsible staff restructuring. Adjusted for special factors, EBITDA decreased by 2.5 percent year-on-year. The revenue decrease was not fully offset by cost savings, for example, in call center services and services rendered by third parties as well as IT cost cuts. Significant factors contributing to this trend were mobile market investments, which were on a par with the prior-year level, and personnel costs, for example, due to collective salary increases. With an adjusted EBITDA margin of 39.7 percent, we are already within our target corridor of over 40 percent, despite high market investments.

EBIT.

Profit from operations for our Germany operating segment increased by 5.3 percent to EUR 4.4 billion year-on-year. This was primarily attributable to lower depreciation and amortization, due, among other factors, to the expiry of the economic useful lives of parts of outside plant.

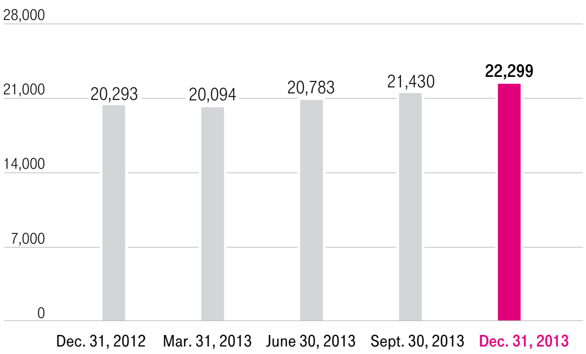
Cash capex.

Cash capex remained on a par with the prior-year level in 2013, with our investments still focused on the “networks of the future,” such as the fiber-optic and LTE infrastructure. The delayed award of contracts in the first quarter of 2013 due in part to the cold weather, was compensated by increased investments as the year progressed.

UNITED STATES.
CUSTOMER DEVELOPMENT.

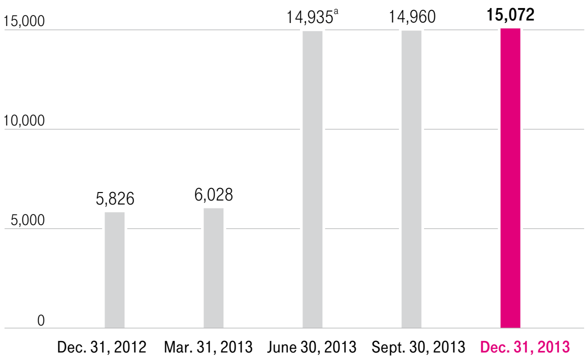
G 31

Branded postpaid customers.
thousands



G 32

Branded prepay customers.
thousands



[a] On May 1, 2013, the number of prepay customers increased by 8,918 thousand in connection with the acquisition of MetroPCS.

T 028

thousands

	Dec. 31, 2013	Dec. 31, 2012	Change	Change %	Dec. 31, 2011
UNITED STATES					
Mobile customers	46,684	33,389	13,295	39.8 %	33,186
Branded customers	37,371	26,119	11,252	43.1 %	27,186
Branded postpaid	22,299	20,293	2,006	9.9 %	22,367
Branded prepay	15,072	5,826	9,246	n. a.	4,819
Wholesale customers	9,313	7,270	2,043	28.1 %	6,000
M2M[a]	3,602	3,090	512	16.6 %	2,430
MVNOs	5,711	4,180	1,531	36.6 %	3,570

[a] M2M: machine-to-machine.

At December 31, 2013, the United States operating segment (T-Mobile US) had 46.7 million customers compared to 33.4 million customers at December 31, 2012. This net increase in customers of 13.3 million was driven by the acquisition of 8.9 million customers in connection with the closing of the business combination with MetroPCS and organic net customer additions of 4.4 million. Net customer additions improved significantly in 2013 compared to a net increase of 203 thousand in 2012.

Branded customers. Branded postpaid net customer additions improved to 2,006 thousand for the year ended December 31, 2013, compared to 2,074 thousand branded postpaid net customer losses for the year ended December 31, 2012. The significant improvement in branded postpaid net customer development was attributable to improved branded postpaid churn and higher branded postpaid gross additions, including migrations from branded prepay plans. Additionally, the success of the company's Un-carrier strategy and the Value/Simple Choice plans, as well as the launches of popular devices and the U.S. wireless industry leading JUMP! upgrade program in 2013 helped drive improvement in branded postpaid net customer additions. Further, branded postpaid churn improved as a result of churn reduction initiatives such as improving network quality and customer experience, which led to an increase in branded postpaid customer retention in 2013.

Branded prepay net customer additions, excluding the 8.9 million customers acquired through the MetroPCS business combination, were 328 thousand for the year ended December 31, 2013, compared to 1,007 thousand net customer additions for the year ended December 31, 2012. Higher branded prepay customer deactivations contributed to the decrease in branded prepay net customer additions, but was partially offset by higher branded prepay customer gross additions. Additionally, the decrease in branded prepay net customer additions was the result of migrations to branded postpaid plans due to the success of the Value/Simple Choice plans. The increase in branded prepay customer deactivations in 2013 was primarily driven by the robust competitive environment in the prepaid business, compounded by a growing prepay customer base.

Wholesale customers. Wholesale net customer additions were 2,043 thousand for the year ended December 31, 2013, compared to net customer additions of 1,270 thousand for the year ended December 31, 2012. The increase in wholesale net customer additions was due to the continued popularity of government subsidized Lifeline programs offered by our MVNO partners and higher MVNO gross customer additions, along with MVNO partnerships launched in the fourth quarter of 2012.

DEVELOPMENT OF OPERATIONS.

T 029

millions of €

		2013	2012	Change	Change %	2011
TOTAL REVENUE		18,556	15,371	3,185	20.7 %	14,811
Profit (loss) from operations **(EBIT)**		1,404	(7,547)	8,951	n. a.	(710)
EBIT margin	%	7.6	(49.1)			(4.8)
Depreciation, amortization and impairment losses		(2,238)	(12,866)	10,628	82.6 %	(4,407)
EBITDA		3,642	5,319	(1,677)	(31.5) %	3,697
Special factors affecting EBITDA		(232)	1,479	(1,711)	n. a.	(134)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		3,874	3,840	34	0.9 %	3,831
EBITDA margin (adjusted for special factors)	%	20.9	25.0			25.9
CASH CAPEX		(3,279)	(2,560)	(719)	(28.1) %	(1,963)

Value and Simple Choice plans. T-Mobile US offers services through the company's Value plans which bring more choice and value to branded postpaid customers. Value plans allow customers to subscribe for T-Mobile US's wireless services separately without purchase of or payment for a bundled handset. In an effort to continue providing even more value and flexibility to customers, T-Mobile US introduced the Simple Choice plan in the first quarter of 2013, which is similar to Value plans, however does not require an annual service contract. Depending on their credit profile, customers are qualified either for postpaid service, where they generally pay after incurring a month of service, or prepay service, where they generally pay in advance. Customers on T-Mobile US's Value/Simple Choice plans benefit from reduced monthly service charges and can choose whether to use their own compatible handset on T-Mobile US's network or purchase a handset from T-Mobile US or one of its dealers. Qualifying customers who purchase their handset from T-Mobile US have the choice of either paying for a handset in full at the point-of-sale or financing a portion of the purchase price over an installment period. For each handset sold, T-Mobile US's Value/Simple Choice plans result in increased equipment revenue, compared to traditional bundled price plans that typically offer a handset discount, but involve higher service charges.

Total revenue.

Total revenue for our United States operating segment of EUR 18.6 billion in 2013 increased by 20.7 percent compared to EUR 15.4 billion in 2012. In U.S. dollars, T-Mobile US total revenues increased by 24.9 percent year-on-year due to the inclusion of MetroPCS results since May 2013. Excluding the effects of the MetroPCS business combination, service revenues declined due primarily to decreased average revenue per branded postpaid user. The declines in service revenues were offset by increases in equipment sales, including those sold on installment plans, driven by the launches of certain new smartphones in 2013, and greater adoption of T-Mobile US's Value/Simple Choice plans.

EBITDA, adjusted EBITDA, adjusted EBITDA margin.

Adjusted EBITDA increased slightly by 0.9 percent to EUR 3.9 billion compared to EUR 3.8 billion in 2012. Adjusted EBITDA in 2013 excludes EUR 232 million in expenses primarily associated with stock-based compensation and integration-related costs associated with the business combination with MetroPCS. In U.S. dollars, adjusted EBITDA increased by 4.3 percent, due primarily to the inclusion of MetroPCS activity since May 2013. Excluding the results of the MetroPCS brand, adjusted EBITDA would have decreased primarily due to higher loss on equipment sales from increased smartphone sales volumes, which have a higher per unit cost, and higher commission expense from increased gross customer additions. These effects were offset in part by a decrease in bad debt expense related to improved credit quality of T-Mobile US's customer portfolio. Additionally, roaming expenses decreased year-on-year driven by management initiatives to reduce costs. During 2013, the effects of ongoing cost management programs helped control expenses. Adjusted EBITDA margin decreased year-on-year due to the factors described above.

EBIT.

EBIT increased to an operating profit of EUR 1.4 billion in the reporting year compared to an operating loss of EUR 7.5 billion in 2012. In the third quarter of 2012, an impairment loss of EUR 10.6 billion was recorded on goodwill, other intangible assets, and property, plant and equipment. The impairment charges lowered the carrying values of property, plant and equipment resulting in lower depreciation expense in subsequent periods.

Cash capex.

Cash capex increased 28.1 percent year-on-year to EUR 3.3 billion in 2013 compared to EUR 2.6 billion in 2012 as a result of the deployment of LTE in connection with the T-Mobile US network modernization program which is expected to continue into 2014.

EUROPE.

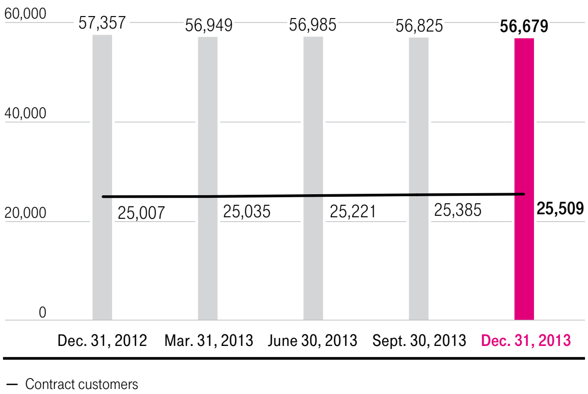
Since January 1, 2013, the tasks and functions of Group Technology including the Global Network Factory, which was previously part of Group Headquarters & Group Services, have been reported under the Europe operating segment. Comparative figures have been adjusted retrospectively.

For more information, please refer to Note 32 "Segment reporting" in the notes to the consolidated financial statements, PAGE 220 ET SEQ.

CUSTOMER DEVELOPMENT.

G 33

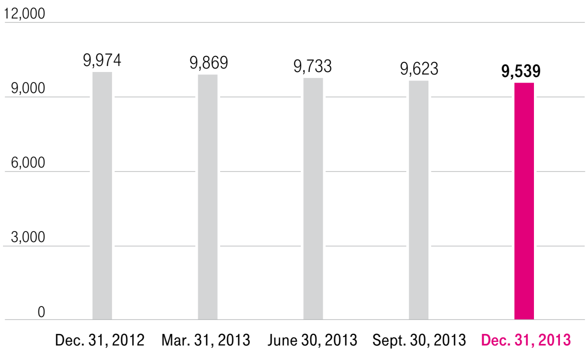
Mobile customers.[a]
thousands



[a] The customers of our companies in Bulgaria have no longer been included in the Europe operating segment since August 1, 2013 following the sale of the shares held in the companies. They have been eliminated from historical customer figures to improve comparability.

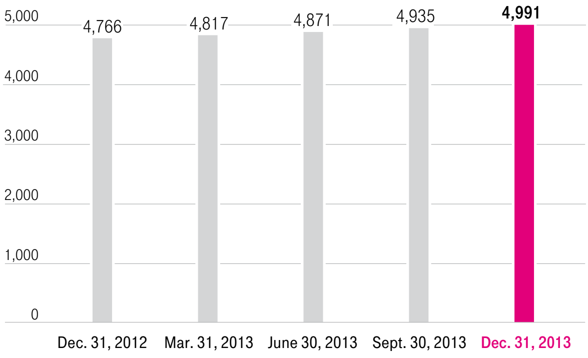
G 35

Fixed-network lines.
thousands



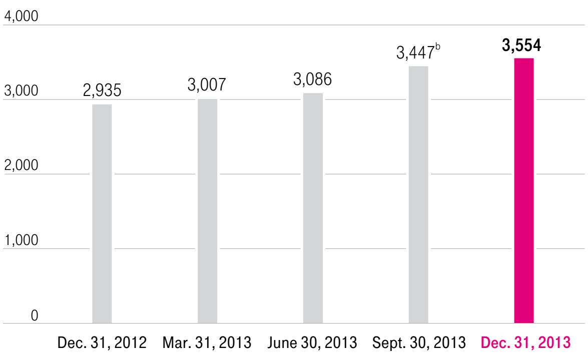
G 34

Retail broadband lines.
thousands



G 36

TV (IPTV, satellite, cable).
thousands



[b] The number of TV customers increased as of September 1, 2013 in connection with the acquisition of DIGI Slovakia.

T 030

thousands

		Dec. 31, 2013	Dec. 31, 2012	Change	Change %	Dec. 31, 2011
EUROPE, TOTAL [a]	Mobile customers	56,679	57,357	(678)	(1.2) %	56,028
	Fixed-network lines	9,539	9,974	(435)	(4.4) %	10,617
	Of which: IP-based	2,718	1,852	866	46.8 %	1,140
	Retail broadband lines	4,991	4,766	225	4.7 %	4,588
	TV (IPTV, satellite, cable)	3,554	2,935	619	21.1 %	2,664
	Unbundled local loop lines (ULLs)/wholesale PSTN	2,258	2,157	101	4.7 %	2,072
	Wholesale bundled lines	150	153	(3)	(2.0) %	153
	Wholesale unbundled lines	101	74	27	36.5 %	50
GREECE	Mobile customers	7,477	7,697	(220)	(2.9) %	7,885
	Fixed-network lines	2,746	2,952	(206)	(7.0) %	3,235
	Broadband lines	1,286	1,203	83	6.9 %	1,126
ROMANIA	Mobile customers	6,153	6,368	(215)	(3.4) %	6,499
	Fixed-network lines	2,369	2,422	(53)	(2.2) %	2,596
	Broadband lines	1,193	1,134	59	5.2 %	1,078
HUNGARY	Mobile customers	4,887	4,837	50	1.0 %	4,817
	Fixed-network lines	1,596	1,611	(15)	(0.9) %	1,658
	Broadband lines	922	875	47	5.4 %	848
POLAND	Mobile customers	15,563	16,040	(477)	(3.0) %	14,161
CZECH REPUBLIC	Mobile customers	5,831	5,498	333	6.1 %	5,381
	Fixed-network lines	120	111	9	8.1 %	100
	Broadband lines	120	111	9	8.1 %	100
CROATIA	Mobile customers	2,303	2,326	(23)	(1.0) %	2,418
	Fixed-network lines	1,133	1,208	(75)	(6.2) %	1,263
	Broadband lines	670	658	12	1.8 %	651
NETHERLANDS	Mobile customers	4,441	4,720	(279)	(5.9) %	4,909
	Fixed-network lines	264	283	(19)	(6.7) %	294
	Broadband lines	256	275	(19)	(6.9) %	284
SLOVAKIA	Mobile customers	2,262	2,311	(49)	(2.1) %	2,326
	Fixed-network lines	922	960	(38)	(4.0) %	1,021
	Broadband lines	521	480	41	8.5 %	464
AUSTRIA	Mobile customers	4,091	4,104	(13)	(0.3) %	4,060
OTHER [a, b]	Mobile customers	3,671	3,457	214	6.2 %	3,573
	Fixed-network lines	390	427	(37)	(8.7) %	449
	Broadband lines	274	258	16	6.2 %	239

[a] The customers of our companies in Bulgaria have no longer been included in the Europe operating segment since August 1, 2013 following the sale of the shares held in the companies. They have been eliminated from historical customer figures to improve comparability.
[b] Other includes national companies of Albania, the F.Y.R.O. Macedonia, and Montenegro.

Glossary, PAGE 257 ET SEQ.

Since January 1, 2013, fixed-network lines have been broken down by technology. This change also includes the addition of broadband cable lines and the disclosure of wholesale PSTN lines together with the unbundled local loop lines (ULLs). Prior-period comparatives have been adjusted accordingly.

Total.

Throughout the reporting year, customer numbers in the markets of our Europe operating segment developed soundly compared with the prior year despite ongoing intense competition and the still strained economic situation in many countries. As of the end of 2013, there was a slight decline in the number of mobile customers compared with the prior year, in particular in prepay business. The positive trend in the contract customer base continued in the fourth quarter, thereby partially offsetting the prepay losses. The positive trends also continued in the fixed network. For instance, we increased the number of broadband lines compared with the prior year thanks to our strategic focus on rolling out broadband technology. TV business also profited from this broadband growth and from the acquisition of DIGI Slovakia, which increased by 21.1 percent compared with 2012. The number of IP lines rose in many countries of our Europe operating segment, due in part to the successful migration of traditional PSTN lines to IP technology.

Mobile communications.

Mobile telephony and data services. As of the end of the reporting year, we had some 56.7 million mobile customers in total, a slight decline year-on-year of 1.2 percent, attributable to contrasting effects. Contract customer business once again proved to be a constant driver of growth, with some 25.5 million customers as of the end of 2013, up 2.0 percent compared with the prior year. Most countries of our operating segment made a positive contribution to this growth, especially the Czech Republic and Hungary. Thanks to the ongoing appeal of smartphones in all countries of our operating segment, our bundled products continued to be hugely popular. Another positive effect on the customer trend came from the Business Customers area, which accounted for more than 30 percent of total contract customers thanks to significant net additions in Romania, Poland, and Austria.

The prepay customer base, by contrast, decreased in almost all countries of our operating segment due, on the one hand, to tough competition and, on the other, to the implementation of our strategy of focusing on high-value contract customers. Poland and the Netherlands accounted for more than two thirds of the customer losses in the prepay segment.

Fixed network.

Telephony, Internet, and television. Throughout the reporting year, our successful TV business proved to be a reliable growth engine: By the end of the year, we had a total TV customer base of 3.6 million, up 21.1 percent compared with the prior year, mainly driven by the growth in satellite TV customers, in particular in Greece. Slovakia also made a contribution to this growth due to the acquisition of DIGI Slovakia as of September 1, 2013. Growth was also achieved in the IPTV customer base, especially in Hungary, the F.Y.R.O. Macedonia, Slovakia, and Romania, as well as in cable TV lines, e.g., in Romania.

The number of our IP-based lines grew substantially by around 47 percent as of December 31, 2013 compared with the end of 2012 to a total of more than 2.7 million lines. This growth was largely attributable to the successful migration to IP technology in integrated countries: For example, we have already completed the migration of customers to IP-based lines in the F.Y.R.O. Macedonia as of January 15, 2014. We have also migrated a substantial proportion of lines in Slovakia, Croatia, and Hungary. As of the end of the year, IP lines accounted for 29 percent of all lines overall.

The number of retail broadband lines increased by 4.7 percent to around 5.0 million compared with December 31, 2012, primarily driven by innovative rate plans that bundle television with Internet services. The majority of this year-on-year increase is attributable to DSL business, especially in Greece, followed by broadband cable lines in Hungary. Other access technologies such as optical fiber, also recorded encouraging growth compared with the end of 2012, e.g., in Romania and Slovakia, which both recorded growth of over 20 percent.

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Around 9.5 million customers in our Europe operating segment used a fixed-network line as of December 31, 2013, a decrease of 4.4 percent compared with the end of the prior year. This decline was primarily attributable to line losses in traditional telephony (PSTN). Since the third quarter of 2013, however, there have been the first signs of a quarter-on-quarter slowdown in line losses. By the fourth quarter of 2013, the trend in line losses was almost stable compared with the prior quarter.

DEVELOPMENT OF OPERATIONS.

T 031

millions of €

		2013	2012	Change	Change %	2011
TOTAL REVENUE		13,659	14,406	(747)	(5.2)%	15,124
Greece		2,988	3,253	(265)	(8.1)%	3,546
Romania		1,017	1,037	(20)	(1.9)%	1,072
Hungary		1,563	1,429	134	9.4 %	1,438
Poland		1,584	1,678	(94)	(5.6)%	1,740
Czech Republic		915	1,044	(129)	(12.4)%	1,092
Croatia		929	992	(63)	(6.4)%	1,084
Netherlands		1,666	1,664	2	0.1 %	1,747
Slovakia		828	837	(9)	(1.1)%	886
Austria		828	878	(50)	(5.7)%	924
Other[a]		1,513	1,811	(298)	(16.5)%	1,827
Profit from operations (EBIT)		958	1,437	(479)	(33.3)%	760
EBIT margin	%	7.0	10.0			5.0
Depreciation, amortization and impairment losses		(3,382)	(3,291)	(91)	(2.8)%	(4,270)
EBITDA		4,340	4,728	(388)	(8.2)%	5,030
Special factors affecting EBITDA		(178)	(208)	30	14.4 %	(246)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		4,518	4,936	(418)	(8.5)%	5,276
Greece		1,165	1,205	(40)	(3.3)%	1,309
Romania		283	289	(6)	(2.1)%	274
Hungary		438	474	(36)	(7.6)%	542
Poland		599	586	13	2.2 %	629
Czech Republic		404	486	(82)	(16.9)%	509
Croatia		404	468	(64)	(13.7)%	511
Netherlands		495	525	(30)	(5.7)%	505
Slovakia		337	354	(17)	(4.8)%	388
Austria		192	234	(42)	(17.9)%	253
Other[a]		205	318	(113)	(35.5)%	361
EBITDA margin (adjusted for special factors)	%	33.1	34.3			34.8
CASH CAPEX		(3,648)	(1,724)	(1,924)	n. a.	(1,891)

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), GNF (Global Network Factory), Europe Headquarters, and Group Technology.

Total revenue.

As of the end of the financial year, our Europe operating segment generated total revenue of EUR 13.7 billion, down 5.2 percent on the prior year. Excluding contrasting effects, revenue decreased by 3.6 percent as follows: On the one hand, segment revenue decreased due to the loss of revenues since April 1, 2013 in connection with the sale of Hellas Sat as well as the loss of revenues since August 1, 2013 in connection with the sale of our national companies in Bulgaria. In addition, our revenues were impacted by negative exchange rate effects compared with the euro – especially the Hungarian forint and the Czech koruna. On the other hand, the inclusion of DIGI Slovakia from September 1, 2013 had a slightly 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 more than half of the decline in our revenue from operations. In addition, competition-induced price reductions in mobile communications and the fixed network as well as the ongoing strained macroeconomic situation in many economies of our operating segment put pressure on revenue despite first signs of a slight economic recovery in some markets.

The impact of the decrease within the OTE group on segment revenue was especially strong. In particular, mobile business in Greece declined due to regulatory decisions and the general market situation. The other countries of our operating segment also recorded market-driven decreases in revenue. In the Czech Republic, for example, the decline in revenue was mainly attributable to drastic price cuts in the mobile market in April 2013. Revenue also declined in Poland and Croatia. Overall, consumer business was affected by declining revenue at segment level – mainly driven by mobile business. Hungary slightly offset the trend at segment level with a year-on-year increase in revenue, mainly due to the energy business. In addition, revenue from terminal equipment sales in Hungary also increased as a result of the continued attractiveness of smartphones. This was accompanied by increased mobile data revenue. In the Hungarian fixed-network business, broadband/TV revenue made a positive contribution to revenue performance. Furthermore, due to the revocation of the Hungarian revenue-related special tax in December 2012, our revenue in 2013 was no longer affected by this tax, such that there was a positive revenue effect compared with the prior year.

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. Despite the loss of revenues in connection with the sale of our national companies in Bulgaria, revenue from mobile data business grew by 13 percent or EUR 164 million overall compared with the prior year (adjusted for exchange rate effects) in all countries of our operating segment, especially in the Netherlands, the Czech Republic, Croatia, Hungary, and Slovakia. 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 succeeded in winning and retaining more contract customers. Accordingly, revenue from terminal equipment sales also grew. The continued appeal of smartphones is also reflected in the increased usage rate in data services. In the broadband/TV business, the positive trend of the past few quarters continued: TV business increased by some 21 percent year-on-year. This revenue growth is also based on the first positive effects from our acquisition of DIGI Slovakia. 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, especially in Greece, Romania, and Hungary. Thanks to the expansion of our product and service portfolio in Croatia, for example to include cloud services, B2B/ICT also made a positive contribution to revenue. In the adjacent industries, the energy business in Hungary continued on its growth course in 2013.

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EBITDA, adjusted EBITDA.

Our Europe operating segment generated adjusted EBITDA of EUR 4.5 billion in the reporting year, a year-on-year decrease of 8.5 percent. Excluding effects from changes in the composition of the Group in connection with the sale of Hellas Sat and the national companies in Bulgaria, the acquisition of DIGI Slovakia, and negative exchange rate effects from the translation into euros, adjusted EBITDA decreased by 6.6 percent. This remaining operational decline at segment level was largely attributable to the Greek mobile business, as well as to the Czech Republic, Croatia, and Austria. In Hungary, the decrease is also attributable to the utility tax introduced by the national government as of January 1, 2013. The tax due for the 2013 financial year additionally reduced our adjusted EBITDA by EUR 23 million. This was partially offset by increased adjusted EBITDA contributions from Poland and Albania, as well as the fixed-network business in Greece, which had a slightly positive impact overall on the development of adjusted EBITDA at segment level.

The overall decrease in revenue at segment level had a negative impact on the development of EBITDA compared with the prior year. 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 partially offset the negative effect from the decline in revenue. Lower personnel costs in the Greek fixed-network business in particular made a positive contribution. In addition, the regulation-induced reduction in interconnection costs and the focus on specific target groups resulted in lower direct costs, despite increased direct costs overall, e.g., for the energy or wholesale business. The sale of Hellas Sat as of March 31, 2013 and our national companies in Bulgaria as of July 31, 2013 resulted in income from divestitures recognized as special factors of around EUR 0.2 billion in total.

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: "Senior leaders" are entities that have leading positions in both mobile and fixed-network operations, such as those in Greece, Hungary, Croatia, and the F.Y.R.O. Macedonia. The entities in this cluster aim to maintain their market leadership in both the fixed-network and mobile markets. The cluster of "junior leaders" comprises entities which have a strong position in the fixed network, but are not mobile market leaders when viewed separately. Our entities in Romania, Slovakia and Montenegro are such junior leaders and want to use their strong position in the fixed network to drive forward their mobile business. Companies that concentrate primarily on mobile business include what we call "mobile runners-up," specifically, our national companies in Poland, the Czech Republic and Albania, which are not yet market leaders, but aim to achieve that position. These entities are systematically working to become integrated companies. Our subsidiaries in the Netherlands and Austria are "smart attackers," meaning they still have some way to go to catch up with the other market players. Both entities are not expected to achieve the strategic goal in the foreseeable future due to their current position in the market. They consequently focus on efficiency-enhancing measures. Below, we present one national company for each of the four clusters by way of example.

Greece (senior leader). Revenue in Greece totaled EUR 3.0 billion in the reporting year, a year-on-year decline of 8.1 percent. Adjusted for the revenue lost since April 1, 2013 in connection with the sale of Hellas Sat, revenue decreased by 7.6 percent. This remaining decline in revenue from operations was largely due to mobile business. Repeated regulatory decisions reducing terminating rates, i.e., the minute price for mobile calls was reduced by around 65 percent year-on-year, resulted in a significant decrease in voice revenues. Ongoing tense competition also continued to put pressure on mobile revenues, as could be seen from both lower pricing and customer losses, especially in the prepay segment. Despite the difficult economic environment, revenue from mobile data services increased by around 8 percent compared with the prior year. This was due to both increased use of data services and a higher number of data rate plans sold. Thanks to the rapid roll-out of LTE sites, we achieved coverage of more than 50 percent of the population as of December 31, 2013. Higher revenue from terminal equipment sales had a positive effect on revenue.

The fixed-network area was also affected by revenue reductions, mainly in voice services. This was primarily due to line losses of around 7 percent in traditional telephony. The low price level, especially in the broadband business, continued to put pressure on our revenue. The resulting revenue decline was only partially offset by growth in DSL lines. The TV business continued its encouraging growth trend of the last few quarters. We won many new customers with our expanded TV offering, which now includes, for example, exclusive soccer content.

In Greece, adjusted EBITDA decreased to EUR 1.2 billion in the reporting period, a year-on-year decline of 3.3 percent. Excluding the effects from the deconsolidation of Hellas Sat, adjusted EBITDA decreased by just 1.9 percent, mainly due to the negative revenue effects, especially in mobile business. This decrease was partially offset by lower direct costs, on the one hand due to a regulation-induced reduction in interconnection costs and, on the other, to cuts in mobile customer acquisition costs. In terms of indirect costs, we partially compensated the negative revenue effects with our programs to enhance efficiency in fixed-network and mobile operations. The success of these programs can be seen in particular in lower personnel costs due to lower staff levels and lower marketing costs.

Slovakia (junior leader). In the reporting year, our Slovak subsidiary generated revenue of EUR 828 million, down only slightly by 1.1 percent year-on-year. Excluding the effects from the inclusion of DIGI Slovakia as of September 1, 2013, revenue decreased by 2.2 percent, primarily due to the mobile business. The lower price level underlying mobile voice revenues was, in particular, the result of the highly intense competition on the Slovak mobile communications market as well as regulatory decisions. This was only partially offset by increased use of voice services. In absolute figures, the decrease in revenue from consumers was stronger than that from business customers. The mobile data services business again proved to be a constant driver of growth. Thanks to the increased use of data services by customers and the ongoing strong appeal of smartphone use, we increased revenue by around 26 percent. In addition, higher terminal equipment sales made a positive contribution to revenue. In the fixed network, the decreases were primarily attributable to lower revenue in voice telephony, mainly due to line losses in traditional telephony and lower price levels. We also made progress in Slovakia in migrating PSTN lines to the forward-looking IP technology. As of the end of 2013, we recorded a migration rate of around 60 percent. The TV business of our Slovak subsidiary, which grew substantially against the prior year, received fresh impetus from the acquisition of DIGI Slovakia as of September 1, 2013. B2B/ICT business also increased significantly against the prior year.

Adjusted EBITDA amounted to EUR 337 million in the reporting year, down 4.8 percent year-on-year. Excluding the effects from the acquisition of DIGI Slovakia, adjusted EBITDA decreased by 5.4 percent. The slightly negative effects from the revenue decline and the slightly higher overall direct costs, due in part to the B2B/ICT business, were only partially offset by lower indirect costs as a result of efficiency enhancement measures.

Poland (mobile runner-up). In the reporting year, revenue in Poland totaled EUR 1.6 billion, down 5.6 percent year-on-year. Excluding the slightly negative exchange rate performance of the Polish zloty against the euro, revenue decreased by 5.3 percent. This operational decline was mainly driven by repeated regulation-induced reductions in termination rates in January and July 2013. Despite contract customer additions and increased use of voice services, the lower price level in the Polish mobile market had a negative effect on our revenue. Text messaging revenue also declined compared with 2012 as a result of lower average prices. By contrast, the sale of terminal equipment made a positive contribution to revenue, especially due to the successful marketing of tablets and, above all, smartphones, which accounted for around 70 percent of all terminal equipment sold.

Adjusted EBITDA amounted to EUR 599 million in the reporting period, up 2.2 percent year-on-year. Excluding the slightly negative exchange rate effects, the increase was 2.6 percent. Revenue-driven declines were offset by the regulation-induced reduction in interconnection costs and our strict cost management, primarily thanks to a more personalized dialog with customers for the purpose of customer retention and acquisition.

Netherlands (smart attacker). In the Netherlands, our revenue stabilized in 2013 compared with the prior year at EUR 1.7 billion. Although the reduction in mobile termination rates in September 2013 impacted on voice revenue, we were able to win more contract customers, especially thanks to the market launch of new rate plans in the third quarter. Revenue from mobile data services also grew, due to increased usage by customers and the ongoing high demand for smartphones, especially high-priced devices. In addition, wholesale business activities helped to increase the sale of terminal equipment.

Adjusted EBITDA declined by 5.7 percent year-on-year to EUR 495 million in the reporting year. Increased direct costs, for example, as a result of increased expenses for customer retention and wholesale business activities with terminal equipment, were partially offset by slightly positive effects from indirect costs, due in particular to savings in personnel costs and costs for goods and services purchased.

EBIT.

EBIT in our Europe operating segment totaled EUR 1.0 billion in the reporting year, down 33.3 percent year-on-year, mainly as a result of the decline in adjusted EBITDA. In addition, EBIT decreased due to impairment losses recognized on goodwill, in particular in Austria as a result of the high costs of the spectrum acquired in an auction in 2013. This negative effect was partially offset by lower depreciation, amortization and impairment losses in most countries of our operating segment; in Poland and Slovakia in particular, depreciation on property, plant and equipment decreased year-on-year. Due to the disclosure of our national companies in Bulgaria as “held for sale” in the period from May to July 2013, depreciation and amortization charges were no longer recognized. In addition, the subsequent deconsolidation of our national companies in Bulgaria as well as the deconsolidation of Hellas Sat in Greece reduced depreciation and amortization.

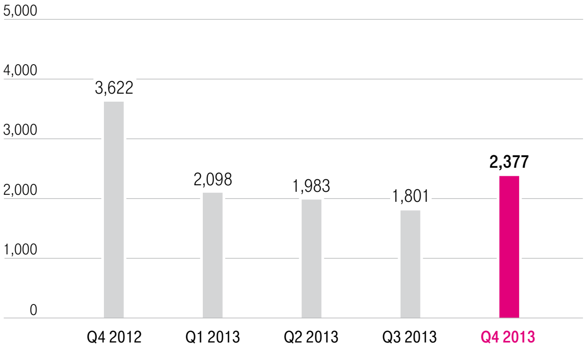
Cash capex.

In 2013, our Europe operating segment reported cash capex of EUR 3.6 billion. The increase of EUR 1.9 billion year-on-year was mainly attributable to the acquisition of mobile licenses in countries such as the Netherlands, Austria, Romania, Hungary, and Poland. Adjusted for the effects of spectrum acquisition, cash capex was slightly higher than in the previous year due to ongoing investments in our networks for the future. Our national companies acted 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 the taxes in Hungary or the real estate tax in Greece.

SYSTEMS SOLUTIONS.
SELECTED KPIs.

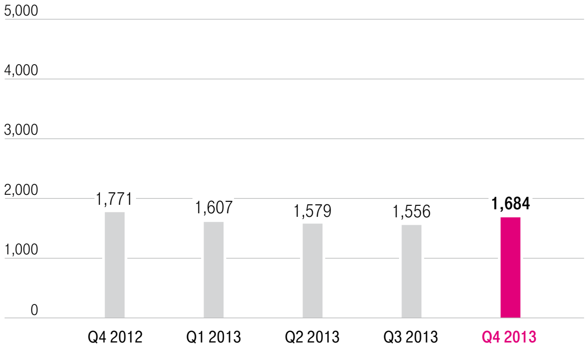
G 37

Order entry.
millions of €



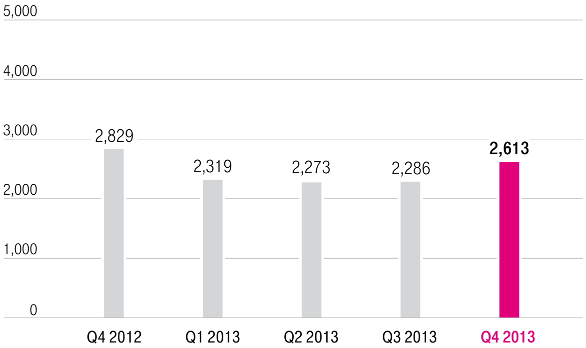
G 39

External revenue.
millions of €



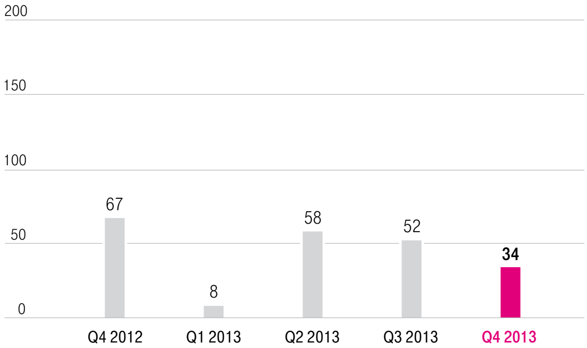
G 38

Revenue.
millions of €



G 40

Adjusted EBIT.
millions of €



T 032

		Dec. 31, 2013	Dec. 31, 2012	Change	Change %	Dec. 31, 2011
ORDER ENTRY	millions of €	8,259	8,737	(478)	(5.5) %	7,396
COMPUTING & DESKTOP SERVICES						
Number of servers managed and serviced	units	62,308	57,121	5,187	9.1 %	58,053
Number of workstations managed and serviced	millions	1.31	1.93	(0.62)	(32.1) %	2.00
SYSTEMS INTEGRATION						
Hours billed	millions	6.6	6.3	0.3	4.8 %	n. a.
Utilization rate	%	82.5	85.1		(2.6) %p	n. a.

Development of business.
In the 2013 financial year, we concluded many new deals in Germany and abroad, e.g., with RWE, the European Commission, Deutsche Rentenversicherung (German statutory pension insurance), the Finnish company KONE, and the Swiss National Railways. This encouraging development did not compensate for the persistent cost pressure in the ICT market, however: Order entry was down 5.5 percent year-on-year in 2013. Nevertheless, our standard solutions in the growth area of cloud computing succeeded in the face of strong competition, winning us contracts with many of our corporate customers, for example, with the Pioneer Europe electronics corporation. We accordingly further expanded our dynamic resources from the cloud in 2013. 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 new deals result in increased requirements, which we are meeting by continuously modernizing and consolidating our ICT resources. The number of servers managed and serviced increased by 9.1 percent compared with the end of 2012. 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 is creating larger, higher-performance units. In Munich, we also launched the new Dynamic Computing platform on which all cloud solutions for our customers will be operated in the future. The number of workstations managed and serviced decreased mainly as a result of staff restructuring measures and IT cost-cutting initiatives within the Group.

DEVELOPMENT OF OPERATIONS.

Total revenue.
Total revenue in our Systems Solutions operating segment in the reporting period amounted to EUR 9.5 billion, a year-on-year decrease of 5.2 percent. This is due in large part to substantial decreases in Telekom IT's revenue, which reflects the successful reduction of IT costs within our Group.

Revenue recognized at the Market Unit includes revenue generated with external customers as well as intragroup revenues for telecommunications services and international IT services that do not fall within the remit of Telekom IT. At EUR 7.7 billion, total revenue was below the 2012 level. While domestic revenue remained at the prior-year level, international revenue decreased year-on-year. The deconsolidation of T-Systems Italia, the sale of the SI business unit at T-Systems France in the first half of 2013, and exchange rate effects had a negative impact on revenue. On the one hand, the increased number of new deals concluded and our multi-annual contracts from prior periods had a positive effect on total revenue; on the other, the general downward trend in prices for IT and communications services had a negative impact.

In the Telekom IT business unit, which pools all of the Group's internal domestic national IT projects, revenue was well down against the prior year by 17.6 percent, primarily reflecting the Group's savings in IT costs.

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T 033

millions of €

		2013	2012	Change	Change %	2011
TOTAL REVENUE		9,491	10,016	(525)	(5.2)%	9,953
Loss from operations (EBIT)		(279)	(307)	28	9.1 %	(395)
Special factors affecting EBIT		(431)	(417)	(14)	(3.4)%	(418)
EBIT (adjusted for special factors)		152	110	42	38.2 %	23
EBIT margin (adjusted for special factors)	%	1.6	1.1			0.2
Depreciation, amortization and impairment losses		(669)	(649)	(20)	(3.1)%	(669)
EBITDA		390	342	48	14.0 %	274
Special factors affecting EBITDA		(416)	(405)	(11)	(2.7)%	(398)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		806	747	59	7.9 %	672
EBITDA margin (adjusted for special factors)	%	8.5	7.5			6.8
CASH CAPEX		(1,080)	(1,187)	107	9.0 %	(1,413)

The operations of Regional Services and Solutions (RSS) have been managed by the Germany operating segment since January 1, 2013 and no longer by the Systems Solutions operating segment to allow a more focused market approach.

Sustainability at Deutsche Telekom

EBITDA, adjusted EBITDA.

Adjusted EBITDA in our Systems Solutions operating segment increased by 7.9 percent in the reporting year. This positive trend is attributable both to significantly higher profitability in operations and to effective restructuring and efficiency enhancement measures. The adjusted EBITDA margin increased from 7.5 percent in the prior year to 8.5 percent in 2013. EBITDA increased by 14.0 percent as a result of the strong operational improvement, which more than offset the increased expenses for restructuring measures and expenses for the deconsolidation of T-Systems Italia.

EBIT, adjusted EBIT.

Adjusted EBIT for 2013 was EUR 42 million higher than in the prior year. This was primarily attributable to improved adjusted EBITDA, partially offset by slightly higher depreciation and amortization. The adjusted EBIT margin increased from 1.1 percent in the prior year to 1.6 percent.

Cash capex.

Cash capex was reduced by 9.0 percent year-on-year to EUR 1.1 billion in the 2013 financial year. This decline was achieved despite the capital expenditure needed for new contracts and customer relationships, thanks to increased efficiency, for example, by means of the standardization of the ICT platforms. Telekom IT management aims to reduce its own capital expenditure in the long term. Cash outflows include payments for the expansion of the Dynamic Computing platform and for technical upgrades in connection with new deals.

GROUP HEADQUARTERS & GROUP SERVICES.

As a result of the realignment of the central management and service functions, the green light was given for our new Group Headquarters and the newly formed Group Services on January 1, 2013. As part of this process, we renamed the segment Group Headquarters & Group Services.

Since January 1, 2013, the tasks and functions of Group Technology including the Global Network Factory, which was previously part of Group Headquarters & Group Services, have been reported under the Europe operating segment. Comparative figures have been adjusted retrospectively.

For more information, please refer to segment reporting in the notes to the consolidated financial statements, PAGE 220 ET SEQ.

Vivento, our personnel service provider, supported us once again in 2013 in our efforts to restructure the Group's workforce. Its focus was on securing external employment opportunities for civil servants and employees, predominantly in the public sector. As of December 31, 2013, Vivento had a workforce of around 8,000 employees (December 31, 2012: around 8,200 employees), of which around 3,900 were deployed externally, mainly in the public sector, for example at the Federal Employment Agency. Another 3,100 or so employees were employed within the Group, especially in service centers. Around 1,000 employees were placed in Vivento's operational and strategic units or continued to be managed by Vivento. In the reporting period, Vivento took on a total of around 1,300 new employees, while around 1,500 employees left the personnel service provider to pursue new opportunities.

DEVELOPMENT OF OPERATIONS.

Total revenue.

Total revenue in the Group Headquarters & Group Services segment in the 2013 financial year increased by 1.6 percent year-on-year, primarily due to revenue growth at the Digital Business Unit, mainly from sales of tolino e-readers and tolino tablets. This was contrasted by lower revenue from Group Services.

EBITDA, adjusted EBITDA.

Adjusted EBITDA at Group Headquarters & Group Services improved by EUR 0.1 billion year-on-year in the reporting year. This improvement was mainly attributable to operational cost savings in Group Services and income in connection with our procurement joint venture BuyIn. These positive effects were offset by lower income from trademark licenses and higher costs for the Digital Business Unit's growth businesses.

Overall, EBITDA was adversely affected by negative special factors totaling EUR 228 million in the reporting year, primarily due to expenses in connection with staff-related measures, in particular for early retirement and severance payments. In 2012, EBITDA had been impacted by special factors totaling EUR 282 million, with expenses for staff-related measures reducing the positive effect of a cost refund by Kreditanstalt für Wiederaufbau in connection with a settlement reached in the United States.

T 034

millions of €

	2013	2012	Change	Change %	2011
TOTAL REVENUE	**2,879**	**2,835**	**44**	**1.6 %**	**2,822**
Of which: Digital Business Unit	970	868	102	11.8 %	843
Profit (loss) from operations **(EBIT)**	(1,582)	(1,750)	168	9.6 %	1,299
Depreciation, amortization and impairment losses	(699)	(753)	54	7.2 %	(752)
EBITDA	(883)	(997)	114	11.4 %	2,051
Special factors affecting EBITDA	(228)	(282)	54	19.1 %	2,691
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	**(655)**	**(715)**	**60**	**8.4 %**	**(640)**
Of which: Digital Business Unit	121	137	(16)	(11.7)%	168
CASH CAPEX	**(411)**	**(379)**	**(32)**	**(8.4)%**	**(331)**

EBIT.
The year-on-year decrease in loss from operations by EUR 0.2 billion is mainly a result of higher EBITDA and lower depreciation due in particular to the decrease in property, plant and equipment.

Cash capex.
Cash capex increased year-on-year by 8.4 percent, principally attributable to higher additions, in particular for IT licenses, and to increased capital expenditure by the Digital Business Unit. Lower vehicle purchases in the reporting period had an offsetting effect.

DEVELOPMENT OF BUSINESS AT DEUTSCHE TELEKOM AG.

Deutsche Telekom AG, which has various branch offices in the Federal Republic of Germany, prepares its annual financial statements in accordance with the principles of German GAAP, as specified in the German Commercial Code and the German Stock Corporation Act.

As the Headquarters of the Deutsche Telekom Group, we perform strategic and cross-segment management functions and provide services for other Group companies. The profits and losses of our subsidiaries and Group financing measures have a material effect on our financial position and results of operations. For Deutsche Telekom AG, the 2013 financial year was again marked by intense competitive and price pressure in the telecommunications industry, which was also reflected in the income and loss of its subsidiaries. Deutsche Telekom AG reported income after taxes for the 2013 financial year of EUR 2.8 billion. The development of business in the reporting year was influenced by a number of very different effects (e.g., the extension of early retirement arrangements until December 31, 2013, the transfer of the Scout24 group within the Group, the write-up of intangible assets), arising both from the Company's own business and from income related to subsidiaries, associated and related companies.

RESULTS OF OPERATIONS OF DEUTSCHE TELEKOM AG.

Operating results declined by approximately EUR 1.4 billion compared with the previous year, while net revenue was essentially stable year-on-year at EUR 3.8 billion. The decline in operating results is due to a year-on-year decrease of EUR 2.0 billion in other operating income, partially offset by a decrease of EUR 0.3 billion in other operating expenses and EUR 0.3 billion lower personnel costs. Other operating income in the prior year was primarily influenced by the transfer of the shares in T-Mobile Polska S.A. (formerly Polska Telefonia Cyfrowa S.A.), Warsaw, from Telekom Deutschland GmbH to T-Mobile Poland Holding GmbH at fair values of EUR 1.5 billion. The year-on-year decrease in other operating expenses resulted in particular from the decline in expenses from currency hedging in connection with foreign currency transactions. The decline in personnel costs compared with the prior year is mainly attributable to the lower headcount at Deutsche Telekom due to the use of early retirement arrangements.

The net financial expense recorded in the previous year was reduced by EUR 8.8 billion, resulting in net financial income of EUR 5.0 billion. This was largely attributable to the increase of EUR 8.6 billion in income related to subsidiaries, associated and related companies. In the previous year, income related to subsidiaries, associated and related companies had been reduced in particular by the loss transfer of EUR 7.1 billion from T-Mobile Global Zwischenholding GmbH resulting from the write-down recognized on the net carrying amount of T-Mobile USA in the 2012 financial year. The profit of EUR 4.7 billion transferred by Telekom Deutschland GmbH, Bonn, was EUR 0.5 billion higher on account of a write-up of intangible assets and had a particularly positive effect on income related to subsidiaries, associated and related companies in the reporting year. The transfer of profits by Scout24 Holding GmbH, Munich, in the amount of EUR 0.4 billion and by PASM Power and Air Condition Solution Management GmbH, Munich, in the amount of EUR 0.2 billion also had a positive impact on income related to subsidiaries, associated and related companies in the 2013 financial year. These profit transfers were largely a result, in the case of Scout24

T 035

Statement of income of Deutsche Telekom AG under German GAAP (total cost method).
millions of €

	2013	2012	Change	Change %	2011
NET REVENUE	**3,765**	**3,817**	**(52)**	**(1.4)%**	**3,824**
Other own capitalized costs	12	2	10	n. a.	–
TOTAL OPERATING PERFORMANCE	**3,777**	**3,819**	**(42)**	**(1.1)%**	**3,824**
Other operating income	3,254	5,296	(2,042)	(38.6)%	7,542
Goods and services purchased	(1,405)	(1,456)	51	3.5 %	(1,404)
Personnel costs	(3,062)	(3,327)	265	8.0 %	(3,398)
Depreciation, amortization and write-downs	(459)	(496)	37	7.5 %	(491)
Other operating expenses	(4,184)	(4,489)	305	6.8 %	(5,221)
OPERATING RESULTS	**(2,079)**	**(653)**	**(1,426)**	**n. a.**	**852**
Financial income (expense), net	5,046	(3,710)	8,756	n. a.	1,214
RESULTS FROM ORDINARY BUSINESS ACTIVITIES	**2,967**	**(4,363)**	**7,330**	**n. a.**	**2,066**
Extraordinary income (expense)	(17)	(17)	0	n. a.	(19)
Taxes	(113)	(165)	52	31.5 %	(399)
INCOME (LOSS) AFTER TAXES	**2,837**	**(4,545)**	**7,382**	**n. a.**	**1,648**

Holding GmbH, Munich, of a transfer within the Group, and, in the case of PASM Power and Air Condition Solution Management GmbH, Munich, of the refund of electricity tax contributions paid in accordance with § 9 and § 10 of the German Electricity Tax Act.

Net interest expense remained virtually stable compared with the previous year, marginally up by EUR 0.1 billion. Results from ordinary business activities were particularly impacted by the aforementioned effects and increased by a total of EUR 7.3 billion year-on-year in 2013.

Extraordinary expenses of EUR 17 million and a tax expense of EUR 113 million combined with the aforementioned factors resulted in income after taxes of EUR 2,837 million in 2013. Taking into account EUR 40 million in unappropriated net income carried forward, unappropriated net income totaled EUR 2,877 million.

FINANCIAL POSITION OF DEUTSCHE TELEKOM AG.

In addition to shareholders' equity, our financial position is determined in particular by noncurrent assets and receivables from and payables to Group companies.

The balance sheet total increased by EUR 7.9 billion year-on-year to EUR 104.7 billion.

T 036

Balance sheet of Deutsche Telekom AG under German GAAP.
millions of €

	Dec. 31, 2013	Dec. 31, 2013 %	Dec. 31, 2012	Change	Dec. 31, 2011
ASSETS					
Intangible assets	285	0.3 %	197	88	326
Property, plant and equipment	3,921	3.7 %	4,266	(345)	4,698
Financial assets	86,215	82.3 %	81,632	4,583	81,146
NONCURRENT ASSETS	**90,421**	**86.3 %**	**86,095**	**4,326**	**86,170**
Inventories, materials and supplies	3	0.0 %	2	1	5
Receivables	10,888	10.4 %	8,302	2,586	8,439
Other assets	1,654	1.6 %	942	712	1,636
Cash and cash equivalents	1,122	1.1 %	997	125	1,507
CURRENT ASSETS	**13,667**	**13.1 %**	**10,243**	**3,424**	**11,587**
Prepaid expenses and deferred charges	603	0.6 %	470	133	644
Difference between plan assets and partial retirement liabilities	7	0.0 %	9	(2)	29
TOTAL ASSETS	**104,698**	**100.0 %**	**96,817**	**7,881**	**98,430**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Capital stock and reserves	48,491	46.4 %	47,357	1,134	53,307
Unappropriated net income	2,877	2.7 %	3,050	(173)	4,656
SHAREHOLDERS' EQUITY	**51,368**	**49.1 %**	**50,407**	**961**	**57,963**
Pensions and similar obligations	1,879	1.8 %	1,986	(107)	2,461
Tax accruals	257	0.2 %	352	(95)	515
Other accruals	2,894	2.8 %	3,127	(233)	3,578
ACCRUALS	**5,030**	**4.8 %**	**5,465**	**(435)**	**6,554**
Debt	5,307	5.1 %	5,540	(233)	7,153
Other liabilities	42,764	40.8 %	35,157	7,607	26,485
LIABILITIES	**48,071**	**45.9 %**	**40,697**	**7,374**	**33,638**
Deferred income	229	0.2 %	248	(19)	275
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**104,698**	**100.0 %**	**96,817**	**7,881**	**98,430**

The increase in total assets was mainly attributable to the increase of EUR 4.6 billion in financial assets, the increase of EUR 2.6 billion in receivables from subsidiaries, and the increase of EUR 0.7 billion in other assets. The year-on-year growth in financial assets is due to a net increase of EUR 4.3 billion in loans extended to T-Mobile USA, which were taken over as part of the refinancing of T-Mobile USA in connection with the contribution of T-Mobile USA to Metro PCS. The EUR 2.6 billion increase in receivables from subsidiaries mainly results from higher profit transfers by the subsidiaries and from additional higher receivables from cash management. Other assets increased by EUR 0.7 billion year-on-year through higher cash collateral used to hedge credit risks related to derivative financial instruments.

The increase in total liabilities was mainly attributable to the increase of EUR 7.6 billion in other liabilities and of EUR 1.0 billion in shareholders' equity, primarily on the back of income after taxes for the financial year of EUR 2.8 billion and the deposits of EUR 1.1 billion by shareholders who chose in the 2013 financial year to exchange their dividend entitlements for shares as part of the fulfillment of dividend entitlements. The EUR 3.0 billion dividend payment for the previous year had an offsetting effect. Other liabilities rose mainly on account of net borrowings of EUR 10.3 billion. These relate in particular to borrowings of EUR 11.1 billion at Deutsche Telekom International Finance B.V., Amsterdam, in connection with the refinancing of T-Mobile USA. The reduction of liabilities from cash management in the amount of EUR 1.7 billion and from collateral of EUR 0.7 billion had an offsetting effect.

T 037

Statement of cash flows.
millions of €

	2013	2012	Change
INCOME (LOSS) AFTER TAXES	**2,837**	**(4,545)**	**7,382**
Net cash (used for) provided by operating activities	(980)	1,918	(2,898)
Net cash provided by investing activities	2,848	66	2,782
Net cash used for financing activities	(1,743)	(2,494)	751
NET CHANGE IN CASH AND CASH EQUIVALENTS	**125**	**(510)**	**635**
Cash and cash equivalents, at the beginning of the year	997	1,507	(510)
CASH AND CASH EQUIVALENTS, AT THE END OF THE YEAR	**1,122**	**997**	**125**

Net cash used for/provided by operating activities declined year-on-year by EUR 2.9 billion, resulting in net cash used for operating activities of EUR 1.0 billion. Despite income after taxes of EUR 2.8 billion, net cash used for/provided by operating activities declined in particular as a result of the increase of EUR 2.1 billion in receivables from cash management, which was largely on account of higher profit transfers by subsidiaries as well as short-term loans in connection with cash management at the Group. The decline in net cash used for/provided by operating activities is also due to the decrease of EUR 1.7 billion in liabilities from cash management, primarily as a result of the reduction in liabilities in connection with the refinancing of T-Mobile USA. Net cash provided by operating activities in the previous year, in spite of a loss before taxes of EUR 4.5 billion and a cash outflow for the allocation of EUR 0.8 billion to CTA assets, was predominantly due to the increase of EUR 7.0 billion in liabilities from cash management.

For more information relating to our CR strategy, our CR targets, and the most important CR issues, please refer to our online CR report at: **www.cr-report.telekom.com**

Net cash provided by investing activities in the financial year was influenced by the sale of some of the bonds issued by T-Mobile USA in connection with refinancing activities, which were transferred in the reporting year to Deutsche Telekom AG in the amount of EUR 4.3 billion with a non-cash effect. This was offset in particular by cash outflows of EUR 0.7 billion for cash collateral furnished to hedge derivatives, current investments of EUR 0.3 billion at subsidiaries, and cash outflows of EUR 0.3 billion for the acquisition of shares in Sireo Immobilienfonds No.1 GmbH & Co. KG, Frankfurt/Main.

The EUR 0.8 billion decrease in net cash used for financing activities is primarily due to a EUR 1.1 billion lower cash outflow for dividends in 2013, resulting from the deposits by a portion of shareholders in connection with the fulfillment of the dividend entitlement in the form of new shares. Furthermore, the issuance of financial liabilities decreased year-on-year by EUR 0.4 billion. Net cash used for financing activities in the reporting year mainly relates to the net repayment of current liabilities of EUR 3.1 billion as well as the payment of the cash dividend of EUR 1.9 billion for the 2012 financial year. Medium- and long-term borrowings totaling EUR 3.2 billion from Deutsche Telekom International Finance B.V., Amsterdam, had an offsetting effect. The takeover of loans from Deutsche Telekom International Finance B.V., Amsterdam, in connection with the refinancing of T-Mobile USA had a non-cash effect in the reporting year, however.

In total, this resulted in an increase in cash and cash equivalents of approximately EUR 0.1 billion in the reporting year.

RISK MANAGEMENT IN HEDGE ACCOUNTING.

We use derivatives to hedge interest rate and currency exposures; i.e., exclusively for hedging purposes, not for speculative gains. In the process, we continuously monitor the effectiveness of the hedge.

CORPORATE RESPONSIBILITY.

- Sustainable value creation
- Measurable progress
- Contribution to society

RESPONSIBILITY – BUSINESS MODEL OF THE FUTURE.

We are one of the world's leading providers of telecommunications and information technology. We assume corporate responsibility (CR) in the social and ecological areas, and our aim is to play a leading role in our industry in this field. In our Group-wide CR strategy, which we have derived from our Group strategy, we are committed to the principles of sustainable corporate governance.

Our business operations have high social, ecological and economic relevance. ICT products, services and in particular our networks play a vital role in creating the conditions required for a competitive and sustainable society: our networks are the highways and railroads of the 21st century. We are a trusted companion in an increasingly complex digital world – at home and at work, any place, anytime. We want to simplify and enrich people's lives in the long term. This is our mission.

We create the conditions needed in such areas as climate protection, healthcare services and the transportation business to make it easier for people to cope with the challenges that lie ahead and, in doing so, make our contribution to social value added. We make our customers' lives easier, for instance by migrating the complex operation of hardware and software to our computing centers. The processes required to do this run with maximum energy and resources efficiency in the cloud. This is made possible by high-performance servers working at optimum capacity in computing centers with optimized energy efficiency. With our ICT solutions, transports and numerous industrial processes consume far fewer resources and cause less harm to the climate.

We assume social responsibility not only by putting our customers in a position to act more sustainably but, as ICT experts, also assume responsibility in generating value added for society in procurement, in the management of our Group and in our social commitments. This calls for central policies and guidelines, Group-wide targets and the appropriate organization in our Group. Our object is to maintain a balance between a universal approach which is as effective as possible for the entire Group on the one hand and sufficient implementation scope for individual national companies on the other. The framework for achieving this is our CR strategy.

In 2013, we reached three key milestones. Our revised Social Charter now places even greater emphasis on the observance of human rights. Besides this, our Board of Management approved an international climate protection target, which renders the progress we make in climate protection measurable, and a Group-wide CR policy, which underlines the high significance of our social responsibility.

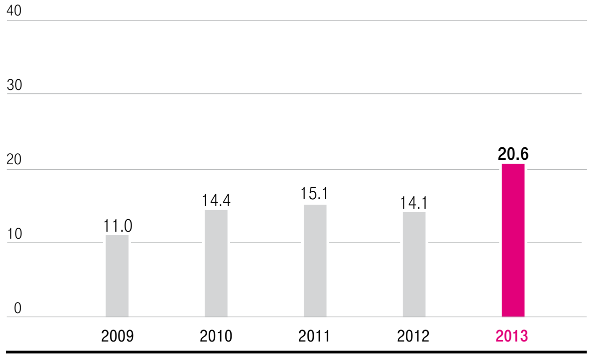
MEASURABLE PROGRESS IN SUSTAINABLE DEVELOPMENT.

To make our CR performance both transparent and comparable, we quantify our CR activities and, since 2011, have published our CR key performance indicators in our annual report. These CR KPIs are one element of our integrated financial and CR reporting. We have followed with great interest the discussion on the SD KPIs (Sustainable Development key performance indicators) which were developed in collaboration with the German Federal Ministry for the Environment, external auditors, and analysts. However, since our own CR KPIs enable us to present our CR performance in greater detail, we have retained them and subject them to continual further development. In the reporting year, we forecast results for three of our KPIs – Sustainable Procurement, Energy Consumption and CO_2 Emissions.

Another important aspect in measuring the success of our CR activities is the percentage of T-Shares held by investors whose investment strategy is based on factors including ecological, social and governance criteria. As shown in GRAPHIC 41, we measure our performance in this area with the **Socially Responsible Investment CR KPI.**

G 41

Socially Responsible Investment (SRI) CR KPI.
%



Share of Deutsche Telekom AG stock that is owned by investors whose investment strategies take environmental, social, and governance criteria into account (data taken from: Ipreo, since 2009). Please note that year-on-year comparisons may prove unreliable as the calculation base is updated annually.

In 2013, 19 percent of our shares were held by investors who take SRI criteria at least partially into account in their investment decisions (broad SRI). 2 percent of T-Shares were held by investors who give priority to SRI aspects when managing their funds (core SRI).

Our commitment to sustainable development has received widespread acknowledgment. Various rating agencies give us high marks for sustainability. In addition to this, our shares are listed on many sustainability indexes, including the FTSE4Good Index. The following TABLE 38 provides an overview of how successful we are in the leading ratings and indexes.

T 038

Listing of the T-Share in sustainability indexes/ratings.

Rating agency	Indexes/ratings/ranking	Successfully listed in index				
		2013	2012	2011	2010	2009
SAM	DJSI World	✗	✓	✓	✓	✓
	DJSI Europe	✗	✓	✓	✓	✓
Oekom	"Prime"[a]	✓	✓	✓	✓	✓
Sustainalytics	iSTOXX 50 SD KPI /disproportionate emphasis on DT (new since 2013)	✓	n. a.	n. a.	n. a.	n. a.
	STOXX Global ESG Leaders	✓	✓	✓	n. a.	n. a.
	UN Global Compact 100 (new since 2013)	✓	n. a.	n. a.	n. a.	n. a.
imug/EIRIS	FTSE4Good[a]	✓	✓	✓	✓	✓
VIGEO	ASPI (index terminated in June 2013)	✓	✓	✓	✓	✓
	ESI	✗	✗	✓	✓	✓
CDP	Carbon Disclosure Leadership[b]	✓	✗	✗	✗	✗
	Carbon Performance Leadership	✗	✗	✗	✓	n. a.
Newsweek Green Rankings	Included in Global Top 500[c]	✓	✓	✓	✓	n. a.
Sarasin	DAX Global Sarasin Sustainability[a]	✓	✓	✓	✓	✓
MSCI	MSCI Global Climate	✗	✗	✓	✓	✓

✓ Successfully listed ✗ Not listed

[a] Last DT rating carried out in 2012; new rating planned for 2014.
[b] First inclusion in the Carbon Disclosure Leadership Index of the DACH region (Germany, Austria, Switzerland).
[c] Last ranking carried out in 2012 (Global #41), next ranking planned for 2014.

The T-Share was listed on the STOXX Global ESG Leaders Index for the third year in succession. It was successfully added to the new UN Global Compact 100 index in 2013. This index lists business enterprises that head world ratings in human rights, labor conditions, environmental protection and compliance. During the reporting year we again improved our result in the SAM rating, which assesses sustainability management performance, compared with the previous year. This improvement was, however, not sufficient for re-admittance to the Dow Jones Sustainability Indexes (DJSI), since requirements for entitlement have again been raised. In order to raise our SAM rating even further in 2014, we therefore plan to concentrate above all on the topics that offer the greatest improvement potential. In 2013, we gained a place on the Climate Disclosure Leadership Index for the DACH region (Germany, Austria, Switzerland). This was the result of well above-average transparency in our climate-relevant activities. We were awarded 90 out of a possible total of 100 points for the data we submitted to the Climate Disclosure Project. This positions us among the best ten percent of companies in these regions.

DEUTSCHE TELEKOM IN SOCIETY.

The ecological and social value added generated by our business operations is confirmed throughout our value chain. As GRAPHIC 42 shows, this basically means that we play a role in the sustainable development of society – in procurement, within our Group itself, and with our networks, products and services.

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G 42

Value chain.

The following examples illustrate how we utilize the potential of ICT and our experience in the field of corporate responsibility to generate sustainable value added in the field of corporate responsibility.

SUSTAINABLE PROCUREMENT.

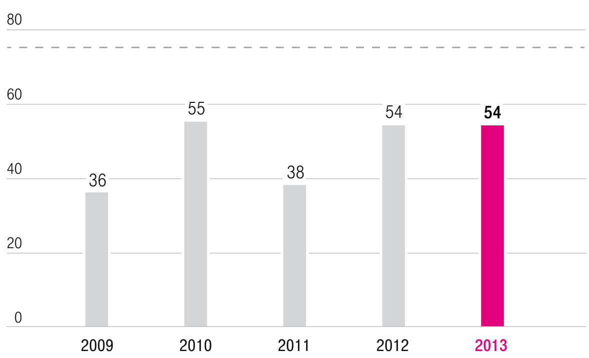
There is often good reason to criticize the sustainable approach of suppliers in the global supply chain for ICT products, first and foremost in emerging and developing countries. We have put clear and comprehensive social and environmental standards in place, and our suppliers are expressly included in this responsibility. In addition, we make efforts to extend our influence to cover second and third-tier suppliers. We specify binding rules for our supply firms and carry out intensive checks on a regular basis to ensure that social and environmental standards are observed. We help our business partners set up sustainable business processes at local level by creating incentives, providing advice and, where necessary, reacting to breaches with the appropriate consequences. For example, we show in practice how ambitious standards lead to higher productivity and economic success – and in doing so create value added for the economies and societies of the producing countries. We play an active role in various industry initiatives, including the new CFSI (Conflict Free Smelter Initiative) that deals with conflict minerals.

The social and environmental standards governing our supply chain are embedded in our Code of Conduct and our Social Charter. They are also a component of our sustainable procurement policies. Our General Terms and Conditions for Purchasing lay down these obligations and refer buyers to documents such as our Social Charter. We measure the degree to which our procurement volume is covered by sustainable activities with the **Sustainable Procurement CR KPI.** It measures the share of procurement volume we obtain from suppliers where one or several companies of the corporate group have been assessed for compliance with our social and environmental standards by way of self-assessments and/or audits. This also includes audits carried out with upstream suppliers (see GRAPHIC 43). Our objective is to raise the share of audited procurement volume to 75 percent by the end of 2015.

Standing at 54 percent, the Sustainable Procurement CR KPI reflects a stable development compared with the previous year. This is a major success in view of last year's challenges, with a change in operator for the E-TASC platform and volatile procurement volumes, and is a result of the ongoing integration of CR requirements in procurement processes and systems. The rating for the Sustainable Procurement CR KPI is likely to rise slightly in the coming year on the way to achieving this target. This is due to the fact that the number of suppliers which are audited for compliance with our social and environmental standards, and the proportion of the procurement volume attributable to them, is growing continually.

G 43

Sustainable Procurement CR KPI.
%



Procurement volume covered by supplier self-assessments and/or audits as a percentage of total sourcing volume.

Target value

Alongside the comprehensive set of tools used for supply chain management, we rely on a partnership approach as well as on the appropriate controls in concrete collaboration with our business partners in the producing countries. We have identified various success factors for this work, including for example regular involvement of the supplier's staff. We are convinced that this dialog is essential in order to establish the necessary transparency and further develop the aspect of sustainability. Even though we have already achieved much on the way to sustainable procurement, there is still a lot to be done. The agenda for 2013 included rolling out a supplier development program. The aim of the program is to help strategic and critical suppliers install business practices that comply with social and ecological principles, and are economically efficient. We have not been able to launch the pilot project planned for this, because we have not yet found a suitable partner who could implement our requirements. This project – along with various other aspects – will be implemented in 2014 with the aim of further improving our procurement sustainability score.

CORPORATE RESPONSIBILITY IN THE GROUP.

In December 2013, our Board of Management approved a CR policy for the entire Group, which still awaits approval by the relevant co-determination bodies. The Group Policy on Corporate Responsibility underlines the importance of CR for our Company. It defines concrete rights and obligations for the Company units and functions and refers to the following areas: governance structures, sustainable business practices, responsible supply chain, resources and energy efficiency, climate protection, social commitment, and sustainable products and services for our customers. The policy also describes the Group's CR organization, naming the Group Board of Management as the bearer of overall responsibility for CR. We are set to implement this policy in our national companies, starting in 2014.

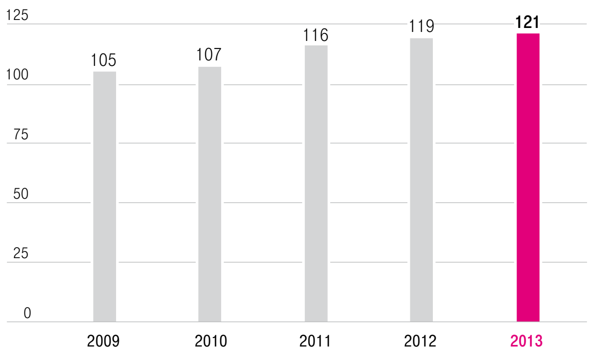
On December 3, 2013, the Board of Management approved a strategic climate protection target for the entire Group. By the year 2020, we plan to reduce total CO_2 emissions in the Group (excluding T-Mobile US) by 20 percent compared with 2008. Supported by Group Headquarters, 36 business units from around 27 countries collaborated to define the Group-wide climate protection target. The decision was based on systematic measurements of emissions from the combustion of fossil fuels (Scope 1) and emissions from the use of secondary energy in the form of electricity or district heating (Scope 2), as well as potential analyses from each company. It soon emerged that the social challenge – namely to prevent the demand for energy growing at the same rate as the increase in data volumes – is equally relevant for our climate strategy. Potential for a further reduction in CO_2 emissions consists in increasing the use of electricity from renewable energy sources.

Through climate protection measures in network expansion, facility management and our vehicle fleet we make an important contribution to sustainable development in our Group. Our aim is to reduce our energy consumption and thus emissions. With this in mind, we have implemented steering-relevant CR KPIs (GRAPHIC 44 Energy Consumption CR KPI and GRAPHIC 45 CO_2 Emissions CR KPI).

G 44

Energy Consumption CR KPI.[a]

Expressed as MPEI: electricity consumption ('000 MWh)/revenue (billions of €)



	2009	2010	2011	2012	2013
Revenue billions of €	57.6	58.4	55.4	55.7	57.8
Energy consumption ('000 MWh)	6,049.2	6,262.6	6,409.4	6,624.7[b]	6,992.9

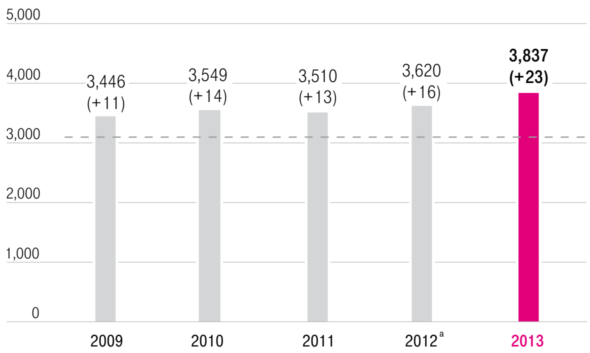
Energy Consumption CR KPI: Ratio of energy consumption to relevant revenue, calculated as Monetary Power Efficiency Indicator.

[a] Calculated on the basis of appropriate estimates and extrapolations.
[b] A minor correction was made subsequently (– 0.2 %) as a result of minor adjustments to electricity consumption in 2012 at individual national companies.

G 45

CO_2 Emissions CR KPI.

CO_2 emissions in thousands of metric tons
(Changes in %, compared against 2008 base year)



CO_2 emissions (Scopes 1 and 2). Emissions are measured in CO_2-equivalent values based on energy and fuel consumption in accordance with the Greenhouse Gas Protocol and employing the emission factors specified by the International Energy Agency and the Greenhouse Gas Protocol.

- - - Base year 2008: 3,117,000 t CO_2

[a] Minor corrections were made subsequently to total emissions (– 0.7 %) and the CO_2 Emissions CR KPI (–1 percentage point) for 2012 due to minor adjustments to energy and fuel consumption at individual national companies and to a retroactive correction of emission factors by IEA that was relevant for individual national companies.

The Energy Consumption CR KPI remained stable year-on-year. Our electricity consumption climbed marginally higher than the relevant revenue of the Group units covered by the CR report, which accounted for 96 percent of the Group's overall revenue. For the coming year 2014, we anticipate that the reduction in power consumed above all by Deutsche Telekom in Germany will be outweighed by the expansion of T-Mobile US and the associated rise in power consumption. In 2015, we expect that above all the changeover to the IP network and the consolidation of several T-Systems data centers will result in a major reduction in energy consumption. This will compensate for the power needs of T-Mobile US, which are likely to continue to rise. The revenue trends anticipated for the relevant Group units lead us to expect a stable Energy Consumption CR KPI for 2014 and an improvement for 2015.

Calculation of the CO_2 Emissions CR KPI is based on Scope 1 and 2 emissions of the Greenhouse Gas Protocol (GHG Protocol). Since our CO_2 emissions are largely driven by electricity consumption, the year-on-year development is the result of the effects described above under the Energy Consumption CR KPI. We expect the CR KPI to stabilize over the coming year, while in 2015 migration to the IP network and increased efficiency at T-Systems data centers will lead to a significant drop in emissions from electricity consumption. This will have a stronger impact than the increasing emissions resulting from the development of business at T-Mobile US.

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Calculation of the CO_2 Emissions CR KPI does not yet include indirect emissions in accordance with GHG Protocol Scope 3. Scope 3 emissions are generated for instance by our employees on their way to work or by our customers when they use our products. We are already reducing these Scope 3 emissions, e.g., by issuing our staff with discount season tickets for the use of public transportation. The extent of these emissions is reflected in the fact that, on their way to work alone, our employees in Germany generate a volume of CO_2 emissions representing around 12 percent of our entire Scope 1 and 2 emissions. In 2013, we made progress with the measurement of these Scope 3 emissions. We can now calculate 10 out of 15 categories in GHG Protocol Scope 3 which we have rated relevant for our Company. Our object is to report all our main Scope 3 emissions; we plan to achieve this in Germany in 2014 and for the Group overall in 2016.

In the reporting year, we standardized our waste management system by creating an "international framework for waste management." We want to reduce waste – in particular hazardous waste such as impregnated wooden masts – and to improve our recycling of raw materials. Our national companies will develop their own waste strategies or improve already existing strategies and define appropriate targets on this basis.

In 2013, the 10th year of its existence, we revised our Social Charter in order to take account of the United Nations Guiding Principles on Business and Human Rights. We added provisions regarding sustainability and environmental protection. However, the main aspects of our Social Charter as a guideline for all our employees, investors, customers and suppliers remain unchanged. The document specifies the working conditions and social standards under which we manufacture and offer our products and services. As laid down in the revised Social Charter, we have set up a point of contact for human rights issues – for employees, investors, customers, suppliers and other stakeholders or people affected. This whistleblower portal can now be used explicitly to notify the Company of potential infringements of human rights and other breaches of our policies, laws, and principles of conduct; each case will be handled in the strictest confidence.

Furthermore, in the reporting year we began to establish a process that will review the impact of our Company's activities on human rights. The first step had already involved carrying out a survey on human rights aspects relevant to our employees in several of our national companies, e.g., concerning the areas of health, equal opportunities, complaints channels and work-life balance. We used the results of this survey in one case for concrete follow-up measures. One specific project which ran over a prolonged period had led to staff amassing huge amounts of overtime and therefore put them under immense stress. We therefore adjusted resources management in the project so that employees had less extra work and could improve the balance between their work and their private lives. In the coming year, we will continue to review human rights aspects in our national companies, and will extend this to include further risk analyses for our products and services.

CUSTOMERS – NETWORKS – PRODUCTS.

As a provider of ICT products and operator of the network infrastructure, we reduce CO_2 emissions in other industries with our smart solutions by a figure that is many times greater than our own emissions. Deployed in the right way, ICT can lower global CO_2 emissions by more than 16 percent by the year 2020. ICT will enable industry, trade, agriculture and transportation to achieve the transformation to a climate-friendly economy. And it can pave the way for consumers by offering energy-efficient products that require fewer resources during production, are recyclable and reasonably priced. The basis for this is provided by our energy-efficient, high-speed networks and data centers. The services that we handle there already have a relatively low CO_2 footprint. To reduce it once again, we plan to close underutilized facilities and bundle our services in high-performance data centers. This means maximum efficiency and flexibility with minimum CO_2 emissions for customers who use these services. Our ICT solutions not only help protect the climate but also ensure that private and business data is archived securely, and enable such innovations as connected healthcare services.

In March 2013, we were the first, and so far the only, company to offer DECT telephones with the prestigious Blue Angel eco-label. All ten models in the new Sinus range enable our customers to make a contribution to environmental and climate protection with their purchase decision. The certified devices have highly energy-efficient switched-mode power supplies which consume at least 60 percent less energy than DECT telephones with conventional power supplies. For the first time, customers can set the reach and thus the intensity of the electromagnetic fields themselves. In addition, the telephones have replaceable batteries and the plastic parts do not contain any critical substances. We were awarded the Blue Angel prize for our dedicated promotion of this eco-label.

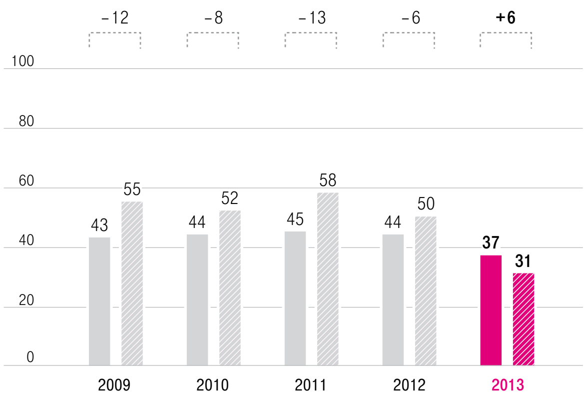
The number of electrical appliances in households continues to increase. At the same time, the possibilities for networking these devices and therefore increasing energy efficiency, security and convenience are also growing. In 2013, we therefore initiated QIVICON, an alliance of leading industrial companies in Germany. Together with partners EnBW, eQ-3, Miele and Samsung, we developed a platform that makes it possible to check and control a large number of devices from many different vendors. By taking this step we gain access to a growth area of great significance for society, and with our Smart Home product, we now offer our own solution for consumers and business customers based on QIVICON. This user-friendly application can be used to control heating, lighting and electrical appliances and to program security scenarios.

CORPORATE RESPONSIBILITY FOR SOCIETY.

Our social responsibility covers more than simply our whole value chain. As a leading ICT provider we also want to have a positive impact on the development of our society. Our know-how and the dedication of our staff enable us to help support and promote education, media skills and the exchange of knowledge within society. We are heavily committed to these areas and are therefore in a position to establish better conditions for sustainable development at all our locations and beyond. As shown in GRAPHIC 46, we measure our performance in society with the Social Commitment CR KPI. The CR KPI shows that in 2013 our performance was rated significantly higher than the level of importance attached by the public to the subject. We plan to review this CR KPI in 2014 with a view to potentially implementing a new indicator.

G 46

Social Commitment CR KPI.
%



Performance: share of respondents who considered Deutsche Telekom to be committed to social issues.

Importance: share of respondents who considered corporate social commitment to be important. The 2012 figures include respondents who answered "very important" or "extremely important"; respondents who answered "important" were included additionally for 2013.

Social Commitment CR KPI: difference between the assessment of the importance of corporate social commitment and Deutsche Telekom's performance in this area (percentage points).

Source: TNS Infratest. Until 2012: excluding telephone surveys carried out among the residential population of Germany (CR Mafo). From 2013: similar question set incorporated into the Group CRQI survey (Corporate Reputation Quality Indicator). Adjustments to survey focus and analysis have resulted in significant changes compared with the prior year.

The dialog with our stakeholders supplies us with vital information about future issues, new business areas and challenges which we will have to face in our business environment. We use various formats to promote the exchange with them, and offer individual portals and events for specific stakeholder groups. We attach great importance to our dialog with experts. In June 2013, for example, we held a workshop with the Collaborating Center on Sustainable Consumption and Production at the Wuppertal Institute for Climate, Environment and Energy. Participants, some 30 experts from various disciplines, discussed the potential for sustainability as an innovation driver. They exchanged ideas on appropriate business models and potential partnerships, and were unanimous in their opinion that sustainability offers vast opportunities for our Group and the ICT industry as a whole.

Social commitment gains authenticity when the right approach is taken. If we as ICT providers use our know-how to help children develop their talents with confidence today and to use modern media in doing so, they may be our future specialists. Young people with innovative business ideas play a vital part in overcoming social challenges. Future success is one of our top priorities. The Deutsche Telekom Stiftung, which celebrated its 10th anniversary in 2013, is endowed with a capital of EUR 150 million and is committed to improving education in the STEM subjects (science, technology, engineering and math) throughout the country, from pre-school level right through to cutting-edge university research.

Besides this, we have participated for many years in the "Yes, I can!" initiative, in which we help children and young people from difficult social backgrounds to develop their skills. The initiative's projects focus in particular on 9 to 14-year-olds, encouraging them to discover and expand their individual abilities, gain key skills such as team spirit and self-organization, and to develop personal as well as career opportunities. Germany's UNESCO Commission commended the "Yes, I can!" initiative for its sustainable approach as an "official measure" of the UN Decade of Education for Sustainable Development in 2013. For this reason, the initiative can be seen as a key instrument for embedding sustainability in Germany's education sector for the long term.

As infrastructure operators, we see another aspect of our role in society in providing active help when disasters occur. During the catastrophic Elbe and Danube floods in June 2013, for example, we provided temporary mobile technology to link helpers and victims, and therefore ensured that helpers could coordinate their actions via the mobile and fixed networks. We also set up temporary sales outlets to provide people affected by the floods with replacement cell phones. Employees from Germany, the Czech Republic, Austria, and Hungary volunteered to help fill the sandbags. In Germany alone, we donated over EUR 340,000 in aid together with customers and employees.

GROUP-WIDE SOCIAL COMMITMENT.

Employees in our national companies show their commitment to society in many different ways. This commitment frequently focuses on people who are not yet able to help themselves, children and young people in need.

- In Greece, OTE and Cosmote donated a total of EUR 550,000 to 22 non-governmental organizations in 2013. The majority of this was used for voluntary care of children with disabilities or cancer diseases.

- In the F.Y.R.O. Macedonia, only 22 percent of 3- to 5-year-olds attend a day-care center or other facility which promotes children's early development. In response, UNICEF and the T-Mobile Foundation for the F.Y.R.O Macedonia launched a joint campaign with the aim of enabling all children in the country to start out life on an equal footing. The T-Mobile Foundation supported the campaign with USD 50 thousand.

- Our Polish company T-Mobile Polska organized several sponsored runs with over 200,000 participants, as well as cycling and wheelchair races, and inline skating competitions throughout the country in 2013. Participants donated a fixed sum for each kilometer they covered – and T-Mobile Polska raised this with an additional donation. The total amounted to the equivalent of EUR 230,000, which was used to help disabled children.

- T-Mobile Czech Republic supports start-ups, in particular from disadvantaged groups, with funding and a comprehensive consulting service. 98 percent of the projects funded since 2011 are still successful, and our company in the Czech Republic acquired 130 loyal business customers during the same period.

INNOVATION AND PRODUCT DEVELOPMENT.

- Creating new perspectives
- Winning with partners

PIONEERING THE DIGITAL AGE.

We are one of the world's leading providers of telecommunications and information technology. To reinforce this position, we must strengthen our innovation capacity. This ultimately also benefits our customers, since innovative technology enables us to deliver the best networks – above all for mobile communications – and to offer our customers innovative products and services.

Our aim is to pioneer the digital age. The basis that we will use to do so remains unchanged, namely our high-speed broadband infrastructure for the fixed and mobile networks. The volume of data that is transported and stored is growing astronomically. In the coming years, we will therefore have to – and will – go on investing heavily in infrastructure.

Activities in Germany will center around building out the LTE network in mobile communications and on fiber-optics and vectoring technology in the fixed network. In addition to this, we will develop 'hybrid' products in which we combine the benefits of fixed and mobile communications, namely capacity and speed. Here, LTE and vectoring will interact to increase bandwidth. IP transformation is the prerequisite for successful implementation of our integrated network strategy and thus represents the basis for all our future products and services. Building also continues on the nationwide LTE network in the United States. T-Mobile US has initially rolled out the 4G/LTE network in seven major U.S. metropolitan areas covering now 209 million people. In Europe, expansion of the LTE network is also making good progress. In 2013, we rolled out LTE technology in Romania, the Czech Republic, Slovakia, the Netherlands, Montenegro and the F.Y.R.O. Macedonia.

INNOVATION CULTURE AND INNOVATION PROCESS.

Innovation cannot be prescribed. Innovation is a culture that has to be nurtured and brought to life from the inside. Large enterprises like our corporate group, especially, need a vibrant corporate culture that fosters innovation. Key elements of this culture include fast decisions and implementation on the basis of lean internal processes, freeing up creative potential, promoting and challenging new ideas, and entrepreneurial initiative.

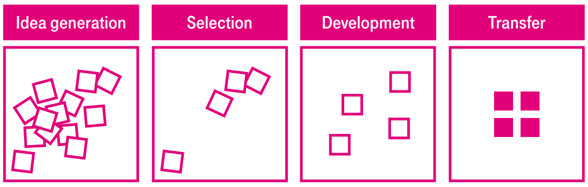
Clear process structures give ideas the scope they need to grow and transform into innovative products and services. As GRAPHIC 47 shows, innovation processes in our Company pass through four phases.

- First, there is an idea – which may be the result of market research or customer feedback or may have come from internal sources such as our Technology Radar or Ideas Management. In addition to this, we have established a global scouting network, with trend scouts in Germany, the United States, Israel, and Asia.

- During the selection phase, we evaluate each idea: How easy is it to implement? How great is its potential?
- In the development phase, we integrate customer desires and design requirements into the product or service concept.
- Finally, the product or service is transferred to the market.

G 47

Deutsche Telekom's innovations process.



In each of the four phases, we naturally verify the extent to which the resources we use are in proportion to the anticipated result. This may lead to development of a product being abandoned in the course of one phase of the innovation process – a vital option since not every good idea has the potential for a good product or a good service. Every innovation must offer our customers added value. If customers do not accept an innovation or the timing for the innovation is not right, even the best ideas are worthless.

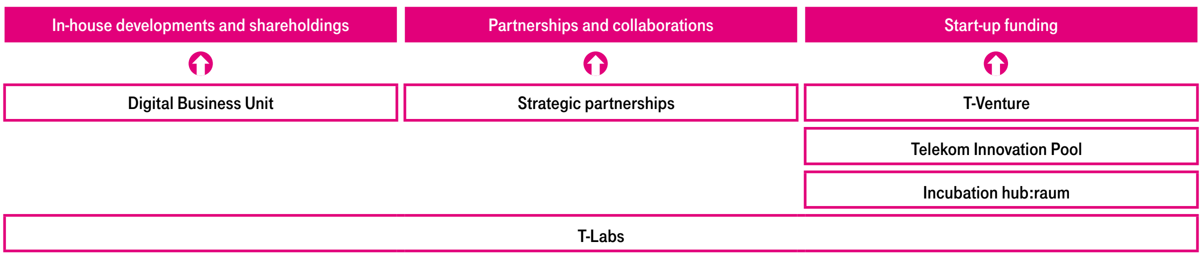
We have set up an innovation governance concept to manage innovation processes in the Group and to further promote our innovation culture. It includes the Portfolio & Innovation Board, which makes sure we get our priorities right. The board identifies and selects innovation focuses for the Group and resolves the individual strategies for their implementation. This means, for example, defining a portfolio which offers the greatest opportunities and making sure these are actually exploited. We are introducing our Group-wide innovation priorities – our "corporate priorities" – step by step in all our national companies. Our four corporate priorities currently include cloud services for small and medium-sized enterprises, the communication service Joyn, data communications between different devices and machines (machine-to-machine, M2M), and mobile payments. Corporate priorities are the products, platforms and services which are instrumental in ensuring that our Group remains fit for the future and is competitive over the long term. Various criteria are relevant for an innovation topic to become a corporate priority. These include the strategic importance for changes in our Group and markets, the response from customers, the financial impact, and the need for comprehensive standardization or accelerated market entry. We check regularly where we stand with our corporate policies, as we do with other topics. If a topic is already established in the market or if it is not progressing as planned, it may lose its status as a corporate priority.

THREE-PRONGED INNOVATION STRATEGY.

We are facing up to the challenges of the future. To develop even greater innovation capacity, our Group not only makes use of its own innovations, but it also successfully integrates innovations from outside the Group. We generate growth from innovation in three different ways: from in-house developments, from partnerships, and from equity investments. As GRAPHIC 48 shows, we approach innovation with a three-pronged strategy. The uncompromising central focus is always on the benefit for our customers.

G 48

Growth through innovation.



T-LABS: OUR OWN POWERHOUSE OF IDEAS.

With our central research and innovation unit, Telekom Innovation Laboratories (T-Labs), we operate our own research and development facilities at various locations, including Berlin, Darmstadt, Bonn (Germany), Beer Sheva and Tel Aviv (Israel), and Mountain View (United States). There, around 360 experts and scientists from various disciplines develop and test new technologies, cooperating closely with international universities and research institutes. T-Labs works closely with Deutsche Telekom's operating units to deliver new ideas and support when it comes to developing and rolling out innovative products, services and infrastructures.

At its main Berlin site, T-Labs has been associated with Technische Universität Berlin since 2005 and represents one of the biggest and best-known public-private partnerships in Europe. Priority was given to the following topics in the reporting year:

- Infrastructure and network technologies: The development of prototype solutions for bundling different types of connection technologies, such as the hybrid technology bundle comprising DSL and LTE or the DSL community bundling of neighboring DSL lines, as well as the development of cost-effective methods and tools to improve capacities and quality using new 4G+ technologies. What's more, new technologies are being developed that offer customers 100 times more bandwidth without increasing costs thanks to 5G and an optimized FTTx architecture.

- Automation and virtualization: Automation and seamless virtualization of IT and network resources have the potential to dramatically accelerate the launch of new services and increase the efficiency of existing resources. These principles are used to promote new business models for expanding broadband services. It is especially important that the network resources of one network operator be available for use by another network operator – seamlessly. In future, these solutions will extend beyond today's bit stream access. Initiatives promoting more production flexibility are based on the virtualization/automation of installations in customer households as well as in small and medium-sized enterprises.

- Standardization and licensing: Research and innovation also have the purpose of promoting standardization. T-Labs contributes to the standardization of broadband access and home networking technologies. Patents from T-Labs also help to protect innovation and reduce direct and indirect license fees at Deutsche Telekom. Prime examples are the development of next-generation prototypes for mobile communication networks, e.g., wireless technologies to succeed LTE/4G networks, as well as next-generation fixed-line networks, for example, fiber optic technology.

T-Labs was also successful in establishing a number of start-ups, including MotionLogic, LiteElements and Trust2Core.

With the additional aim of driving forward innovation from the customer's perspective, an innovation platform has been implemented at the Creation Center and the User-Driven Innovation department to dispense creative input and methodical support to all of our departments. The everyday life of users is the starting point for all our considerations and projects. Our teams immerse themselves in the real world of the customer and actively incorporate these perspectives into the development process. This inspires our employees to develop future generations of products and service concepts. This is where the idea for the "Night of the Startups" event came from, which took place for the first time in Berlin in 2013. 73 start-ups were showcased to an audience from Germany and the United States, and with more than 2,000 visitors we successfully positioned ourselves as an enabler and partner.

Creating scope for ideas.
Our objective in setting up the Telekom Innovation Arena is to create the ideal conditions for ideas relating to the digital life of the future. On November 28, 2013 we bundled our Berlin innovation units at a new site. The Innovation Arena offers first and foremost optimal working conditions, with a state-of-the-art IT infrastructure, modern premises and exchange facilities which are available round the clock, through to creative rooms for relaxation. Employees at hub:raum, T-Labs, Design and Partnering now work together on premises that extend over around 8,000 square meters. The creative mix of people from all areas of our innovation business, ranging from entrepreneurs to developers and designers, makes the Innovation Arena the hotspot for ideas in Germany. Our Group Business Development unit depends on the Innovation Arena as a central basis for start-up scouting within the framework of its partnering activities. We also use the facility to offer our international partners a place to explore the start-up scene in Berlin.

IN-HOUSE DEVELOPMENTS.

With the realignment of our Innovation & Product Development unit in 2012, we set the scene for more growth. We founded the Digital Business Unit (DBU), which develops offers for consumers and business customers in the following areas: communication services, TV platforms, cloud services, digital media and marketing, advertising business, marketplaces and payment services. In line with our Group strategy, the DBU develops new business areas and platform business in order to drive growth within our corporate group. Another of the DBU's tasks is to ensure that we deliver the right products to the right customers through suitable channels in our different markets. All areas are positioned so that they can act autonomously in their individual markets. The unit heads manage their business as if they were in charge of their own companies. They are free to decide what is necessary in order for their products to succeed. This helps us accelerate the speed at which we bring innovative products and services to market.

PARTNERSHIPS AND COOPERATIONS.

For more information about this, please refer to the corresponding section in this report on **PAGES 119** and **120**.

"Innovation by cooperation" is one of the four focuses of our Group strategy. The need to become even faster, more creative, and more open is a fixed item on our corporate agenda. This means we must be receptive to the ideas and business models of other companies, since they offer us new possibilities. Partnerships and cooperations are therefore a basic element of our innovation strategy.

In the strategic area of operation "Win with partners" within our enhanced "Leading Telco" Group strategy, we want to deliver the digital services that our customers require, on standard platforms and with attractive partners. We can connect partners and partner products to this technical commercial platform fast, flexibly and at low cost, in the same way as we would plug devices into a multiway power strip. We want to be the preferred telecommunications provider through which partners market their innovative products. For us, this means greater cost efficiency, faster market maturity for products and services, and adding and removing services faster, which represents a clear competitive advantage in our dynamic market environment. Our partners benefit from our broad customer base, our extensive sales channels and our strong brand, as well as from our excellent network quality.

Below we present several of the attractive products and services which resulted from partnerships and cooperations in the reporting year:

- The Evernote Premium app enables customers to improve the organization of personal ideas and memos on their cell phones, allowing them to write memos, store websites and articles, or create to-do lists and voice memos.
- In future, the partnership with Twitter will make it easier for us to reach even more people than before. It will also become easier for our customers to share emotional moments directly.
- We have joined forces with Spotify to offer our customers an attractive add-on option and special rate packages containing the music streaming service.
- The partnership with Lookout gives our customers the opportunity to use the free user-friendly security app of the same name to improve protection of their mobile devices and the data stored on them. Any smartphone that is stolen or lost can be traced via the Lookout website.
- We cooperated with Mozilla to bring the new Firefox OS mobile operating system to market. In addition to our collaboration on development, we are one of the first carriers worldwide to sell smartphones with the Firefox OS. We now market these devices in Germany, Poland, Hungary, and Greece.
- Together with leading booksellers such as Thalia and Club Bertelsmann, we bundle our technology and sales expertise in the field of digital reading. With these partners, we are also promoting the new “tolino” brand.

We are pioneers of the digital world: Our networks are the basis for the next industrial revolution. We are also in great demand as a partner on the way to this digital world, cooperating, for example, with companies from other sectors including energy, healthcare and mobility:

- Energy: In the energy sector we have established ourselves as an expert partner to the energy industry and are set to play a key role in the energy turnaround. We have already won numerous smart-metering deals and, together with RWE, ABB, and EnBW, are driving growth in the smart grid.
- Healthcare: We made especially good progress again in 2013 in networking in the healthcare sector. We signed contracts, for example, with the German Association of General Practitioners (Deutscher Hausärzteverband), and embarked on the large-scale telemedicine trial Fontane in cooperation with the Berlin Charité hospital. We won various orders for electronic health card services, where we will act as general contractor for the tests in Bavaria and Saxony, which are considered to be the final rehearsal prior to nationwide rollout of the networked card. During the year, we made further additions to our product portfolio. In the care sector, for example, we rolled out the Tagesnavi app for senior citizens and the connected care bed. We also extended our initiatives in the hospital segment and, at the beginning of 2014, acquired brightONE’s healthcare IT business. This puts us in an excellent position to serve the growing market for connected hospital information systems. Another positive development was seen in our business with Entertain for patients – the hospital variant of our TV entertainment offer. Several facilities, including most recently the Schwarzwald-Baar clinic, now offer their patients our innovative digital television service.
- Connected car: We entered into groundbreaking partnerships in 2013 in order to promote the car as a mobile workplace. We develop and market the vehicle backend for the Mercedes multimedia system COMAND Online – the platform for global vehicle and driver services from Daimler. 1,900 HotSpots were installed in the BMW fleet of the car hire company Sixt, giving all passengers access to broadband Internet in the car. Besides this, we won big points in the commercial vehicle market, when Europe’s biggest truck rental firm PEMA opted to buy a telematics solution from Deutsche Telekom.

START-UP FUNDING AND SHAREHOLDINGS.

Beside the traditional approach with in-house research and development, we also rely on open innovation. We look for the best ideas and the best brains outside as well as inside the Company. Through our participation in joint ventures, we not only help finance new businesses but also provide advice and support. Likewise, we pass on our entrepreneurial know-how. At the same time, we leave these young and often very small enterprises enough space to stay mobile and agile.

Another way in which we participate in innovation is through T-Venture, our venture capital arm. Through it, we have set up close ties with very promising start-up companies over a period of more than 16 years. T-Venture is the most active corporate venture capital fund in Germany and is positioned among the top five worldwide. Its volume currently stands at EUR 450 million. Since its inception we have acquired over 190 minority shareholdings. We have supported these companies in their development over a specific period and, in some cases, later withdrew.

T-Venture currently holds around 100 investments. The following examples show that this is bearing fruit:

- Affirmed Networks is responsible for significant changes and more intelligence in the field of mobile data networks. The company’s solution combines gateway functions with services that deliver richer applications and content in a leading virtualized system. Along with other prominent investors, T-Venture participated in the company’s foundation back in 2010 and confirmed the long-term strategic relevance of this innovative solution, not least thanks to the company’s established collaboration with Deutsche Telekom.

Sustainability at Deutsche Telekom

Sustainability at Deutsche Telekom

Glossary, PAGE 257 ET SEQ.

- VeliQ offers a platform which companies can use for secure and flexible management of their staff's mobile devices, i.e., the IT department can configure, activate, deactivate and upload software to a single or tens of thousands of devices via a protected point of Internet access. At the same time, it gives employees secure access to corporate applications and data on the move. VeliQ is already successful in many European countries as well as in the United States and cooperates with T-Systems for its sales activities.

- Skorpios develops and designs integrated optical modules and subsystems for opto-electronic communications systems. The technology allows the generation, rectification and modulation of light within monolithically integrated high-speed electronic circuits. The CMOS foundry compatible process is based on composite semiconductor on insulator (C-SOI) technology. This concept revolutionizes the economy of optical systems, since it makes it possible to significantly reduce component size, power consumption and complexity, and therefore generates major cost savings in optical network elements. Using the new technology will enable us to maximize efficiency in the expansion of our fiber-optic network.

In mid-2012, we established Telekom Innovation Pool GmbH (TIP) to enable us to integrate young companies as majority shareholdings in our Group in the future. The new company is led by T-Venture, i.e., T-Venture supplies funding and is also responsible for its administration. TIP also takes over internal company spin-offs, units that are outsourced from Deutsche Telekom as standalone companies. Examples of TIP investments include LiteElements GmbH, which was founded in 2013 as a spin-off from T-Labs, and the acquisition in 2013 of xplosion Interactive GmbH, a member of the Otto Group.

Furthermore, we provide targeted support for companies starting up in business. To help us do so, we launched a so-called incubator – hub:raum – in 2012, which aims to promote the networking of people and capital with innovative business ideas and build up new business. We support talented young founders and their companies by providing start-up financing, office premises and access to our Group, our experts and facilities – all supervised by experienced mentors. We as a company benefit from the dynamics of these start-ups and from the fact that we identify emerging trends. In the eighteen months of its existence, hub:raum has become a familiar name in the start-up scene. At the same time, hub:raum is gaining a firm foothold at international level, firstly, thanks to a program that specifically addresses Israeli start-ups and, secondly, to the launch of Poland's own hub:raum in Krakow.

Patents.

Patents are gaining more and more significance in the telecommunications industry. Market players and their areas of activity are changing, with a knock-on effect on our IPR (intellectual property rights) agenda. On the one hand, our Group's scope for action must be maintained. On the other and alongside our own research and development activities, we want to open the door to open innovation through cooperations and partnerships. National and international IPRs are vital for these types of activity. We are strongly dedicated to generating our own IPRs. In the reporting year, we filed 148 patent applications, taking the total number of IPRs held by the Group to around 7,500.

Thanks to our intense efforts to develop and structure our IPR portfolio, the rights we hold are highly valuable and firmly in line with the Group's strategic objectives. We have put in place a professional patent law management process to keep our IPR assets safe. Additionally, we are represented on various standardization bodies. We manage our IPRs on the basis of cost/benefit aspects, filing only selected applications subject to a strict schedule.

EXPENDITURE AND INVESTMENT IN RESEARCH AND DEVELOPMENT.

Research and development expenditure includes pre-production research and development, such as the search for alternative products, processes, systems, and services. By contrast, we do not class as research and development expenditure the costs of developing system and user software which is designed to improve productivity and make our business processes more effective. In 2013, research and development expenditure in the Deutsche Telekom Group amounted to EUR 97 million, which was more than in the previous year. As the parent company, Deutsche Telekom AG bears part of the Group's research and development expenditure. At EUR 60 million, this amount was slightly above the prior-year figure of EUR 52 million.

However, this indicator must not be considered in isolation from the three-pronged innovation strategy described above. We also rely on new external innovations and plan to generate growth not only from our in-house developments but also from our partnerships and shareholdings. For example, we currently have a fund of EUR 450 million available for such projects in our T-Venture company.

Deutsche Telekom's investments in internally generated intangible assets to be capitalized were also up year-on-year at EUR 112 million. These investments predominantly relate to internally developed software, mainly in our Systems Solutions operating segment. In the reporting year, some 2,900 employees (2012: around 2,400) were involved in projects and activities to create new products and market them more efficiently. The majority of employees working for T-Labs, the unit responsible for results-oriented research and innovation, are researchers from a wide variety of disciplines.

T 039

Expenditure and investment in research and development.
millions of €

	2013	2012	2011	2010	2009
Research and development expenditure	97.0	65.9	121.4	145.6	205.5
Investments in internally generated intangible assets to be capitalized	112.0	78.0	122.4	162.2	232.5

EMPLOYEES.

- Implementation of the HR strategy
- HR strategy 2014
- Headcount development

For further information, please refer to our Human Resources Report.

HR STRATEGY.

Day in, day out, our employees are behind everything we offer our customers in terms of products and services. They are the ones who create groundbreaking innovations and make our claim to offer the best service in the business come true. We are committed to maintaining and enhancing our competitiveness by having the right people in the right place. Specifically, this means allowing our workforce to be innovative, encouraging each individual employee's talents, and simplifying our working conditions and operations to create even more space for new ideas and personal development.

Our clearly formulated HR strategy reflects this philosophy: **"Human Resources (HR) accelerates the success of the Company and its employees."** In other words, we want to exert a measurable influence over the success of our Company and its employees.

When it comes to setting priorities in our HR work and fleshing out the details, we are guided by the Group strategy, whilst also incorporating all relevant external factors. These include long-term **trends** such as globalization, individualization, sustainability, demographic change, and the Group's competitive environment. At the same time, we never lose sight of our internal values, including our Social Charter, Code of Conduct, and Guiding Principles.

In conclusion, our HR work is consistently centered around **four fundamental strategic directions:** "productivity," "performance," "power" and "simplicity." For 2013, we have formulated four key themes, the HR Big 4, which translate our HR vision and strategic directions into more specific terms.

- **Productivity –** We want to boost the productivity and commitment of our workforce. In 2013, we focused on careful management of the internal and external workforce structure (HR Big I).
- **Performance –** We are keen to encourage each individual to develop and to accept responsibility. In the year under review, we concentrated on developing inspiring leadership principles to encourage and reward top performance (HR Big II).
- **Power –** The organization must become more fluid, and strengthen its individual members. Devising modern work environments where professional experience and knowledge can be shared and enhanced was therefore a priority (HR Big III).
- **Simplicity –** We have an ongoing commitment to ensure that HR issues are clearly and simply implemented. Attention therefore focused on refining our HR processes and products (HR Big IV) in the reporting year.

www.telekom.com/ hr-report

We continued to successfully implement our HR strategy in 2013. Selected examples of our successes in each of the four strategic directions are outlined below.

IMPLEMENTATION OF THE HR STRATEGY.

G 49

Implementation of the HR strategy.

Highlights of 2013

Productivity	Performance	Power	Simplicity
Total Workforce Management	Leadership	Workplace of the future	Optimization of the HR portfolio
Health and safety	Employee satisfaction	Diversity	Optimized cooperation
	HR development	Women's quota	
	Awards	Demography management	
		Work-life balance	

Glossary, **PAGE 257 ET SEQ.**

Sustainability at Deutsche Telekom

HR BIG I – PRODUCTIVITY.

Total Workforce Management. We continued our strategic HR planning approach known as Total Workforce Management in the reporting year. By controlling the structure of our internal and external workforce in terms of cost, capacity and skills, we are able to identify future effects on our HR situation early on and initiate suitable measures, for example in connection with **integrated network expansion:** between 2013 and 2015 we expect to offer up to 5,800 in-house trainees employment in Germany, including more than 1,000 positions in broadband expansion. This junior staff will work closely with more experienced colleagues to expand the network.

Sustainability at Deutsche Telekom

Sustainability at Deutsche Telekom

Sustainability at Deutsche Telekom

Our External Workforce Management program enables us to manage the efficient use of our partners, suppliers and service providers across the Group, so as to avoid sudden peaks in workload and dedicate additional specialists to focus on innovative topics. Targeted workforce management has netted us significant short-term cost savings in the deployment of external employees.

Health and safety. We adopt a systematic, overarching approach to the health and safety of our employees. This includes designing a uniform Group-wide framework for occupational health and safety as well as fire protection to comply with statutory requirements, and making continuous improvements to employee safety. We go far beyond the minimum required by law and offer a wide range of services and products to boost employees' health competency and awareness. These include diverse offerings ranging from stress prevention seminars to internal prevention and health promotion programs such as flu jab programs, colon cancer screening, information and campaigns on nutrition, exercise and relaxation, and comprehensive check-ups with the company physician. All the activities of our Health & Safety Management team are dedicated to the health and well-being of our employees, and are designed to strengthen their physical and mental fitness at every phase of their lives.

Company physicians and health and safety specialists are on hand to answer our employees' questions on every aspect of health and safety. Free, confidential counseling on psychosocial issues is also available.

We want our managers to play a key role in promoting health and prevention. In direct contact with their team members, they should act as ambassadors for healthy living, and provide guidance as part of their obligation to ensure the welfare of employees. We support our managers with a range of dedicated counseling services, seminars and workshops. Following a successful pilot phase with our senior managers, our innovative "Leadership and health – opportunities and limits" concept has now been rolled out. This concept helps managers to take stock of their own health, while at the same time training them in how to sensitize team members to health issues. We are incorporating ever more modules from the company health management portfolio into our executive development programs.

Our health and safety philosophy follows a Group-wide approach, supported by a uniform international management system. 30 national companies have already been integrated into this program, and a further two (out of a total of 40) will be linked in 2014. This has paved the way for uniform Group-wide standards in occupational health and safety, based on the international standards OHSAS 18001 and ISO 14001 on health, safety and environmental protection. We have also defined uniform indicators, e.g., for measuring the number of days lost. Minimum standards and related indicators create greater transparency and facilitate comparability at international level. The system is also designed to help us maintain our global telecommunications infrastructure in the event of a crisis. For example, downtimes must not impair the operation of relevant corporate units.

HR BIG II – PERFORMANCE.

Leadership. Group-wide leadership principles were adopted for the first time in 2013, along with further improvements to our performance development systems. Building on this, we are aiming to introduce a new performance development philosophy and support system for senior and middle management to encourage an even more entrepreneurial mindset.

Employee satisfaction. Our image as an attractive employer continues to grow, and our employees consistently reward us with high marks. In the latest global employee survey, our scores in the key areas of commitment, leadership and health improved significantly, with double-figure percentage increases in some cases. The most recent employee survey, the fifth for the Group as a whole since 2005, was conducted in 2012. In 27 countries and 18 languages, we invited feedback from 195,000 employees; almost 150,000 (76 percent) of whom participated worldwide.

We were particularly delighted with our high Group-level score of 4.0 for employee satisfaction on the commitment index (on a scale of 1.0 to 5.0). With our pulse surveys in mid- and late-2013, we once again collated anonymized feedback from our employees in order to gage the current employee morale and see what progress had been made in the identified areas for improvement. This compact survey revealed that at Group level, our development had been consistently positive.

HR development. We view our employees' development as an ongoing task. Under the heading of "lifelong learning," we are therefore committed to an integrated, permeable educational chain, which includes a growing number of practical, informal training courses, most of which can be independently structured. For us, best-in-class training incorporates the following aspects:

- Media: The worlds of education and work are becoming increasingly intertwined. Our portfolio of development measures reflects this, with a growing emphasis on media such as simulations, learning apps and online booklets. A stronger focus is being placed on e-learning formats for our employees, as they improve the effectiveness and availability of our training courses on a lasting basis. The number of e-learning measures grew in the reporting period from around 700,000 to some 930,000.

- Methods: We believe that knowledge should be acquired in a work environment where the latest know-how is available, and from those who have this kind of know-how. This is why we rely on trainers and experts with industry experience who are at the forefront of their fields and also have excellent teaching skills. As well as face-to-face learning, employees can also make increasing use of specialist Group-wide networks, supported by our Telekom Social Network.

- Formats: Self-guided learning is complemented by an extensive range of target group-specific educational formats. CAMPUS, our Group-wide expert development program, is regarded as a particularly comprehensive and target group-oriented training measure. CAMPUS accompanies experts on their journey through different training levels over the course of their careers, thanks to uniform training standards and courses. In the period under review we invested some 480,000 training days in the technical and personal development of our employees. This equates to an average of 4.0 training days per employee in Germany. Ambitious university graduates can join our Group-wide entry program Start-up!, which offers project placements in Germany and internationally, together with mentoring by experienced managers. Graduates of Start-up! gain a comprehensive insight into the Group and build their own interdepartmental network of contacts. Our training portfolio also includes work-linked vocational training programs and cooperative degree courses. In the reporting year, Deutsche Telekom opened up some 3,200 places to apprentices, students on cooperative study programs and full-time students at the Group's HfTL University of Applied Sciences in order to give young people a good start to their career with valuable training. Nationwide, competent young people can train in eleven different training programs and nine cooperative study programs in cooperation with ten partner universities. In training year 2013/2014, we had more than 9,100 apprentices and students on cooperative degree courses overall. This includes more than 7,700 apprentices, around 1,300 students on cooperative degree courses, and some 100 participants in Deutsche Telekom's integrative entry-level training scheme which helps disadvantaged young people prepare for an occupation. In addition, since 2009 around 700 employees have opted to start studying alongside their job, supported by our Bologna@Telekom initiative. Each year, we offer 200 Bologna scholarships across 27 bachelor's and master's degrees at nine universities which are designed to provide financial backing and flexibility with their time for employees studying part-time while they work.

- Structures: Successful HR development needs powerful structures as well as intelligent training courses. We therefore intend to establish the Group's own HfTL University of Applied Sciences in Leipzig as a link in our academic education chain. The academic courses offered at HfTL are a key element of higher education and professional development courses, particularly in the technology sector. In the year under review, around 50 percent of the 412 graduates from our on-campus and cooperative study programs at all cooperating universities were subsequently offered positions within the Group, including 70 graduates from HfTL alone. From 2014 onward, we will be practicing uniform management of all our educational services to ensure the maximum possible benefit for employees and for the Group.

- Commitment: We support and encourage all employees wishing to get involved in voluntary work. We know that this creates positive effects – such as broadening their social skills and strengthening their team player abilities – which we can then channel into our own HR development. The range of voluntary social commitments helps our employees to become more empathetic and learn to share knowledge in a practical and target group-appropriate manner. Workshops where our employees teach disabled people to use a cell phone are one such example. We also give our employees an opportunity to experience fresh impetuses and viewpoints outside of their familiar environment, for example within the context of a Social Day. Another example is the "Yes, I can!" initiative, set up by our employees, in which we help children and young people from disadvantaged backgrounds to develop their skills.

For details on our commitments, please refer to the section "Corporate responsibility," PAGE 110 ET SEQ.

Awards.
We have received numerous awards in recognition of our successful HR work. Here are just a few examples:

- Outstanding HR projects: As well as countless nominations in the Human Resources Excellence Awards, we were also proud to receive three awards from Human Resources Manager magazine for three exceptionally innovative HR projects: "Telekom Challenge," "Blind Applying" and "Diversity in recruiting with personal diagnostic-based video interviews." These awards are widely respected, not just among HR experts.

- Recruiting: We were also ranked 2nd in the Female Recruiting Award for the second time in succession, for consciously appealing to female applicants.

- Customer-centric HR communication channels: Our 2nd place ranking in the Online Talent Communication study proves that our high quality standards extend to all communication channels. Both our career website Telekom Jobworld and our social media presence are considered pioneering in this respect. Our in-house HR portal – with over three million hits per annum – was awarded a silver medal in the Annual Multimedia Award 2013.

- Attractive employer: This year, our standing as employers netted us a further clutch of highly sought-after prizes in Germany and internationally. For example, the Trendence Graduate Barometer Germany ranked us among the Top 20 employers in the IT sector. Our national companies have also been singled out as attractive employers: T-Systems Netherlands was accorded the TOP Employer Award 2012 – 2013 and T-Systems Malaysia received the Gold Award for Employer of Choice in 2013.

HR BIG III – POWER.
Workplace of the future. The telecommunications industry is in a state of flux: technologies, business models, products and services are constantly evolving. In recent years, we have seized this opportunity to make our processes more efficient. We also develop sustainable solutions for the world of the future, both professional and private; this includes new forms of internal and external collaboration, agile work models, a tighter focus on innovation and service, as well as measures for promoting entrepreneurial thinking and action.

Sustainability at Deutsche Telekom

At our location in Darmstadt (Germany), we have successfully completed a pilot known as Future Workplace, and developed a concept which incorporates architectural requirements and the necessary IT infrastructure, whilst also fostering a culture of collaboration. HR, Group Real Estate Management and IT have also collaborated closely at various Group sites to develop office spaces that address the above concerns. These will serve as pilots across the Group. Future efforts to redesign the Group's office space will focus on creating a modern office environment which provides optimum support for employees' individual work situations.

Sustainability at Deutsche Telekom

Diversity. Our Group brings together numerous cultures, attitudes, and talents from around the world. We encourage and use this diversity as a source of creativity and agility. We see living diversity as the precursor to greater innovation and customer orientation, and as the driving force behind the transformation of our corporate culture toward an open, flexible company. In order to continue operating successfully with ever more international, heterogeneous teams of different ages, genders and cultures, we pay constant attention to broadening the diversity of our workforce and monitor this with our diversity management system. In the year under review, we received a number of awards for our diversity activities. We were nominated in two categories (most diverse employer and company with the best diversity image) for the German Diversity Prize. This puts us among the top three corporations in Germany in the categories "most diverse employer" and "company with the best diversity image." At international level, the KEN Award, an internationally respected distinction for outstanding social commitment, was presented to us in recognition of our gender work.

Sustainability at Deutsche Telekom

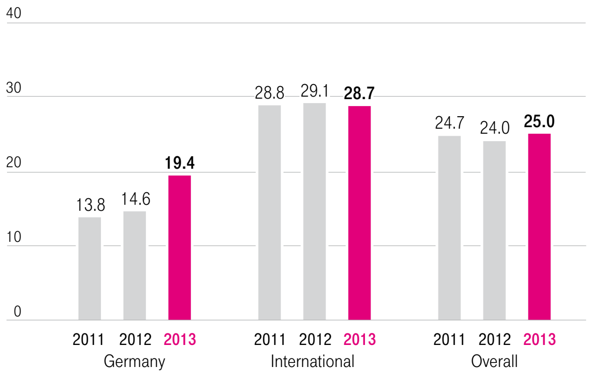
Sustainability at Deutsche Telekom

Women's quota. We campaign for higher proportions of women in management, and introduced a women's quota in 2010. By the end of 2015, we want at least 30 percent of senior and middle management positions worldwide to be held by women. We believe this quota will help bring about a deep-seated cultural transformation within the Company in terms of diverse teams and diverse life phases. We now have a global program in place to ensure that this quota is implemented at every stage of the talent pipeline, from recruitment and executive development programs through to assessment centers. Overall, the proportion of women in management positions has shown a positive development since 2010. Group-wide, it has risen from 19 percent in February 2010 to 25 percent in December 2013. Since 2010, we have also consistently increased the proportion of women in our supervisory boards, particularly the employees' representatives. In 2010, women accounted for 17.7 percent of supervisory board members in Germany, rising to 28.1 percent by the end of 2013. Over the same period, we achieved an equally positive effect with the proportion of female employers' representatives in our international supervisory boards, with the proportion of women on supervisory boards rising from 7.4 to 17.1 percent. Furthermore, two out of seven Board of Management positions have been held by women since 2012. The number of women in our Business Leader Team, the international management team below the Group Board of Management, increased from two in February 2010 to nine in December 2013.

Sustainability at Deutsche Telekom

G 50

Women in middle and top management.
%



Demography management. Demographic change and the associated shifting ratios between young and old means a shrinking, aging population in Europe. Germany is particularly affected by this development, and already has a high proportion of older people and fewer younger people. If the shrinking population and, as a result, the decrease in the working population cannot be compensated for through migration or by activating unused potential (such as women and older people), there will be fewer employees available to companies in Germany in future, and their average age will be significantly higher than at present. Deutsche Telekom is no exception. In order to meet the challenges of a changing labor market and an aging, multigenerational workforce, in 2013 we set up a Competence Group to identify key action areas and requirements of systematic demographic management based on academic findings. Furthermore, the strategic HR project Demography as a Chance is working on a number of specific products and measures for implementation during 2014.

Work-life balance. Enabling our employees to achieve a good work-life balance will remain an important part of our corporate culture in future. We want our employees to enjoy an even better balance between their work and private lives. For example, 13 percent of our employees in Germany already take advantage of the many different forms of part-time employment available. Once again, we are blazing a trail with our family-friendly approach: we were one of the first German companies to grant employees who sign a new part-time contract a right of return. As of 2014, our employees have the right to return to their original weekly working hours, giving them a significant boost in terms of flexibility and job security.

In 2013, we continued to broaden our range of childcare offers. In our Germany offices, the number of company childcare places has increased significantly since 2010, and now totals some 550. We also offer a total of 300 subsidized places at ten facilities in four different cities for children during the school holidays. At the same time, we now also have 18 parent-and-child offices to cushion any childcare shortfalls. Employees can also take advantage of nationwide assistance from one of our cooperation partners to help find local childcare places, child minders, external childcare during the school holidays and emergency child-minding, for example. Advice and placement services for home help and nursing care are also available to assist employees with sick family members. Employees can apply for funding from the Deutsche Telekom Family Fund to assist with projects and measures to help them combine their work and home life.

HR BIG IV – SIMPLICITY.

Optimization of the HR portfolio. Our HR processes, offerings, and products are clearly and simply structured, in the interests of our employees. With the "Fix the basics" initiative, we are working tirelessly to offer an improved service and reduce complexity. We want to make our portfolio of HR services even leaner by structuring it more effectively. This means a better overview of HR services for our employees, and the chance to work even more efficiently for the HR unit.

Further improvements focus primarily on HR processes, with faster, better quality service as a result of pooling and streamlining activities. New products and product refinements designed to make work easier are another top priority. A new in-house information platform (currently being tested) contains a wealth of useful information about disruptive technologies, market innovations and personal skills. Meanwhile, a new intranet homepage makes it faster and easier for employees to access career development information, such as which skills will be highly sought after in future.

Optimized cooperation. In 2013, our Way We Work project improved working methods and processes in the HR unit to promote simplified, customer and result-centric cooperation.

HR STRATEGY 2014.

The approach that we started with our HR strategy is something that we will continue to pursue in line with and in support of our "Leading Telco" Group strategy as our successes show that we are on the right track.

In addition to the "Encourage leadership & performance development" element of the new Group strategy, in 2014 we will also turn our attention to the topics "Foster employability of our workforce," "Increase organizational effectiveness," and "Continue business driven total workforce management."

For more information on our Group strategy, please refer to the section "Group strategy," PAGE 65 ET SEQ.

HEADCOUNT DEVELOPMENT.

The relentlessly fierce competition in our industry, coupled with a continuing difficult economic situation in some of our core markets, necessitated further staff restructuring in 2013. The principal developments are as follows:

The Group's headcount fell by 0.5 percent year-on-year.

The headcount in our **Germany** operating segment decreased by 1.1 percent year-on-year as a result of our socially responsible staff reduction and restructuring programs. In the first half of 2013, the special severance package Lean Admin helped us to trim our cross-sectional and management functions. This program gave employees the option of volunteering for severance pay, early retirement or an in-Group transfer. Consistent implementation of our integrated network strategy led us to hire new junior staff, which partially canceled out the aforementioned staff cuts as well as resulting in a reduction in the use of external workforce at our service companies.

In our **United States** operating segment, the headcount showed a year-on-year increase of 22.4 percent, driven primarily by the nearly 3,400 MetroPCS employees joining the T-Mobile US workforce following the completion of the business combination in the second quarter of 2013. Upsizing was also implemented with a view to further improving customer service.

In our **Europe** operating segment, the headcount had decreased by 8.2 percent as per the end of the reporting year. Downsizing programs, especially in Greece and Romania, within the context of efficiency-boosting measures contributed to this decrease. In November 2013, OTE adopted a new severance program, which offers the best possible solution for employees in the company's transformation phase, given the tense situation of the Greek economy. This program, aimed primarily at employees approaching retirement age, will allow OTE to implement essential restructuring measures in a socially considerate manner. The sale of our national companies in Bulgaria also reduced the headcount, while the acquisition of DIGI Slovakia had an offsetting effect.

In our **Systems Solutions** operating segment, the headcount decreased by 4.8 percent. The decrease was primarily the result of staff restructuring measures in Germany, coupled with the reorganization of business activities in Italy and France. Around 830 employees left the Group following the sale of T-Systems Italia and the Systems Integration unit of T-Systems France.

As a result of the realignment of the Group's central management and service functions, the green light was given for our new Group Headquarters and the newly formed Group Services on January 1, 2013. The headcount in the **Group Headquarters & Group Services** segment was up 0.6 percent against the previous year, primarily as a result of upsizing at DBU and the pooling of our Group Services. A reduction in the headcount at Vivento had an offsetting effect.

WORKFORCE STATISTICS.

T 040

Headcount development.

Employees in the Group		Dec. 31, 2013	Dec. 31, 2012[c]	Dec. 31, 2011[c]	Dec. 31, 2010	Dec. 31, 2009
TOTAL		**228,596**	**229,686**	**235,132**	**246,777**	**259,920**
Of which: Deutsche Telekom AG[a]		29,577	30,637	33,335	35,855	49,122
Of which: civil servants (in Germany, with an active service relationship)		20,523	21,958	23,516	25,570	29,188
Germany operating segment		66,725	67,497	69,574	70,902	81,336
United States operating segment		37,071	30,288	32,868	37,760	40,697
Europe operating segment		52,519	57,196	58,794	63,338	71,163
Systems Solutions operating segment		50,286	52,847	52,170	51,742	46,021
Group Headquarters & Group Services		21,995	21,858	21,726	23,035	20,703
BREAKDOWN BY GEOGRAPHIC AREA						
Germany		116,643	118,840	121,564	123,174	127,487
International		111,953	110,846	113,568	123,603	132,433
Of which: other EU member states		63,939	63,244	64,257	68,941	76,196
Of which: rest of Europe		3,238	9,422	9,736	9,991	10,061
Of which: North America		37,856	31,037	33,511	38,467	41,235
Of which: rest of world		6,920	7,143	6,064	6,204	4,941
PRODUCTIVITY TREND[b]						
Net revenue per employee	thousands of €	262	250	244	247	251

[a] On account of the spin-off of the fixed-network business in 2010, these figures are not comparable with the figures for the previous year.
[b] Based on average number of employees.
[c] Figures for prior-year periods in the Europe operating segment and the Group Headquarters & Group Services segment have been adjusted.

T 041

Personnel costs.
billions of €

		2013	2012	2011	2010	2009
Personnel costs in the Group		15.1	14.7	14.8	15.1	14.3
Special factors[a]		1.4	1.2	1.2	1.0	0.5
Personnel costs in the Group adjusted for special factors		13.7	13.5	13.6	14.1	13.8
Net revenue		60.1	58.2	58.7	62.4	64.6
ADJUSTED PERSONNEL COST RATIO	%	**22.7**	**23.2**	**23.1**	**22.5**	**21.4**
PERSONNEL COSTS AT DEUTSCHE TELEKOM AG UNDER GERMAN GAAP[b]		**3.1**	**3.3**	**3.4**	**3.4**	**4.0**

[a] Expenses for staff-related measures.
[b] On account of the spin-off of the fixed-network business in 2010, these figures are not comparable with the figures for the previous year.

For detailed information, please refer to the section "Development of business in the Group," PAGE 78 ET SEQ.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD.

Agreement on the acquisition of spectrum licenses in the United States. In January 2014, T-Mobile US entered into a purchase agreement with Verizon Wireless for the acquisition of 700 MHz A-block spectrum licenses for approximately USD 2.4 billion in cash and the exchange of certain Advanced Wireless Service (AWS) and Personal Communication Service (PCS) spectrum licenses. The acquired spectrum covers more than 150 million people in 23 markets, which corresponds to approximately 50 percent of the U.S. population or 70 percent of T-Mobile US's existing customer base. The transaction is subject to regulatory approval and expected to result in a non-cash gain upon closing in mid-2014.

T-Mobile US Un-carrier strategy 4.0. In the latest move of its Un-carrier strategy in January 2014, T-Mobile US launched phase 4.0 of its Un-carrier value proposition, which reimburses customers' early termination fees when they switch from other carriers.

Agreements on the sale of the Scout24 group. In November 2013, we agreed to sell 70 percent of the shares in Scout24 Holding GmbH to Hellman & Friedman LLC (H&F) on the basis of an enterprise value of EUR 2.0 billion. The relevant authorities gave their approval on January 24, 2014. In future we will continue to hold a share of 30 percent in the Scout24 group, which is assigned to the Group Headquarters & Group Services segment, and, as such, will go on profiting from Scout24's future value accretion. The transaction was completed on February 12, 2014.

Irrespective of this, by acquiring 100 percent of the shares in Scout24 International Management AG, Ringier Digital AG took over effective January 23, 2014 the 57.6 percent stake in Scout24 Schweiz AG that was held indirectly by Scout24 Holding GmbH.

These disposals are expected to generate cash inflows totaling approximately EUR 1.6 billion and book profits of around EUR 1.7 billion.

Acquisition of residual non-controlling interest in T-Mobile Czech Republic. On February 7, 2014 we signed a purchase agreement for the acquisition of the remaining 39.23 percent of shares in T-Mobile Czech Republic, which we did not yet own, for a purchase price of EUR 0.8 billion. This transaction furthers our development to become the leading pan-European integrated telecommunications provider. T-Mobile Czech Republic had already been fully consolidated in the Europe operating segment. This transaction is not subject to regulatory approval. The transaction is scheduled to be completed at the end of February 2014.

For details on the developments in January 2014 regarding changes in the **claims for damages due to the price squeeze** and **MetroPCS**, please refer to the section "Risk and opportunity management".

Please also refer to
PAGE 148 ET SEQ.

FORECAST.[1]

ECONOMIC OUTLOOK.

The stimulus plans of the European Central Bank (ECB) and the U.S. Federal Reserve (Fed) calmed the global capital markets and the real economy again in 2013. Provided the sovereign debt and banking crisis does not deteriorate again, the expansion of the global economy could accelerate in the course of 2014 and 2015, supported primarily by increased growth in the industrialized countries.

The International Monetary Fund, the World Bank, the OECD, and economic researchers in the core EU member states agree on the prognosis for Europe: The downward trend is over and the many years of weak growth will be overcome in 2014 and 2015. That being the case, the economic outlook for our key markets is more positive than one year ago:

- Development in Germany is expected to be more positive in the coming years following the moderate growth of 2012 and 2013. The situation on the labor market is likely to improve further on the back of the economic recovery, leading to a slight rise in employment levels again in 2014 and in 2015.
- Some of the core countries of Eastern Europe are expected to record strong growth rates in 2014 and 2015.

For the United States, leading banks and institutions forecast that the economy will grow far faster in the coming years as the negative effect caused by the consolidation of the budget is expected to ease and, as a result, domestic demand is expected to rise. The labor market is also expected to improve further.

T 042

GDP forecasts for 2014 and 2015.
%

	2014 compared with 2013	2015 compared with 2014
Germany	1.6	1.7
United States	3.1	3.2
Greece	(0.5)	1.7
Poland	2.8	3.4
Hungary	2.2	1.7
Czech Republic	2.2	2.9
Croatia	0.8	2.1
Netherlands	0.3	0.8
Slovakia	2.0	3.5
Austria	1.5	1.9
Romania	1.9	2.5
United Kingdom	2.6	2.4

Source: Oxford Economics, January 2014.

MARKET EXPECTATIONS.

GERMANY.

Overall, we expect the downward trend in the telecommunications market in Germany to continue in 2014 and 2015. In addition to the intense competitive environment, this is also due to the change in customers' usage patterns. They are shifting their communication activities to social networks such as Facebook or Google+, or to IP messaging applications such as Joyn or WhatsApp.

Traditional voice revenues in the fixed and mobile networks continue to fall due to the bundling of voice telephony with other telecommunications products and the price reduction that this entails, for example in the form of flat rates.

We also expect mobile service revenues to decrease further, mainly as a consequence of the substitution of text messaging by integrated rate plans and the use of IP messaging services, which are mostly free of charge. Expected regulatory price cuts serve to increase the negative trend in revenue – for example the price cuts for roaming within the European Union from July 2014 and for national termination from December 2014.

The popularity of mobile data services continues to rise, which has a positive impact on data revenues and compensates the decrease of mobile service revenues. The increasing spread of smartphones and tablets will have a positive impact on mobile data and Internet usage in the coming years – and therefore also on the sale of data flat rates.

In the fixed-network broadband market, we expect cable network operators to continue to grow. We expect growth predominantly in neighboring market segments such as television, intelligent networks, De-Mail, cloud services, machine-to-machine (M2M) services, mobile payment, and cyber security (protection against online crime). Demand for integrated telecommunications products continues to rise among small and medium-sized companies, particularly for secure data transmission in the form of cloud applications. We also expect to see takeovers and mergers on the German telecommunications market.

UNITED STATES.

The U.S. mobile market continues to be characterized by intense competition among the major mobile carriers – wireless pricing plans have been dynamic in 2013, and customer investments have risen. Data continues to be a growth driver, and despite the high level of competition, the U.S. mobile market is expected to grow from mobile broadband data services in 2014 and 2015, which is expected to offset declining revenues from voice and text services. "No-contract" product offerings are also expected to grow in popularity.

EUROPE.

Our European markets (excluding Germany) are dominated by tough competition between market players from the traditional telecommunications industry, alternative broadband providers such as cable and optical fiber network operators, and providers of Internet-based over-the-top services such as text messaging (e.g., WhatsApp) and Internet TV (e.g., Watchever).

We expect decisions by national regulatory authorities and the European Union to continue to put the markets under pressure and have a negative impact on mobile revenues in future. Our growth areas will only partially be able to compensate for decreased revenue from traditional telephony. These include mobile data services, television, broadband fixed network, ICT services, and adjacent business areas such as energy, Internet services, and handset insurance. On top of that, the strong growth in the popularity of smartphones and tablets will lead to heavy demand for higher bandwidths.

The macroeconomic conditions in some of our Southern and Eastern European footprint markets remain tough. There is a possibility that the governments in some of the countries within the Europe operating segment may look to improve their financial situation by imposing fiscal measures on the telecommunications market.

SYSTEMS SOLUTIONS.

Due to the anticipated recovery in the global economy, we expect the growth trend in the ICT market to increase again in 2014 and 2015. We anticipate that the ICT market will continue to be dominated by ongoing cost pressure and strong competition. Overall demand is constantly changing. The following aspects in particular change the market: cloud services, big data (storage, preparation, processing, and analysis of large volumes of data), intelligent networks (Industry 4.0, Internet of Things, M2M), and mobilizing business processes (use of mobile devices in a company's business processes).

We expect the markets in our market segments to develop in different ways:

Telecommunications: Various factors are generating new challenges in the hotly contested telecommunications market: innovative change, the increasing intensity of competition, the continued price erosion and intervention by state regulatory authorities. Business with mobile data services will continue to grow in the coming years, whereas business with fixed-network voice telephony will decrease. The macroeconomic trend has only a slight impact on the telecommunications market.

IT services: After only low-level growth in the reporting year, the market for IT services is expected to recover strongly in the following years. The IT services market is undergoing major change, however, brought about by progressive standardization, demand for intelligent services, changes in outsourcing business caused by cloud services, and new challenges posed by issues such as ICT security, big data and increasing mobility. Traditional ICT business will only grow slightly due to the price competition outside Europe, whereas growth in areas such as cloud services, mobility and cyber security may even reach double digits. We will therefore increasingly invest in growth markets such as cloud services, cyber security and intelligent network solutions for the healthcare industry from 2014 onward.

STATEMENT BY THE COMPANY'S MANAGEMENT ON THE EXPECTED DEVELOPMENT OF THE GROUP.

The future at a glance. At our Capital Markets Day in Bonn at the end of 2012, we announced our goal of returning to growth from 2014. On a like-for-like basis, we have already achieved that goal one year ahead of schedule. This positive development is largely due to the revenue growth in our United States operating segment where we changed the business model following the merger of T-Mobile USA and MetroPCS – with great success. The launch of what we call the Un-carrier strategy in combination with the expansion of the handset portfolio to include Apple products already had a noticeable effect on the number of branded postpaid customers in 2013. This improvement in the customer base is expected to have a significant effect on revenues and earnings in subsequent years. We expect to see the following developments in the individual operating segments by 2015:

- We will maintain our position as market leader in our mobile communications and broadband business areas in Germany and stabilize our revenues by 2015.
- In our Europe operating segment, we aim to defend our strong market position in almost all countries and to stabilize our revenues – despite tough regulatory policies and the possibility of state intervention.
- In the United States, we aim to considerably increase our revenue and adjusted EBITDA on the back of our very positive image among customers.
- Our Systems Solutions operating segment is developing a new business model and will build up and expand digital innovation areas. We expect that to lead to increased productivity while revenue is likely to fall initially.

These positive expectations overall are the result of a consistent strategic focus. We are driving ahead the transformation of the Deutsche Telekom Group from a traditional telecommunications company to the first port of call for consumers and business customers as well as for innovation partners in Europe, including Germany. We want to excite our customers with intelligent solutions for home and on the move by combining the quality of our networks, for which we have won several prizes, with innovative internally developed applications or integrating products from partners. We will continue to invest massively in our networks and build out our broadband infrastructure to achieve this. In Germany, we will be investing considerable amounts in optical fiber and vectoring technology in particular, as well as in the high-speed mobile communications standard LTE, to safeguard our leadership in terms of network technology. In the United States, we will also invest a great deal in the quality and coverage of the mobile communications network. Overall, we aim for a total **investment volume** (excluding spectrum investments) of around EUR 9.3 billion Group-wide in 2014, followed by a slight increase in 2015. However, our investments require a reliable, innovation-friendly regulatory environment in Europe.

To make our growth as profitable as possible, we will implement more cost-cutting measures and initiatives – focusing particularly on indirect costs. Overall, we expect to see the following development in our financial performance indicators:

- We expect revenue to grow slightly year-on-year in 2014, largely as a result of the positive development of revenues in the United States. We expect revenue to grow again in 2015 relative to 2014.
- We expect adjusted EBITDA of around EUR 17.6 billion in 2014 and an increase in adjusted EBITDA in 2015 compared with 2014.
- We expect strong increases in EBITDA and EBIT in 2014 compared with 2013. Book profits from the sale of shares in the Scout24 group and from the agreement on the acquisition of spectrum licenses with Verizon Wireless in the United States will lead to this strong increase in 2014. In addition, we expect the level of our depreciation and amortization to decrease further. In 2015, we expect the non-recurrence of the positive special factors to lead to a marked decrease in EBITDA and EBIT compared with 2014.
- The Group's free cash flow is expected to amount to approximately EUR 4.2 billion in 2014 and to increase slightly in 2015.
- We expect to see an increase in return on capital employed (ROCE) in 2014 and are aiming for a figure of 5.5 percent in 2015.

All year-on-year estimates are based on the assumption of a comparable consolidated group structure and comparable exchange rates.

We intend to continue leveraging economies of scale and synergies in the future, through partnerships or appropriate acquisitions in our footprint markets. There are no plans, however, for major acquisitions or expansion in emerging markets. We will continue to subject our existing cooperation activities and investments to strategic review with the focus on maximizing the value of our Company.

Despite substantial capital expenditure, we want to continue to compensate our shareholders appropriately. Subject to approval by the relevant bodies and the fulfillment of other legal requirements, we intend to pay a dividend of EUR 0.50 per dividend-bearing share for the 2014 financial year. We are considering offering our shareholders the choice once again of having their dividend paid out in cash or converting it into Deutsche Telekom AG shares. We will review our shareholder remuneration strategy again for 2015.

Developments on the international financial markets in 2013 can be described as stable overall. The environment was dominated in many respects by central banks and politics. The budget stalemate in the United States, for example, had the markets holding their breath for months. The stable development went hand in hand with continued low interest rates. The market environment is also initially expected to be stable in 2014.

We continue to enjoy outstanding access to international capital markets and thanks to our continuous issuing activities are in a position at any time to place issues on these markets at short notice. Provided we meet the following targets, defined as part of our finance strategy, we will continue to enjoy flexible access to the international debt capital markets:

- Rating: A– to BBB
- Ratio of net debt to EBITDA: 2 to 2.5 x
- Equity ratio: 25 to 35 percent

Deutsche Telekom (including T-Mobile US) issued bonds and medium-term notes (MTN) with a total volume of EUR 4.1 billion in 2013. Deutsche Telekom AG also sold T-Mobile US bonds for an equivalent value of USD 5.6 billion that had been acquired in the course of the merger of T-Mobile USA and MetroPCS. Repayments totaling EUR 4.5 billion in bonds, medium-term notes, and promissory notes will be due in 2014. We expect interest expense to increase in 2014 compared with 2013 due to the inclusion of MetroPCS for the full twelve months in 2014 – as opposed to only eight months in 2013 – and due to the issue of T-Mobile US bonds as described.

At the end of 2013, the rating agencies Standard & Poor's, Fitch, and Moody's rated us as a solid investment grade company at BBB+/BBB+/Baa1. The outlook from all three rating agencies was "stable." In order to retain secure access to the international financial markets in the future, a solid investment grade rating between A– and BBB is a key element of our finance strategy. Such a rating also helps us to manage our planned capital expenditure flexibly over the next few years and thus to contribute to future growth.

As of the end of 2013, we had a comfortable liquidity reserve of around EUR 22.4 billion. For 2014, too, we plan to maintain a liquidity reserve that is able to cover all maturities of the next 24 months. To maintain our liquidity, we will borrow funds on the capital market in 2014. First and foremost, we will align the timing of our financing measures with the environments of the various international capital markets.

Expectations for Deutsche Telekom AG. The development of business at Deutsche Telekom AG as the parent company of the Group is reflected particularly in its commercial relationships with our subsidiaries, the results from our subsidiaries' domestic reporting units, and other income from subsidiaries, associates, and joint ventures. In other words, the future development of Deutsche Telekom AG's figures is mainly shaped by our subsidiaries' operating results and by the opportunities and challenges they face. Accordingly, in addition to our expectations for the Group, the expectations described on the following pages concerning the operating segments' revenue and profit developments – such as strong competition, regulatory intervention, market and economic expectations, etc. – have an impact on our expectations concerning the development of Deutsche Telekom AG's future income after taxes.

Since we intend to pay a dividend of EUR 0.50, income after taxes is a major factor in this connection. Based on the described expectations for our operating segments and the resulting effects for 2014, and taking into account existing retained earnings, Deutsche Telekom AG also expects to distribute a corresponding dividend for the next financial year. We are considering giving shareholders the choice of having their dividend entitlements fulfilled in cash or in the form of shares in Deutsche Telekom AG. We will review our shareholder remuneration strategy again for 2015.

Expectations up to 2015. The expectations for the Group and the operating segments up to 2015 are shown in TABLE 43 on the right and assume a comparable consolidation structure and constant exchange rates. Expectations may change if the macroeconomic situation deteriorates further and/or there is any unforeseen government or regulatory intervention. All trends denote year-on-year changes.

To show the intensity and trends of the forecasts we have given, we use the following assessment matrix: strong decrease, decrease, slight decrease, stable trend, slight increase, increase, strong increase.

T 043

Financial performance indicators.

		Results in 2013	Pro-forma in 2013[a]	Expectations for 2014[b]	Expectations for 2015[b]
REVENUE					
Group	billions of €	60.1	60.9	slight increase	increase
Germany	billions of €	22.4	22.4	slight decrease	stable trend
United States (in local currency)	billions of USD	24.7	26.4	strong increase	increase
Europe	billions of €	13.7	13.5	decrease	stable trend
Systems Solutions	billions of €	9.5	9.0	decrease	stable trend
Of which: Market Unit	billions of €	7.7	7.4	decrease	increase
PROFIT (LOSS) FROM OPERATIONS (EBIT)	billions of €	4.9	4.8	strong increase	strong decrease
EBITDA	billions of €	15.8	15.8	strong increase	strong decrease
EBITDA (ADJUSTED FOR SPECIAL FACTORS)					
Group	billions of €	17.4	17.6	approx. 17.6	increase
Germany	billions of €	8.9	8.9	approx. 8.7	stable trend
United States (in local currency)	billions of USD	5.1	5.6	approx. 6.1	strong increase
Europe	billions of €	4.5	4.5	approx. 4.3	stable trend
Systems Solutions	billions of €	0.8	0.8	approx. 0.9	increase
ROCE	%	3.8		increase	approx. 5.5
CASH CAPEX[c]					
Group	billions of €	8.9	9.0	approx. 9.3	slight increase
Germany	billions of €	3.4	3.4	increase	slight increase
United States (in local currency)	billions of USD	4.0	4.2	increase	stable trend
Europe	billions of €	1.7	1.7	decrease	slight increase
Systems Solutions	billions of €	1.1	1.1	stable trend	stable trend
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)[d]	billions of €	4.6		approx. 4.2	slight increase
RATING					
Rating (Standard & Poor's, Fitch)		BBB+		A–/BBB	A–/BBB
Moody's		Baa1		A3/Baa2	A3/Baa2
OTHER					
Dividend per share[e, f]	€	0.50		0.50	re-visit
EPS (adjusted for special factors)	€	0.63		approx. 0.6	approx. 0.8
Equity ratio	%	27.1		25 to 35	25 to 35
Relative debt		2.2 x		2 to 2.5 x	2 to 2.5 x

[a] Significant changes in the composition of the Group included up to the date of preparation of the consolidated financial statements and the combined management report.
[b] On a like-for-like basis.
[c] Before any spectrum investments.
[d] And before AT&T transaction and compensation payments for MetroPCS employees.
[e] Additional option for shareholders: choice of cash dividend or dividend converted into Deutsche Telekom AG shares.
[f] Subject to approval by the relevant bodies and the fulfillment of other legal requirements.

T 044

Non-financial performance indicators.

		Results in 2013	Expectations for 2014	Expectations for 2015
GROUP				
Customer satisfaction (TRI*M index)		64.9	slight increase	slight increase
Employee satisfaction (commitment index)[a]		4.0	stable trend	stable trend
FIXED-NETWORK AND MOBILE CUSTOMERS				
GERMANY				
Mobile customers	millions	38.6	slight increase	increase
Fixed-network lines	millions	21.4	decrease	decrease
Of which: IP-based	millions	2.1	strong increase	strong increase
Broadband lines	millions	12.4	slight increase	slight increase
TV customers (IPTV, satellite)	millions	2.2	strong increase	strong increase
UNITED STATES				
Branded postpaid	millions	22.3	strong increase	increase
Branded prepay	millions	15.1	strong increase	strong increase
EUROPE				
Mobile customers	millions	56.7	slight decrease	slight increase
Fixed-network lines	millions	9.5	decrease	decrease
Of which: IP-based	millions	2.7	strong increase	strong increase
Retail broadband lines	millions	5.0	increase	strong increase
TV customers (IPTV, satellite, cable)	millions	3.6	strong increase	strong increase
SYSTEMS SOLUTIONS				
Order entry	millions of €	8,259	strong decrease	stable trend
CR KPI				
CO_2 Emissions CR KPI	thousands of tons	3,837	stable trend	slight decrease
Energy Consumption CR KPI[b, c]	MPEI	121	stable trend	slight decrease
Sustainable Procurement CR KPI	%	54	slight increase	2015 target: 75 %

[a] Commitment index according to the most recent employee survey in 2012.
[b] Calculated using fact-based estimates and/or extrapolations.
[c] MPEI describes electricity consumption in thousands of MWh/revenue in billions of euros.

We are aiming to achieve a slight increase in customer retention/ satisfaction in 2014 and 2015 measured based on the TRI*M index performance indicator.

Having already achieve a high level on the commitment index of 4.0 – on a scale of 1.0 to 5.0 – following the 2012 employee survey and the results of the pulse survey performed in 2013, we expect the positive response of our employees regarding our Company to remain stable in the next employee survey.

For detailed information on our CR KPIs and our expectations, please refer to the section “Corporate responsibility.”

Sustainability at Deutsche Telekom
Please also refer to
PAGE 110 ET SEQ.

Our plans are based on the exchange rates assumed in TABLE 045.

T 045

Exchange rates.

Croatian kuna	HRK	7.58/€
Polish zloty	PLN	4.20/€
Czech koruna	CZK	25.97/€
Hungarian forint	HUF	296.94/€
U.S. dollar	USD	1.33/€

The following TABLE 046 contains a summary of our model calculations and analyses of the key potential external factors.

T 046

Factors that may impact results.

Premises	Expected trend	Impact on results
ECONOMY:		
Macroeconomic trends in Europe (incl. Germany)	improvement	+
Macroeconomic trends in the United States	improvement	+
Inflation in Europe (incl. Germany) and the United States	same	O
Development of USD exchange rate	same	O
Development of exchange rates of European currencies	same	O
REGULATORY/STATE INTERVENTION:		
Regulation of mobile communications in Europe (incl. Germany)	intensification	–
Regulation of the fixed network in Europe (incl. Germany)[a]	same	O
Additional taxes (in Europe/the United States)	intensification	–
MARKET DEVELOPMENT:		
Intensity of competition in telecommunications sector in Europe (incl. Germany) and the United States	intensification	–
Price pressure in telecommunications markets	intensification	–
ICT market	improvement	+
Data traffic	improvement	+

+ positive O unchanged – negative

[a] Due to the refocusing of fixed-network regulation to encourage investment in broadband access networks as announced by the European Commission, we expect the trend to improve.

EXPECTATIONS FOR THE OPERATING SEGMENTS.

GERMANY.

We intend to safeguard and extend our market leadership in our home market in the coming years. One major topic will be the transformation of our Group to turn it into an integrated provider of purely IP-based broadband access at home and on the move. We offer more and more combined products consisting of fixed-network and mobile elements. Families can book a particular mobile rate plan together with DSL, for example. “Entertain” customers can manage their TV recordings using their smartphones and “Entertain to go” lets them watch TV programs on their tablets at home. We win our customers over with simple, integrated calling plans, the best network, the best service, and the best quality.

We intend to remain the market leader in Germany through 2015 in both mobile communications and the fixed network. In addition, demand for bandwidth for our innovative products, both in mobile communications and in the fixed network, will continue to grow strongly. We will therefore invest considerably more in the coming years in broadband networks, in innovative products and in customer service – and these investments will be reflected in our network quality and the TRI*M customer satisfaction index. The main points of emphasis are:

- Accelerated roll-out of LTE with transmission rates of up to 150 Mbit/s and covering 85 percent of the population by 2016.
- Build-out of the optical fiber network – not only in metropolitan areas – with the target of being able to offer around 65 percent of households an FTTC line by 2016, including vectoring technology with transmission rates of up to 100 Mbit/s.
- IP transformation: Use of the innovative hybrid technology to bundle the transmission capacities of the fixed- and mobile networks intelligently, making the maximum possible bandwidth available.

While we continue to drive forward investments in new technologies in 2014, we are also reducing investments in old technologies and thus clearly laying the foundation for innovation and growth.

In our Germany operating segment, we expect revenue to undergo a slight decrease year-on-year in 2014. This is mainly due to the continued decrease in voice telephony in both the fixed network and mobile communications to the benefit of bundled products and due to the price- and volume-driven decrease in wholesale business. On top of that are the substitution effects on text messaging through the use of free-of-charge IP messaging services such as WhatsApp. Regulatory price cuts in roaming, termination and the unbundled local loop will also impact revenue negatively. From 2015, we aim to stabilize revenue against the prior year.

We expect the use of mobile data services to continue to progress positively. The increasing spread of smartphones and tablets in particular will have a positive impact on mobile data and Internet usage in the coming years and therefore also on our data revenues. At the same time, we will continue to expand our optical fiber services, i.e., VDSL, FTTH, including the introduction of new business models with new wholesale products such as the “contingent” model and further cooperation activities, for example in the housing sector. We will also offer integrated products consisting of mobile communications, traditional voice telephony, Internet, and attractive, high-definition television. What’s more, we will provide new services for our customers in cooperation with partners, such as Spotify.

New growth drivers such as De-Mail, cloud services, terminal equipment rental models and further technical support services will also help stabilize revenue from 2015.

We expect to see a slight decrease in adjusted EBITDA in our Germany operating segment in 2014 due to the slight decrease in revenue and the increase in ongoing costs for the IP transformation and the integrated network build-out. We expect adjusted EBITDA to stabilize and our adjusted EBITDA margin to remain at around 40 percent from 2015 onward.

On our path to becoming an integrated network operator, we will increase our investment in our network infrastructure in the coming years, particularly in the build-out of our optical fiber and LTE networks. That will lead to an increase in our cash capex in the coming years.

UNITED STATES.

In 2014, T-Mobile US will continue to execute on its Un-carrier strategy to be the simple choice for a better mobile life and the integration of the MetroPCS brand as a result of the business combination that occurred in 2013. Key elements of the Un-carrier strategy include delivering distinctive value for consumers in all customer segments by eliminating customer pain points and providing excellent 4G services through advantaged spectrum and a next-generation LTE network deployment. Additionally, the Un-carrier strategy focuses on attracting and retaining a loyal customer base by providing value-leading offers, driving operational efficiencies, the continued enhancement of network quality, and developing attractive device offerings.

T-Mobile US expects a strong increase in branded postpaid and prepay customers in 2014 and expects that trend to continue for prepay customers in 2015. However, competitive pressures and unforeseen changes in the wireless communications industry may significantly affect the expected ability to attract and retain branded postpaid and prepay customers.

T-Mobile US expects a strong increase in total revenues – in local currency – in 2014 and an increase – in local currency – in 2015. Results in 2014 are expected to be positively impacted by the full year results of the MetroPCS brand being included following the business combination in the second quarter of 2013. Additionally, total revenues are expected to benefit from increased customer development and the continued migration of customers to unlimited Value/ Simple Choice plans that increase equipment revenues due to lower equipment subsidies.

T-Mobile US also expects a strong increase in adjusted EBITDA – in local currency – in 2014 and 2015. T-Mobile US expects continued focus on cost-saving initiatives and realization of operational and network synergies from the business combination with MetroPCS to lower operating expenses. However, adjusted EBITDA is expected to be impacted by continued investment in the network and increased marketing of the T-Mobile US brand focused on attracting and retaining customers. Additionally, competitive pressures may significantly affect expected revenues and adjusted EBITDA in local currency and exchange rates may significantly affect revenues and adjusted EBITDA in euros in 2014 and 2015.

In January 2014, T-Mobile US entered into agreements with Verizon for the acquisition of 700 MHz A-Block spectrum licenses for USD 2.4 billion in cash and the transfer of certain AWS spectrum and PCS spectrum. Excluding the expenditures relating to those agreements, T-Mobile US expects an increase – in local currency – in cash capital expenditures in 2014 as it continues to roll out its 4G LTE network, and a stable trend for cash capital expenditures in 2015.

EUROPE.

We expect the tense market situation in our Europe operating segment to continue. Our national companies operate in a highly competitive environment. Most of the markets in this operating segment are virtually saturated and line losses are the order of the day in the traditional fixed-network business. Market prices are pushed down by decisions made by regulatory authorities, such as the repeated reduction in termination charges in mobile communications, and by decisions regarding charges for wholesale services in the fixed-line business. We also expect competition to intensify as a result of the allocation of additional mobile frequencies to new potential market players.

In spite of the tough competitive conditions in most of our footprint countries in this operating segment, we intend to defend our market position in each country. In the case of our integrated companies, we will work on maintaining our market leadership in both the fixed network and mobile communications or on using our strong position in the fixed network to build up our mobile business, depending on the position of the respective company in its market. Some of our companies that to date have been mobile-only are now in a position to offer consumers and business customers a vastly expanded portfolio, for example as a result of the acquisition of GTS Central Europe and the merger between the local business units of T-Systems Czech Republic and T-Mobile Czech Republic.

One of the focal points of our business is on our growth areas. We are convinced that they will help us compensate for the revenue decreases in our traditional telecommunications business. We want to excite our customers in the field of broadband and television in particular with a consistent user experience across all screens, from televisions and computers to tablets and cell phones. We will augment our range of television services both with exclusive premium content and channels of our own and with content from partners. We are increasingly incorporating innovative features such as "TV everyWhere," which we have already successfully launched in almost all countries of the Europe operating segment. In our mobile business, we are developing and implementing new products and services, for example the Mobile Wallet, which we have already launched on the market in Poland. In 2014, we intend to launch it in other countries, too. ICT services are another important growth engine. Bearing that in mind, we will offer our high-caliber ICT products in the business-to-business sector not only to large corporations, but also increasingly to small- and medium-sized businesses in our Europe operating segment. We are increasingly working on standardized platforms across all national companies, for instance on a cross-border M2M platform. We will continue to broaden our range of services, particularly for small- and medium-sized businesses, with the provision of secure cloud services. Our adjacent industries business area can be transferred to other countries in our Europe operating segment thanks to the successful example in Hungary. We are planning to offer our customers in Croatia power supply contracts in 2014, for example.

To be able to realize our plans, we will be transforming our business model to create seamless interaction between all access technologies. We want a simplified and standardized network to establish the foundation for an e-company with a promising future. We will continue to focus our investment on the network infrastructure with the emphasis on consistent migration to IP technology. Detailed migration plans were established at all our integrated companies in 2013 and implementation begun. In the F.Y.R.O. Macedonia, we successfully completed the migration on January 15, 2014, with other companies to follow suit. Another technology milestone is TeraStream – a concept centered around a cloud-based IP architecture. A pilot project began in Croatia in 2012 and was continued in 2013. We plan to carry out similar pilot projects in other countries of our Europe operating segment. In Greece, we have started implementing the Broadband Network Gateway (BNG), which we intend to have in full operation by 2015, as a preliminary stage for TeraStream. Our Hungarian company will also work on the launch of the BNG over the next two years.

We are also planning to make investments to offer our customers the best possible broadband experience. We intend to use various technical options. We are testing what is known as hybrid access in Montenegro, for example, which bundles data streams from the fixed network and mobile communications.

In our mobile business, we are concentrating on the build-out of LTE systems. We have already started with the roll-out in all the countries of our Europe operating segment, except Albania and Poland. Our European national companies have various roll-out targets; we want to cover between 50 and 85 percent of the population with LTE by 2017. To achieve these network coverage targets we may enter into further network cooperation alliances, similar to those currently set up in Poland, the Czech Republic or the Netherlands. We will continue to invest in improving our customer service and our processes. We expect cash capex to decrease in 2014 compared with the prior year. We then expect to see a slight rise in 2015.

Our revenue and earnings may be adversely affected by changes in legislation, for instance in connection with government austerity programs. Special taxes not only in Hungary but also in Greece, for example, will have a negative impact on our earnings and restrict our ability to invest in the respective countries. Exchange rate effects may also adversely affect earnings on a euro basis. We plan to compensate for these potential negative effects in part with cost-cutting measures and strategic initiatives. We will continue to increase productivity and cut costs, which will entail headcount reductions at some companies in our Europe operating segment. We also intend to look into the possibility of more network cooperations with other companies in certain countries of our Europe operating segment.

The composition of our Europe operating segment changed as follows effective January 1, 2014: The local business customer unit of T-Systems Czech Republic, previously assigned to the Systems Solutions operating segment, is being merged with T-Mobile Czech Republic. In addition to mobile and fixed-network business activities, the company now also offers ICT solutions for business customers and public administrations. The local business units (LBUs), which had also been organizationally assigned to the Systems Solutions operating segment until December 31, 2013, have now been brought together and are reported under the Europe operating segment. The LBUs are units in and outside of Europe that predominantly perform wholesale telecommunications services for ICSS (International Carrier Sales & Solutions) as part of the Europe operating segment and for wholesale customers. We expect the reassignment of these activities to have positive effects on revenue and adjusted EBITDA for the Europe operating segment.

In late 2013, we reached an agreement with a consortium of international private equity companies on the acquisition of the GTS Central Europe group (GTS) for a total of EUR 0.5 billion. Our aim with this business combination is to create an even better basis from which to offer innovative telecommunications solutions and integrated products in our key European markets in the future. We aim to close the transaction in 2014, subject to the approval of the relevant authorities.

Based on these parameters, we expect to be able to gain more customers for our combined products in our Europe operating segment, which will be reflected in a strong increase in the number of broadband and television lines in 2015 in particular. We expect the number of mobile communications customers to fall slightly, largely as a result of the potential introduction of a prepaid registration requirement in one of the countries of our footprint. We expect to see an increase in the number of mobile communications customers again in 2015. We also expect the number of fixed network lines to decrease in 2014 and 2015 as a result of substitution by mobile business and of continuing competition.

Based on these assumptions and parameters and excluding GTS Central Europe, we expect to record a decrease in revenues and a decrease in adjusted EBITDA in our Europe operating segment in 2014 compared with 2013 on a like-for-like basis, i.e., assuming constant exchange rates and based on assumptions relating to regulation, new market players, spectrum auctions, and unchanged organizational structures. In 2015, including GTS Central Europe, we expect revenues and adjusted EBITDA to remain stable.

SYSTEMS SOLUTIONS.

As described in the expectations for the Europe operating segment, the composition of our Systems Solutions operating segment has changed, partly through the merger of the local business customer unit of T-Systems Czech Republic with T-Mobile Czech Republic and partly through the combination of the local business units (LBUs) in the Europe operating segment.

The T-Systems Market Unit focuses on the ICT services growth market, offering solutions for corporate customers. We once again signed big deals with major companies and institutions in Germany and abroad in 2013, such as RWE, the European Commission, Deutsche Rentenversicherung (German statutory pension insurance), the Finnish company KONE, the Swiss National Railways, and car manufacturer BMW. In addition, our standard solutions in the growth area of cloud computing succeeded in the face of strong competition, winning us contracts with many of our corporate customers, for example the conclusion of a contract with the Pioneer Europe electronics corporation. Accordingly, we again expanded our dynamic resources from the cloud in the reporting period, which will pay off for our customers in future. They will be able to call up bandwidth, computing power, storage, and software as they need them; they will share infrastructure and only pay for what they actually use.

The T-Systems Market Unit continues to work on its business model and will invest in new digital innovation areas to support customers in the ongoing digitization of their business. In addition to traditional IT and telecommunications business, the focus is therefore also increasingly on platform-based services and cloud services, including issues such as security, M2M, and big data as well as the further build-out of intelligent networks. The transformation to focus on the digital innovation areas is expected to take two years. Growth in these areas is then intended to compensate for lower-margin business with traditional outsourcing.

As a service provider for the Group, Telekom IT constantly develops the Deutsche Telekom Group's IT landscape, thus making an important contribution to our Company's competitiveness and success in the market. Standardized and optimized systems and processes contribute significantly to our systematic efficiency management and to reducing the Group's IT costs further. The consistent reduction of IT expenditure for the Deutsche Telekom Group is reflected in falling revenues. We therefore expect revenues at Telekom IT to continue to fall in subsequent years.

Overall, we expect adjusted EBITDA in the Systems Solutions operating segment to increase in 2014 despite the decrease in revenue. We will consistently expand and review our business model to ensure sustainable, profitable growth in the future. We will push ahead with various transformation programs with the aim of generating growth with scalable, cloud-based services, changing traditional ICT elements to make them more profitable and to identify services that we can no longer perform ourselves. These measures will reduce the revenue of the Market Unit in the short term to the benefit of sustainable, profitable growth. Revenue is expected to stabilize in 2015 compared with 2014. We expect adjusted EBITDA to increase. Revenue at the Market Unit is expected to decrease in 2014 due to the developments described and then increase again in 2015. Order entry is expected to decrease in 2014 to begin with and then become stable again in 2015. We expect cash capex to remain stable year-on-year in 2014 and 2015.

GROUP HEADQUARTERS & GROUP SERVICES.

Having started in the 2013 financial year, we will continue our cost management efforts in 2014 and 2015, which will contribute to improving our results. Investment in innovative growth areas at the Digital Business Unit (e.g., cloud services and payment) will have an offsetting effect in 2014. Following the sale of a 70 percent stake in the Scout24 group, the earnings generated by the remaining 30 percent stake will be reported under profit/loss from financial activities (share of profit/loss of associates and joint ventures accounted for using the equity method). This is likely to lead to a marked reduction in adjusted EBITDA compared with 2013. We expect adjusted EBITDA in 2015 to improve compared with 2014 as a result of the continuation of our cost-cutting measures at Group Services and greater value from the DBU.

[1] The forecasts contain forward-looking statements that reflect management's current views with respect to future events. Words such as "assume," "anticipate," "believe," "estimate," "expect," "intend," "may," "could," "plan," "project," "should," "want," and similar expressions identify forward-looking statements. These forward-looking statements include statements on the expected development of revenue, EBIT, EBITDA, adjusted EBITDA, ROCE, cash capex, and free cash flow. Such statements are subject to risks and uncertainties, such as an economic downturn in Europe or North America, changes in exchange and interest rates, the outcome of disputes in which Deutsche Telekom is involved, and competitive and regulatory developments. Some uncertainties or other imponderabilities that might influence Deutsche Telekom's ability to achieve its objectives, are described in the section "Risk and opportunity management," PAGE 137 ET SEQ. of the combined management report, and the "Disclaimer," PAGE 264 at the end of the Annual Report. Should these or other uncertainties and imponderabilities materialize or the assumptions underlying any of these statements prove incorrect, the actual results may be materially different from those expressed or implied by such statements. We do not guarantee that our forward-looking statements will prove correct. The forward-looking statements presented here are based on the current structure of the Group, without regard to significant acquisitions, dispositions, business combinations, or joint ventures Deutsche Telekom may choose to undertake. These statements are made with respect to conditions as of the date of this document's publication. Without prejudice to existing obligations under capital market law, we do not intend or assume any obligation to update forward-looking statements.

RISK AND OPPORTUNITY MANAGEMENT.

- Risk early warning system
- Identification of opportunities

RISK AND OPPORTUNITY MANAGEMENT SYSTEM.

As one of the world's leading providers in the telecommunications and information technology industry we are subject to all kinds of uncertainties and change. In order to operate successfully in this ongoing volatile environment, we need to anticipate any developments at an early stage and systematically identify, assess and manage the resulting risks. It is equally important to recognize and exploit opportunities. A functioning risk and opportunity management system is therefore a central element of value-oriented corporate governance.

In addition to business management requirements, a risk management system is required by regulations and by law (for example by § 91 (2) of the German Stock Corporation Act (Aktiengesetz – AktG) and the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz – BilMoG)), which translated the requirements of the 8th EU Directive (as well as those of the 4th and the 7th) into national law). BilMoG obliges the Audit Committee to monitor the effectiveness of internal control systems and of risk management.

Our Group-wide risk and opportunity management system covers all external, strategic, operational, financial, and reputational risks and opportunities for our fully-consolidated entities. The aim is to identify these early on, monitor them, and manage them in accordance with the desired risk profile.

We base our system on an established standard process (see GRAPHIC 51). Once risks and opportunities have been identified, we move on to analyze and assess them in more detail. The effects of risks and opportunities are not offset against each other. This is followed by a decision on the actual action to be taken (e.g., reducing risks/seizing opportunities). The associated action plan is implemented, monitored and evaluated by the respective risk owners. All steps are repeatedly traversed and modified to reflect the latest developments and decisions.

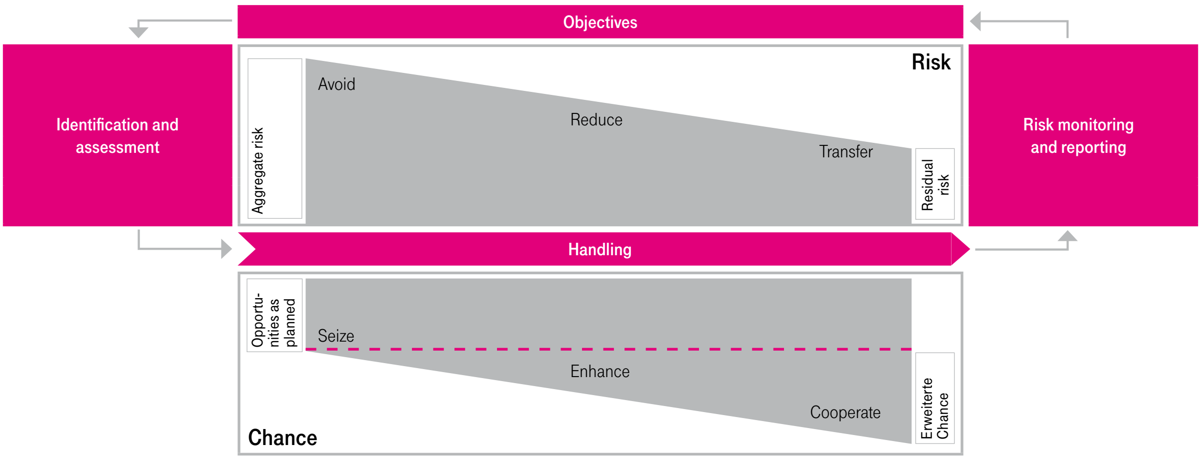
Deutsche Telekom's risk and opportunity management system is based on the globally applicable risk management standard of the International Standards Organization (ISO). ISO standard 31 000 "Risk management – Principles and guidelines" is regarded as a guideline for internationally recognized risk management systems.

The external auditor mandated by law to audit the Company's annual financial statements and consolidated financial statements in accordance with § 317 (4) of the German Commercial Code (Handelsgesetzbuch – HGB) examines whether the risk early warning system is able to identify at an early stage risks and developments that could jeopardize the Company's future. The system complies with the statutory requirements for risk early warning systems and conforms to the German Corporate Governance Code.

In addition, our Group Controlling unit has established a series of Group guidelines and processes for the planning, budgeting, financial management and reporting of investments and projects. This guideline guarantees the necessary transparency during the investment process and the consistency of investment planning and decisions in our Group and operating segments. It also provides decision-making support for the Board of Management and the Board of Management Capital Expenditure Committee. This process also includes the systematic identification of strategic opportunities and risks.

G 51

The risk and opportunity management system.

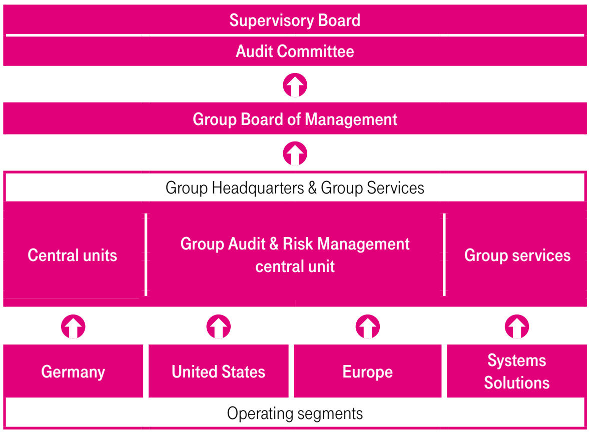


ORGANIZATION OF RISK MANAGEMENT.

The Group Risk Management & Insurance, Europe unit has central responsibility for the methods and systems used in an independent risk management system that has been standardized across the Group and for the associated reporting. The Germany, United States, Europe and Systems Solutions operating segments are connected to the central risk management via their own risk management. The relevant risk owners in our segments and central Group units are responsible for managing and reducing risks.

G 52

Risk management.



RISK REPORTING.

Each operating segment produces a quarterly risk report according to the standards laid down by the central Risk Management unit and based on specific materiality thresholds. These reports assess risks, taking into account their extent in terms of impact on results of operations or financial position, as well as their probability of occurrence, and they identify action to be taken and suggest or initiate measures. The assessment also includes a series of qualitative factors that could be important for our strategic positioning and reputation and also determine the aggregate risk. We base our assessment of risks on a period of two years. This is the same forecast period as that of the company-specific forecast.

This information forms the basis for the Group risk report to the Board of Management which presents the main individual risks in a portfolio. The Board of Management informs the Supervisory Board. The Audit Committee of the Supervisory Board also examines the risk report at its meetings. If any unforeseen risks arise outside regular reporting of key risks, they are reported ad hoc.

In addition to the quarterly risk report, we use our risk cockpit, which we developed in response to the financial and sovereign debt crisis and constantly refine, as an additional tool for monitoring and analyzing risks. This tool collects a large number of early warning and economic indicators each quarter, e.g., on macroeconomic, political and legal developments in our core countries. When analyzing economic indicators, we use leading, coincident and lagging indicators. The OECD's composite leading indicators, for example, as the product of several upstream sub-indicators, can map economic developments overall. Being generated on a monthly basis, they offer a more up-to-date view of economic activity than a quarterly publication of gross domestic product ever could.

G 53

Sample extract from the risk cockpit – economic trends.

<table>
<tr><th></th><th>Economic trends.</th><th>Germany</th><th>United States</th><th>Greece</th><th>Poland</th><th>Hungary</th><th>UK</th></tr>
<tr><td>Leading[a]</td><td>Composite leading indicator</td><td>100.4 | 100.3</td><td>100.9 | 100.9</td><td>101.8 | 101.7</td><td>101.0 | 100.8</td><td>98.7 | 98.7</td><td>101.2 | 100.9</td></tr>
<tr><td></td><td>Consumer climate</td><td>7.1 | 7.0</td><td>75.2 | 77.5</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Trend</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Coincident[b]</td><td>GDP</td><td>0.6% | 0.0%</td><td>1.4% | 1.9%</td><td>-4.4% | -5.3%</td><td>1.2% | 0.8%</td><td>0.5% | 0.6%</td><td>1.5% | 1.3%</td></tr>
<tr><td></td><td>Consumer spending</td><td>1.1% | 0.6%</td><td>1.8% | 2.3%</td><td>-8.7% | -9.1%</td><td>0.5% | 0.0%</td><td>1.1% | -0.8%</td><td>2.0% | 1.2%</td></tr>
<tr><td></td><td>Trend</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Lagging[a]</td><td>Unemployment[b]</td><td>6.8% | 6.9%</td><td>7.3% | 7.6%</td><td>28.1% | 28.2%</td><td>13.7% | 13.7%</td><td>10.1% | 10.6%</td><td>7.1% | 7.6%</td></tr>
<tr><td></td><td>Consumer prices</td><td>1.7% | 1.5%</td><td>1.6% | 1.4%</td><td>-1.1% | -0.4%</td><td>1.4% | 0.6%</td><td>1.5% | 1.8%</td><td>2.7% | 2.7%</td></tr>
<tr><td></td><td>Trend</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

positive development; high overall level
various developments; high overall level
positive development; medium overall level
negative development; medium overall level
various developments; low overall level
negative development; low overall level

Source: OECD, destatis, BEA, Oxford Economics, GfK, Conference Board, Bloomberg
[a] Current month (corresponding month in prior quarter)
[b] Q3/2013 (Q2/2013) compared with the respective prior-year quarter

We establish various scenarios based on the entire system of indicators of macroeconomic parameters and taking into account political and legal developments, and analyze potential effects. With the risk cockpit, we have developed a tool that creates greater transparency about our risks and opportunities, assesses the relevance of these risks, and prioritizes them.

IDENTIFICATION OF OPPORTUNITIES THROUGH THE ANNUAL PLANNING PROCESS.

In addition to the systematic management of risks, the Company's long-term success must be secured through integrated **opportunities management.** The identification of opportunities and their strategic and financial assessment play a major role in our annual planning process.

Opportunities in our business are identified and recorded throughout the year by our operating segments and Group Headquarters as part of the short-term monitoring of results and medium-term planning processes. While short-term monitoring of results mainly targets opportunities for the current financial year, the medium-term planning process focuses on opportunities that are of strategic importance for the Group. We distinguish between two types of opportunities:

- Opportunities with external causes that cannot be influenced, for example, the revocation of additional taxes in Europe.
- Opportunities created internally, for example by focusing our organizational structure on innovations (e.g., T-Labs and T-Venture), growth areas and products, and business relationships and collaborations from which we expect synergies.

We have continuously increased the efficiency of our planning process so as to give us greater scope. This puts the organization in a position to identify and seize new opportunities and generate new business. The preliminary plans of our operating segments form the basis for a concentrated planning phase during which members of the Board of Management, business leaders, executives, and experts from all business areas intensively discuss the strategic and financial focus of the Group and the operating segments on a daily basis and ultimately produce an overall picture. The identification of opportunities from innovation and their strategic and financial assessment play a major role throughout this phase. During the daily decision-making rounds, the results of this "brainstorming" are either rejected, passed back to the working groups for revision, or adopted and transferred to the organization.

RISK ASSESSMENT AND RISK CONTAINMENT.

ASSESSMENT METHOD.

Risks are assessed on the basis of "probability of occurrence" and "risk extent." They are then classified as high, medium or low in relation to our business targets. The following assessment yardsticks apply:

T 047

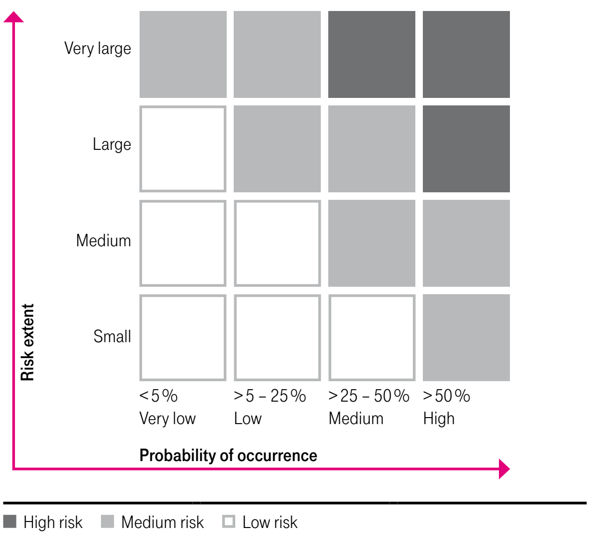
Probability of occurrence	Description
< 5 %	very low
> 5 to 25 %	low
> 25 to 50 %	medium
> 50 %	high

Risk extent	Description
Small	Limited negative effects on business activities, results of operations, financial position, and reputation; individual EBITDA risk < € 100 million
Medium	Certain negative effects on business activities, results of operations, financial position, and reputation; individual EBITDA risk ≥ € 100 million
Large	Significant effects on business activities, results of operations, financial position, and reputation; individual EBITDA risk ≥ € 250 million, and/or affects more than one Group entity
Very large	Damaging negative effects on business activities, results of operations, financial position, and reputation; individual EBITDA risk ≥ € 500 million, and/or affects more than one Group entity

By assessing risks according to the aspects of probability of occurrence and risk extent, we can classify them into low, medium and high risks, as shown in GRAPHIC 54.

G 54

Risk level.



Once risks have been assigned to this portfolio, all risks classified as "high" and "medium" are reported. Exceptions are possible in specific cases, for example, for the sake of reporting continuity, we also report risks from prior years that are classified as low for the current reporting period.

It should be noted that risks with an extent currently assessed as being small may in the future acquire a larger extent than risks that are currently assessed as having a larger extent, due to uncertainties that cannot be assessed at present and over which we have no influence. Furthermore, risks that are currently unknown to us, or those that we currently consider to be insignificant may affect our business activities in the future due to uncertainties that cannot be assessed at present.

RISK CONTAINMENT MEASURES.

Risk management and insurance. To the extent possible and economically viable, we will obtain Group-wide insurance cover for insurable risks. Group Risk Management & Insurance, Europe is supported by DeTeAssekuranz GmbH as an insurance broker. DeTeAssekurranz GmbH works for the Group as a wholly-owned subsidiary of Deutsche Telekom AG and supports insurance risk management in the Group in developing and implementing solutions for the Group's operational risks using insurance and insurance-related tools and places them on the national and international insurance markets.

Taking out insurance cover is an essential option for our external **risk transfer.** The coverage of risks in our Group insurance programs requires a risk transfer for the purpose of protecting the Group's financial position (i.e., the possible risk extent reaches a volume "relevant for the Group") or for risks to be bundled and managed at Group level to protect the Group's interests (opportune reasons/cost optimization/ risk reduction).

Business Continuity Management (BCM). BCM is a support process within operational risk management that protects business processes from the consequences of damaging incidents and disruptions, and ensures the continuation of business processes through ongoing analysis, assessment, and management of relevant risks for people, processes, technology, and information. The aim of BCM is therefore to identify potential threats and to reduce the impact and duration of a disruption of critical business processes to an acceptable minimum by ensuring appropriate resilience in the organization plus the ability to effectively cope with threats.

To this end, critical business processes and business processes needing protection including any supporting processes, process steps, and assets (employees, business processes, information, and technology) are identified as part of BCM, and appropriate precautionary measures are defined. Specifically, the possible consequences of external and internal threats with relevance for security (e.g., natural disasters, vandalism, sabotage, etc.) need to be analyzed by Security Management in coordination with the relevant units and process owners. Based on an evaluation of the extent of damage and the probability that damage will occur, preventive measures are implemented and emergency plans developed.

Further measures for containing risks are introduced and implemented by risk owners according to their quality and nature. A wide range of measures are available, depending on the risk type. A few examples of these measures are:

- We tackle market risks with comprehensive sales controlling and intensive customer management.
- We manage interest and currency risks with the help of our systematic risk management and hedge them using derivative and non-derivative financial instruments.
- We also take a large number of measures for dealing with operational risks: For example, we improve our networks through constant operational and infrastructural measures. Our quality management, the related controls and quality assurance are continuously enhanced. We offer systematic training and development programs for our employees.
- We deal with risks from the political and regulatory environment through an intensive, constructive dialog with authorities and politics.
- We endeavor to minimize risks in connection with legal disputes by ensuring suitable support for proceedings and designing contracts appropriately in the first place.
- The Group Tax unit identifies potential tax-related risks at an early stage and systematically assesses and monitors them. Measures to minimize tax-related risks are taken as necessary and coordinated with the Group companies affected. Policies for overcoming or avoiding tax-related risks are also drawn up and communicated.

RISKS AND OPPORTUNITIES.

In the following section, we present all risks and opportunities that have been identified as significant for the Group and, as things currently stand, could affect the results of operations, financial position and/or reputation of Deutsche Telekom and, via the subsidiaries' performance, the results of operations, financial position and/or reputation of Deutsche Telekom AG. The majority of the risks are described before the measures for risk containment are taken. If any remaining risks have been identified despite such measures for risk containment, they are labeled as such. If risks and opportunities can be clearly allocated to a segment, this is stated subsequently.

As of the reporting date and the time of preparing the financial statements, there were no risks that jeopardize Deutsche Telekom AG's and key Group companies' continued existence as a going concern.

In order to make it easier to understand and see their effects, we have allocated the individually assessed risks to the following categories:

T 048

Corporate risks.

	Probability of occurrence	Risk extent	Risk level	Change since prior year
INDUSTRY, COMPETITION AND STRATEGY				
Risks relating to the macroeconomic environment, Germany	low	small	low	↗
Risks relating to the macroeconomic environment, United States	low	medium	low	↗
Risks relating to the macroeconomic environment, Europe	medium	medium	medium	↗
Risks relating to the market and environment, Germany	medium	medium	medium	→
Risks relating to the market and environment, United States	medium	medium	medium	↗
Risks relating to the market and environment, Europe	medium	medium	medium	↘
Risks relating to innovations (substitution)	medium	large	medium	→
Risks relating to strategic transformation and integration, United States	medium	medium	medium	↗
REGULATION	please refer to PAGE 143 ET SEQ.			
OPERATIONAL RISKS				
Personnel, Germany and Systems Solutions	medium	small	low	→
Risks relating to IT/NT network operations, Germany	very low	very large	medium	→
Risks relating to IT/NT network operations, United States	very low	large	medium	→
Risks relating to IT/NT network operations, Europe	very low	large	low	→
Risks relating to existing IT architecture, United States	medium	medium	medium	↗
Future viability of the IT architecture, United States	medium	medium	medium	↘
Procurement	low	small	low	→
Data privacy and data security	medium	medium	medium	↗
BRAND, COMMUNICATION AND REPUTATION				
Brand and reputation (reporting in the media)	low	small	low	→
Sustainability risks	low	small	low	↗
Health and environment	low	medium	low	→
LITIGATION AS WELL AS ANTI-TRUST AND CONSUMER PROTECTION PROCEEDINGS	please refer to PAGE 148 ET SEQ.			
FINANCIAL RISKS				
Liquidity, credit, currency, interest rate risks	low	small	low	→
Tax risks	please refer to PAGE 153			
Other financial risks	please refer to PAGE 153			

↗ improved → unchanged ↘ deteriorated

RISKS AND OPPORTUNITIES FROM INDUSTRY, COMPETITION AND STRATEGY.

Risks and opportunities relating to the macroeconomic environment. Thanks to the expansive monetary policy of the European Central Bank (ECB) and the U.S. Federal Reserve (Fed), the capital markets continued to stabilize in 2013. However, the sovereign debt crisis slowed down the expansion of the global economy. The sovereign debt crisis remains the biggest economic risk for our core countries. Uncertainty is attached to both the long-term development of sovereign debt as well as the performance of national economies, especially in the European crisis states. If the euro crisis were to flare up again or individual countries were to leave the eurozone, the capital markets and the real economy could be adversely affected. Risks to economic development could manifest themselves in different ways in some of our core countries, where consumers and business customers could restrain their consumption if the economy slows again sharply and uncertainty continues to rise. Government austerity measures could also lead to further negative effects on telecommunications consumption – caused by reduced public demand and lower disposable incomes in the private sector. In view of national efforts at consolidation, our operational business also faces the risk of further, unannounced tax rises or special taxes, particularly in our Southern and Eastern European markets. Furthermore, the risks arising from the sovereign debt crises also give rise to volatile exchange rate fluctuations.

By contrast, a clear improvement in the economic situation in our core countries can lead to a further increase in consumer and business confidence and, as a result, to a moderate increase in demand for telecommunications services from consumers, business customers, and the public sector.

Risks relating to the market and environment. The main market risks faced by Deutsche Telekom are the falling price levels for voice and data services in the fixed network and in mobile communications. In addition to price reductions imposed by regulatory authorities, this is primarily attributable to intensive competition in the telecommunications industry, cannibalization effects due to new products and services, and technological progress.

Please also refer to the section "Forecast," **PAGES 128** and **129**.

Competitive pressure will increase further, especially in the fixed network in Germany and Europe. In the broadband market, we continue to observe a growing dominance of cable network operators in the new customer business, especially in Germany. They provide private homes and smaller companies throughout Germany with telecommunications products that neither require them to build out a network nor to lease unbundled local loop lines from Deutsche Telekom. In addition, regional telecommunications carriers will further increase their market coverage. The trend of mobile communications replacing fixed-network communications is also unbroken. In certain regions, our competitors are extending their own fiber-optic network to the home so that they are independent of our network in the local loop, too. Another competitive risk lies in the fact that we are increasingly faced with competitors who are not part of the telecommunications sector as such, but rather major players in the Internet and consumer electronics industries. We continue to be exposed to the risk of a further loss of market share and falling margins.

We also expect prices in mobile voice telephony and mobile data services to decline further, which could adversely affect our mobile revenue. Among the main reasons for the decrease in prices are discount operators that are expanding in Germany and elsewhere in Europe. Our national companies in Europe in particular operate in a highly competitive environment. We expect competition to intensify as a result of the allocation of additional mobile frequencies to new potential market players. During the reporting year, we were the smallest of the four national mobile providers in the United States. Our relative market position in the United States entails particular risks, especially in connection with our market shares, brand positioning, network coverage, and network quality. We expect joint ventures, mergers, acquisitions and strategic business combinations in the U.S. mobile industry to result in increased competition in the U.S. market. Thanks to their market position and market shares, our three strongest competitors (Verizon, AT&T, Sprint) can react faster and more effectively to market opportunities and invest more in customer acquisition. Thanks to the transaction with MetroPCS, T-Mobile US has achieved a better market position and can tackle the challenge of winning over customers head-on through new product and service quality and attractive pricing.

Our Systems Solutions operating segment also faces challenges; after all, the ICT market is dominated by continued strong competition, price erosion, long sales cycles, and restrained awarding of projects. This creates a potential risk of revenue losses and declining margins for T-Systems.

Opportunities relating to the market and environment. Below we present opportunities for each business segment, which we believe will allow us to achieve above-average market growth, and which could be significant for us in terms of our future financial position and results.

The telecommunications and IT market is highly dynamic and marked by intense competition. The economic conditions affect our actions and impact on our Company indicators. We generally expect the situation to develop as described in the section "Market expectations."

One opportunity in the German market could result from the intention formulated in the coalition agreement between the CDU, the CSU and the SPD to further develop the broadband strategy. The forward-looking project Industry 4.0 could create opportunities for Deutsche Telekom, especially with regard to the topic Internet of Things (merging of the real and virtual worlds, driven by the Internet). Furthermore, in the markets in which we are positioned as an integrated provider, we expect consumer demand for integrated products to grow in the future. Integrated products refer to a combination of voice, data, television, and mobile communications.

In systems solutions, we see huge opportunities for "intelligent networks" especially in the healthcare, energy, and automotive sectors. Further opportunities could arise through targeted acquisitions, e.g., in the area of healthcare with BrightOne GmbH, a provider of hospital information systems, as well as through innovative solutions in all new business areas. Increased demand for our cloud computing and big data products and services, as well as network capacities can also have positive effects. Discussions on the subject of data security also suggest an increase in demand for our security solutions.

It is possible that Europe, excluding Germany, will recover from the economic crisis more quickly than previously anticipated. This would produce a positive development in the telecommunications and IT industry. We believe this trend could boost market growth due to increased use of data services by our customers.

The aggressive market approach – based on the Un-carrier strategy – in the United States could also lead to above-expectation revenue growth. The Un-carrier strategy includes elements such as innovative products offering more flexible contract terms, network modernization and significant improvements in the cost structure.

Risks relating to innovations. Ever shorter innovation cycles confront the telecommunications sector with the challenge of bringing out new products and services at shorter and shorter intervals. Technological progress means that technologies and products may to some extent substitute one another. This could lead to lower prices and revenues in both voice and data traffic. In future, the effects of new technological developments, such as WebRTC (Web Real Time Communication) could have a significant impact on the telecommunications market, in that, for example, customers may only demand pure data rates. At present, these substitution risks could impact our revenue and earnings above all in the Europe and United States operating segments.

Risks relating to strategic transformation and integration. We are in a continuous process of strategic adjustments and cost-cutting initiatives. The merger with MetroPCS gives rise to a transformation and integration risk for our United States operating segment if these measures cannot be implemented as planned. This means the benefits could be less than originally estimated, or they could arrive later than expected, or not at all. Each of these factors, on their own or combined with others, could have a negative impact on our business situation, financial position and results of operations.

Opportunities relating to strategic initiatives, innovations and partnerships. To follow, we present the opportunities which we believe will allow us to achieve above-average market growth and which could be significant for us in terms of our future financial position and results. We see these opportunities in particular in view of the efficient involvement of our partners across all business areas. In the future, we want to offer our partners the simple, fast, and flexible opportunity of partnership with fast market access by means of the Easy-to-Partner principle. One example from our innovative partnering strategy is the partnership with the leading music streaming service Spotify. In the TV business, the Sky partnership means not only that we were able to fulfill our promise of continuing to offer the Bundesliga soccer matches via Entertain, but also that we could extend our program to include the complete Sky Deutschland offering. This was also followed by the still missing HD channels from the RTL group as well as countless other special-interest channels in high definition. In addition, we crucially extended our offering in particular to include the new public-service broadcasting HD channels. We have more than 90 HD channels, making us the leading HDTV provider in Germany.

Innovation is a key factor for our growth targets. In order to be innovative and win and retain customers, we need attractive products and services. The speed of innovation is particularly fast in the telecommunications and IT industry. Companies wanting to impress in this regard have to strategically complement their own developments and ideas with external partners. Other global players such as Google and Facebook have already had great success with their partner strategies. We also want to increasingly implement new ideas and developments via partnerships, as this is the only way to profit from the agility and innovative power of start-ups and Internet companies. In return, we offer our market strength, our customer base and our production environment.

We also see further opportunities in systematically focusing Deutsche Telekom on the Business Customers segment. The acquisition of GTS Central Europe in particular has helped strengthen our position in the market for multinational customers. New opportunities are opened up by T-Systems' increased focus on standardized products and services in the business-to-business area. Our increased marketing of innovative products, such as cloud services, to medium-sized enterprises is another component for improving penetration of the business customer segment.

REGULATION.

In the following section, we describe our main regulatory and political risks and opportunities which, as things currently stand, could affect our results of operations, financial position or cash flows, and/or our reputation.

Our German and international companies remain subject to sector-specific market regulation. The national regulatory authorities have extensive powers to intervene in our product design and pricing, with significant effects on our operations. We can only to a limited extent anticipate such regulatory interventions, which may additionally intensify existing price and competitive pressure.

There are concerns that regulatory interventions in Germany and other European countries may continue to impact the revenue trend in the fixed-network and mobile market in the medium and long term.

We are always subject to strict regulation in cases where national regulatory bodies consider us to have "significant market power" in the relevant telecommunications market. We thus offer our competitors wholesale services at prices set by the regulatory authority on the basis of a strict cost review. We are subject to a strict cost review as part of "ex-ante" regulation for products such as for access to unbundled local loop lines or fixed-network and mobile termination.

Please also refer to the section "The economic environment," PAGES 76 and 77.

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. As such, the pricing measures may be implemented. However, the European Commission has not yet announced the Federal Network Agency's decision. There is still the option within the scope of ex-post price regulation for the Federal Network Agency or the German Federal Cartel Office to carry out a formal review at a later date.

Please also refer to the section "The economic environment," PAGES 76 and 77.

Furthermore, the European Commission is issuing regulations to be applied directly by the member states, and recommendations which are not immediately binding, but do have to be taken into account by the national regulatory authorities.

Please also refer to the section "The economic environment," PAGES 76 and 77.

- According to "European Commission Recommendation of May 7, 2009 on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EU" (2009/396/EC), termination rates across the European Union are to be set on the basis of a new costing approach from January 1, 2013. This exposes us and our European subsidiaries to the risk that termination rates will be reduced further.

- On September 11, 2013, the European Commission adopted a recommendation to the national regulatory authorities "on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment." The application of this recommendation in the individual member states can entail both risks in terms of an increase in regulatory obligations in the area of non-discrimination, and opportunities for greater stability of regulatory requirements as well as greater freedom in setting prices for regulated wholesale products offered in fiber-optic networks.

- In the second half of 2014, the European Commission will adopt a revised version of its recommendation on relevant markets, which contains the product markets in which regulation is to apply in principle. The revision offers the opportunity for deregulation, especially of the telephony service markets (retail rates for the telephone line as well as wholesale products, such as Call by Call). A corresponding EU order would in the medium term save the costs incurred in this area by regulatory procedures. Current proposals by the Commission would also allow the waiving of an obligation to "physically unbundle" access networks in favor of more efficient "active" upstream products in fiber-optic networks. At the same time, the revision carries the risk of an increase in regulation for individual wholesale services for business customer markets.

- The roaming regulation, which entered into force on July 1, 2012, increases regulation through additional requirements, in particular the unbundling of services to be implemented by July 2014.

- The draft regulation by the European Commission on the internal telecommunications market also 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 European Parliament could furthermore lead to an overall abolition of roaming premiums compared with national prices from July 2016.

Net neutrality. Both the European legislator and the Federal Ministry of Economics are currently developing rules to secure Net neutrality. Depending on what form they take, such regulations could substantially limit our degree of product design freedom. At EU level, the rules on Net neutrality are set down in the draft regulation by the European Commission on the single market for electronic communications. The rules currently allow in particular 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 mobile communications in particular, there is a risk that other business models that differentiate between services and applications can no longer be legally offered.

Assignment of frequencies. In terms of risks and opportunities regarding spectrum regulation and policy, particular note should be made of the spectrum allocation proceedings and license extension negotiations currently in preparation in some countries and in planning in many others. While the discussion of license extensions presently relate in particular to the current GSM spectrum in the 0.9 GHz and 1.8 GHz ranges, the allocation procedures mainly relate to the auctioning of new mobile spectrum in the 0.8 GHz and 2.6 GHz ranges as well as residual spectrum in the 1.8 GHz and 2.1 GHz ranges.

Risks could arise from the fact that inappropriate auction rules and frequency usage requirements, excessive launch price demands and annual spectrum fees can jeopardize the acquisition of our target spectrum. By contrast, there is an opportunity in the fact that via such spectrum allocation procedures, mobile operators can acquire sufficient spectrum that is ideal for their purposes to be equipped for further growth, the introduction of new mobile broadband technologies as well as new developments, and to stay competitive in the long run. Allocation procedures are currently being prepared in Montenegro, Poland and Hungary, which are expected to start in spring 2014. In the medium term, spectrum will also be allocated in Germany, Albania, Greece, and the Netherlands. At European level, the proposed regulation for a single market for electronic communications offers an opportunity in the medium term for improving coordination of frequency policy as well as synchronizing the awarding of frequencies, which will improve the general conditions for awarding frequencies at a national level.

Termination rates. According to regulatory decisions or preliminary drafts by the competent regulatory authorities, mobile termination rates will be reduced further in 2014 in all countries in which our subsidiaries operate. This is mainly due to a recommendation by the EU Commission enforcing changeover to a cost standard that rules out the previous recognition of costs that can only be allocated indirectly. The EU Commission had announced that in the event of non-compliance with the recommendation to change the cost standard, it would consider legal action with regard to the final decisions by the Federal Network Agency on the mobile and fixed-network termination rates.

In Germany, in addition to the general regulatory risks already described, there are also uncertainties arising from the fact that administrative courts can reverse rate rulings made by the national regulatory authority. The regulatory authority must then decide again on the rates for past periods. It is generally not clear at all, whether, to what extent and in which direction rates will be revised.

OPERATIONAL RISKS AND OPPORTUNITIES.

Personnel. In 2013, we once again used socially responsible measures to restructure the workforce in the Group, essentially by means of voluntary redundancies, partial and early retirement, and employment opportunities for civil servants and employees offered by Vivento, especially in the public sector. Staff restructuring will continue in the coming financial year. If it is not possible to implement the measures as planned or at all, this may have negative effects on our financial targets and profitability. The right of civil servants to return to Deutsche Telekom also carries risks: When Group entities that employ civil servants are disposed of, it is generally possible to continue to employ them at the Group entity to be sold, provided the civil servant agrees or submits an application to be employed at the respective unit in future. However, there is a risk that they may return to us from a sold entity, for instance after the end of their temporary leave from civil servant status, without the Company being able to offer them jobs.

There are currently around 2,400 civil servants who are entitled to return to Deutsche Telekom in this way (as of December 31, 2013). On the assumption that all these civil servants had returned to us in 2014, the maximum risk would be around EUR 0.1 billion per year. This risk could be reduced by compensation payments, for example, but not completely eliminated.

Risks relating to IT/NT network operations. We have a complex information/network technology (IT/NT) infrastructure. Technical infrastructure outages cannot be completely ruled out. Any such disruptions could result in revenue losses or increased costs, since our IT/NT resources and structures are the organizational and technical backbone for our operations.

Risks could arise in this area relating to all IT/NT systems and products that require Internet access. For instance, faults between newly developed and existing IT/NT systems could cause interruptions to business process, products and services, such as smartphones and Entertain. In order to avoid the risk of failures, e.g., arising from natural disasters or fire, we use technical early warning systems and duplicate IT/NT systems. Our Computer Emergency Response Team (CERT) at T-Systems provides security for our corporate customers' servers. In cloud computing, all data and applications are stored at a data center. Deutsche Telekom's data centers have security certification and meet strict legal data protection provisions and EU regulations. All data relating to companies and private persons are protected from external access. Constant maintenance and automatic updates keep the security precautions up to date at all times. Based on a standardized Group-wide Business Continuity Management process, we are also taking organizational and technical measures to prevent or reduce any damage. Furthermore, we have Group-wide insurance cover for insurable risks.

Risks relating to existing IT architecture. T-Mobile US is exposed to risks in relation to its IT architecture: The systems that support our customer sales and service channels have become less efficient over time, leading to interruptions or outages. For as long as it takes to upgrade our IT capabilities, we will have to continue to expect limitations in the sales process and service provision for both our current and our planned customer demand.

Future viability of the IT architecture. If T-Mobile US is not ready in time to exploit the benefits of technological advances, we will have reason to fear a decline in demand for our services or we will face challenges in implementing our business strategy. System failures, security breaches, data protection violations, disruption of operations, and unauthorized use of or interference with our network and other systems could damage our reputation and adversely impact our financial situation.

Opportunities arising from the IP transformation and simplified network architectures. We can see that demand for applications, services, and social networks is rising steadily and with it, the demand for ever faster speeds on the information highway – both at home and on the move. This requires both fixed-network and mobile broadband networks that offer ever higher performance. Not least the latest network benchmarking by reputable institutes and information media have once again confirmed the superiority of our networks over those of our competitors. Nevertheless, against the trend in our industry, we continue to invest in modernizing our networks. Our clear commitment to innovative infrastructures allows us to serve our customers any time, anywhere, to the best of our abilities, and to offer them the services they require to the corresponding level of quality. The systematic implementation of our technology strategy with the core areas of capacity

For detailed information on administrative court proceedings, please refer to **PAGE 149.**

For information on major litigation in connection with personnel, please refer to the section "Litigation," **PAGE 148 ET SEQ.**

www.telekom.com/ dataprotection and www.telekom.com/ security

and quality management, radical network simplification, streamlined production and service differentiation, as well as monetization of the Bitpipe all pave the way for integrated IP-based networks. In addition, we capitalize on the strengths of our partnerships and alliances to transform decisions that could contribute towards the positive development of our business into sustainable successful innovations.

Procurement. As a service provider and an operator and provider of telecommunications and IT products, we cooperate with a variety of suppliers of technical components, such as software, hardware, transmission systems, switching systems, outside plant, and terminal equipment.

Supply risks cannot be entirely ruled out. Delivery bottlenecks, price increases, changes in the prevailing economic conditions or suppliers' product strategies may have a negative impact on our business processes and our results. Risks may result from the dependence on individual suppliers or from individual vendors' defaulting as a direct result of the economic crisis. We employ organizational, contractual, and procurement strategy measures to counteract such risks.

Data privacy and data security. Our products and services are subject to risks in relation to data privacy and data security, especially in connection with unauthorized access to customer, partner or employee data.

The security and privacy of customer data are always our top priority. This also applies to the growing cloud computing business, which is subject to the same rigorous requirements for security and data privacy as all our other products. In order to maintain these high standards and largely exclude risks, we support the view that European data protection rules should be made mandatory where a company offers its services on the European market. This would provide consumers with the same rights all over Europe. Loopholes in data protection in Europe could also be closed and uniform competitive conditions created.

With regard to IT security, we are faced with numerous new challenges. In recent years, the focus has shifted from prevention to analysis. This is where our early warning system comes in: It detects new sources and types of cyber attack, analyzes the behavior of the attackers while maintaining strict data privacy, and identifies new trends in the field of security. Along with the "honeypot systems," which simulate weaknesses in IT systems, our early warning system includes alerts and analytical tools for spam mails, viruses and Trojans. The information we obtain from these sensors is exchanged with public and private bodies to enable new attack patterns to be detected and new protection systems to be developed.

Cyber crime and industrial espionage are on the rise. We are addressing these risks with comprehensive security concepts, and we are increasingly doing so in partnerships, for example with public and private organizations. This allows us to create greater transparency and thus be better able to tackle the threats. With Security by Design we have established security as a fixed development component for new products and information systems. In addition, we carry out intensive and mandatory digital security tests.

We provide regular reports on the latest developments in these areas on our website.

BRAND, COMMUNICATION, AND REPUTATION.

Negative media reports. An unforeseeable negative media report on our products and services or our corporate activities and responsibilities can have a huge impact on the reputation of our Company, our standing and our brand image. Social networks have made it possible that such information and opinions can spread much more quickly and extensively than they could just a few years ago.

Ultimately, negative reports can impact on revenue and brand value. In order to avoid negative reports, we seek out a constant, intensive and constructive dialog, in particular with our customers, the media and the financial world. Keeping our stakeholders happy and thereby upholding our reputation is a top priority for us.

Ongoing media reports concerning the surveillance of Internet traffic by intelligence agencies. In light of the ongoing public coverage of the monitoring of Internet traffic by secret services, surveys from Germany show that the German public's trust in Internet services has been undermined. For network operators, indirect damage to their reputation and therefore commercial risks cannot be ruled out since, like all network operators, Deutsche Telekom is obliged to cooperate with national security agencies.

On the other hand, this does present the opportunity for Deutsche Telekom to develop a position with proposals and initiatives to promote security, such as "E-Mail made in Germany" and Deutsche Cloud (German cloud), and to generate further opportunities that we feel promise above-average market growth and may be of major significance to our future results of operations or financial position. It was with this in mind that T-Systems set up the Cyber Security business unit, where the corporate customer arm of Deutsche Telekom pools the entire IT security portfolio in order to strategically drive forward the development of new products. In view of the threat situation, the focus is on a trust-based dialog between experts and management beyond our Company and industries. The findings are incorporated into new products and defense strategies. This new quality of transparency reduces the advantage of attackers and sometimes increases the costs of attacks for cyber criminals thanks to improved defenses. Identifying attacks before they can take full effect – that is the Group's aim, which it is pursuing with its program "Advanced Cyber Defense by Telekom." T-Systems is joining forces with a partner to set up a next-generation service operation center. "ACD by Telekom" combines modern IT security technology, expertise and access to data sources such as the Group's own early warning systems (honeypots) for active cyber security management, which manages a company's IT security and can react dynamically to attacks.

The findings from this program are also reflected in products for medium-sized enterprises. Modern security services from the Telekom Cloud are a central action area. Another focus is security innovations through start-ups and generating risk capital more quickly for the market. Developing new business models is a clear task: the business unit is currently driving forward the issue of encryption and cloud with the Californian company CipherCloud, in which T-Venture holds a stake. As the leading cloud provider in Europe, T-Systems has a particular responsibility to the issue of security.

Sustainability. For us, comprehensive risk and opportunities management also includes considering the risks and opportunities of corporate responsibility (CR). As part of our CR management, we pursue a strategy in which the different stakeholder groups are systematically involved in identifying current and potential risks and opportunities. To this end, we participate in a number of committees and initiatives. Continuous monitoring of CR topics enables us to systematically identify stakeholder positions on relevant sustainability issues. To this end, we use, for example, our NGO Radar, which summarizes the activities, research projects, publications and opinions of relevant NGOs and assesses them for Deutsche Telekom. In addition, we ask our stakeholders on an annual basis as part of our CR reporting which sustainability issues are important to them.

- Climate protection. At present, we do not see any severe risks to the achievement of our climate protection targets within our reference period. Deutsche Telekom sees climate protection above all as an opportunity: ICT products and services have the potential to save seven times as many carbon emissions in other industries as the ICT industry emits itself (SMARTer2020 study). Examples of resulting external opportunities include changed customer expectations, political measures to implement the energy revolution, the growing consideration of sustainable criteria in tenders and in procurement, as well as the interest of sustainable investors (socially responsible investment – SRI). The Carbon Disclosure project, for example, manages 722 institutional investors (approx. USD 87 trillion), selecting investments in climate-friendly assets. Opportunities that Deutsche Telekom can develop itself are the continuous reduction in its own electricity consumption and emissions, as well as a reduction in carbon emissions by means of climate-friendly products and services, thus also tapping into new target groups.

- Suppliers. As part of our global procurement activities, we can be exposed to country- and supplier-specific risks. These include, for example, the use of child labor, the conscious acceptance of environmental damage or inadequate working and safety conditions in the local supplier factories. However, the reporting of NGOs or media can give rise to risks to the Company's reputation, but also to supply risks. We reduce this risk by systematically reviewing suppliers.

In the important sustainability ranking SAM, Deutsche Telekom was rated very positively for its supplier management in the last few years. In 2013, we improved further (from 83 points in 2012 to 88 points). Our partnerships with suppliers that comply with international sustainability standards ensure a high level of product quality and reliability in procurement.

Health and environment. Mobile communications, or the electromagnetic fields used in mobile communications, regularly give rise to concerns among the general population about potential health risks. There is intense public, political, and scientific debate of this issue. Acceptance problems among the general public concern both mobile communications networks and the use of mobile handsets. In mobile communications, this affects projects like the build-out of mobile networks and the use of mobile terminal devices. In the fixed network, it affects sales of traditional DECT (digital cordless) phones and devices that use WiFi technology. Apart from legal risks (e.g., reduced thresholds), regulatory interventions are also possible, such as precautionary measures in mobile communications (e.g., amendments to building law or labeling requirements for handsets).

Over the past few years, recognized expert organizations such as the World Health Organization (WHO) and the International Commission on Non-Ionizing Radiation Protection (ICNIRP) have repeatedly reviewed the current limit values for mobile communications and confirmed that the use of mobile technology is safe based on current scientific knowledge. In 2011, despite a lack of scientific evidence, the International Agency for Research on Cancer (IARC), a WHO agency, classified high-frequency electromagnetic fields as "possibly carcinogenic" on the basis of isolated indications. This is the weakest category indicating a potential carcinogenic effect. Drinking coffee is also included in the same category. The classification provoked an increase in media coverage, as well as controversy among experts. The German Commission on Radiology Protection, for example, criticized this classification on the basis that there is insufficient scientific evidence for it in the Commission's view. There is agreement among all institutions and expert committees on the need for more research into this issue and that there is no scientific evidence of a health risk from electromagnetic fields.

We are convinced that mobile communications technology is safe if specific threshold values are complied with. We are supported in this conviction by the assessment of recognized bodies. The basis of our responsible management of mobile communications is our EMF Policy. With this policy we are committing ourselves to more transparency, information, participation, and financial support of independent research on mobile communications, far beyond that which is stipulated by legal requirements. We aim to overcome uncertainty among the general public by pursuing an objective, scientifically well-founded, and transparent information policy.

Sustainability at Deutsche Telekom

Please refer to the section "Forecast," **PAGE 127 ET SEQ.**

Please also refer to the section "Corporate responsibility," **PAGE 110 ET SEQ.**

LITIGATION.

Major ongoing litigation. Deutsche Telekom is party to proceedings both in and out of court with government agencies, competitors, and other parties. The proceedings listed below are of particular importance from Deutsche Telekom's point of view.

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Major ongoing litigation.

Toll Collect arbitration proceedings
Prospectus liability proceedings
Claims for damages concerning the provision of subscriber data
Claims by partnering publishers of telephone directories
Claims for damages due to price squeeze
Claims relating to charges for shared use of cable ducts
Litigation concerning decisions by the Federal Network Agency
Monthly charges for the unbundled local loop
Spectrum allocation (auction of LTE frequencies, extension of GSM frequency usage)
Reduced pay tables
Claim for compensation against Slovak Telekom
Claim for compensation against OTE
MetroPCS
LTE frequency allocation auction, T-Mobile Austria
Patents and licenses
Reduction of the Company's contribution to the civil service pension of the former Deutsche Bundespost

- **Toll Collect arbitration proceedings.** The principal members of the Toll Collect consortium are Daimler Financial Services AG and Deutsche Telekom. In the arbitration proceedings between these principal shareholders and the consortium company Toll Collect GbR on one side and the Federal Republic of Germany on the other concerning disputes in connection with the truck toll collection system, Deutsche Telekom received the Federal Republic of Germany's statement of claim on August 2, 2005. In this statement, the Federal Republic claimed to have lost toll revenues of approximately EUR 3.51 billion plus interest owing to a delay in the commencement of operations. The total claims for contractual penalties amount to EUR 1.65 billion plus interest; these claims are based on alleged violations of the operator agreement: alleged lack of consent to subcontracting, allegedly delayed provision of on-board units and monitoring equipment. In a letter dated May 16, 2008, the Federal Republic recalculated its claim for damages for lost toll revenues and reduced it by EUR 169 million. The new claim is now approximately EUR 3.33 billion plus interest. The main claims by the Federal Republic – including the contractual penalty claims – thus amount to around EUR 4.98 billion plus interest. The proceedings are to continue in spring 2014.

- **Prospectus liability proceedings.** There are around 2,600 ongoing actions filed by around 16,000 alleged buyers of T-Shares sold on the basis of the prospectuses published on May 28, 1999 (second public offering, or DT2) and May 26, 2000 (third public offering, or DT3). The complainants assert that individual figures given in these prospectuses were inaccurate or incomplete. The amount in dispute totals approximately EUR 80 million. Some of the actions are also directed at KfW and/or the Federal Republic of Germany as well as the banks that handled the issuances. The Frankfurt/Main Regional Court has issued certified questions to the Frankfurt/Main Higher Regional Court in accordance with the German Capital Investor Model Proceedings Act (Kapitalanleger-Musterverfahrensgesetz – KapMuG) and has temporarily suspended the initial proceedings. In the model proceedings ("Musterverfahren") on the second public offering (DT2) on July 3, 2013, the Frankfurt/Main Higher Regional Court issued a decision and ruled that the disputed stock exchange prospectus did not contain any errors. On May 16, 2012, the Frankfurt/Main Higher Regional Court had already ruled in the model proceedings ("Musterverfahren") on the third public offering (DT3) that there were also no errors in the prospectus for Deutsche Telekom AG's third public offering. As a result, there is no basis for holding Deutsche Telekom AG liable. These decisions are not yet final and legally binding. In both model proceedings, the parties have filed appeals ("Rechtsbeschwerdeverfahren") with the Federal Court of Justice.

- **Claims for damages concerning the provision of subscriber data.** In 2005, Deutsche Telekom AG received a claim for damages of approximately EUR 86 million plus interest from telegate AG. telegate AG alleges that Deutsche Telekom AG charged excessive prices for the provision of subscriber data between 1997 and 1999, resulting in telegate AG not having sufficient funds available for marketing measures, thus preventing it from reaching its planned market share. Also in 2005, Deutsche Telekom AG received a claim for damages of approximately EUR 329 million plus interest from Dr. Harisch. Dr. Harisch alleges that the excessive prices for the provision of subscriber data between 1997 and 1999 caused telegate AG's equity ratio to decrease significantly on several occasions, resulting in the need for capital increases. This required Dr. Harisch and another shareholder to release shares from their own holdings, which diluted their remaining shareholdings. The complainant has since lodged an increased claim for EUR 612 million plus interest. The Cologne Regional Court dismissed both actions in its rulings on May 28, 2013. Both Dr. Harisch and telegate AG have appealed against the rulings. A further claim for approximately EUR 14 million plus interest was filed in 2006 by klickTel AG, which is now part of telegate AG, on the grounds that the company had lost substantial profits because, without the allegedly excessive prices, it would have launched online directories as early as in 1999. The Cologne Regional Court dismissed the action in its ruling on November 27, 2012, too. In its ruling on December 11, 2013, the Düsseldorf Higher Regional Court dismissed the appeal filed by the complainant against this.

- **Claims by partnering publishers of telephone directories.** Several publishers that edit and publish subscriber directories together with DeTeMedien GmbH, filed claims against DeTeMedien GmbH and/or Deutsche Telekom AG at the end of 2013. The complainants are claiming damages or refund of approximately EUR 97 million plus interest in total from DeTeMedien GmbH and to a certain extent from Deutsche Telekom AG as joint and several debtor next to DeTeMedien. The complainants base their claims on allegedly excessive charges for the provision of subscriber data.

- Claims for damages due to price squeeze. Various competitors had filed actions against Deutsche Telekom AG or Telekom Deutschland GmbH seeking damages on the grounds of a price squeeze between wholesale and retail prices in the local network after a squeeze was identified by the European Commission in 2003 as part of a decision to impose fines. Proceedings still pending in early 2013: In the proceedings brought by EWE Tel GmbH (approximately EUR 82 million plus interest) and NetCologne GmbH (approximately EUR 73 million plus interest) against Telekom Deutschland GmbH, the Cologne Regional Court found there to be a liability for damages on the merits of the case in a ruling dated January 17, 2013 without ruling on the amount of said liability, but rejected part of the claims as barred under the statute of limitations. Both EWE Tel GmbH and Telekom Deutschland GmbH have appealed to the Düsseldorf Higher Regional Court against the ruling of the Cologne Regional Court. In the appeal proceedings launched by EWE Tel GmbH, the Düsseldorf Higher Regional Court issued a ruling on January 29, 2014 revising the ruling of the Cologne Regional Court, particularly with regard to the scale of the claims that had lapsed and referred the case back to the Cologne Regional Court due to the amount of compensation awarded. NetCologne GmbH withdrew its complaint on October 24, 2013 following a settlement agreed with Telekom Deutschland GmbH. DOKOM GmbH withdrew its complaint (demanding around EUR 4.5 million plus interest) on July 10, 2013. In its ruling of July 24, 2013, the Düsseldorf Higher Regional Court also dismissed Versatel's appeal (demanding approximately EUR 70 million plus interest) and did not allow the appeal before the Federal Court of Justice. Versatel has filed a complaint against the non-allowance of appeal with the Federal Court of Justice.

- Claims relating to charges for shared use of cable ducts. With an action filed on June 14, 2012, Kabel Deutschland Vertrieb und Service GmbH (KDG) is asserting two claims: first, Telekom Deutschland GmbH is to reduce the annual charge for the rights to use cable duct capacities in the future; second, it is to partially refund payments made in this connection since 2004. KDG quantifies the amount of the claims incurred up to and including 2012 at approximately EUR 340 million plus interest. In its ruling on August 28, 2013, the Frankfurt/Main Regional Court dismissed the complaint. KDG has appealed the decision. On January 23, 2013, Telekom Deutschland GmbH also received a claim filed by Unitymedia Hessen GmbH & Co. KG, Unitymedia NRW GmbH, and Kabel BW GmbH, demanding that Telekom Deutschland GmbH cease charging the complainants more than a specific and precisely stated amount for the shared use of cable ducts. Unitymedia Hessen GmbH & Co. KG is also currently demanding payment of approximately EUR 36.5 million plus interest, Unitymedia NRW GmbH EUR 90.8 million plus interest, and Kabel BW GmbH EUR 61.5 million plus interest for allegedly excessive charges paid since 2009 through 2012 for the shared use of cable ducts. It is currently not possible to estimate the financial impact of either of the proceedings with sufficient certainty.

- Litigation concerning decisions by the Federal Network Agency. Several competitor companies have requested the revocation of decisions by the Federal Network Agency that had been in favor of Deutsche Telekom or Telekom Deutschland GmbH. If these applications were to be successful, they would normally require a new decision by the Federal Network Agency. The proceedings listed below are of particular importance from Deutsche Telekom's point of view:

  - Monthly charges for the unbundled local loop. With the exception of the approval of one-time charges from 1999, approvals for monthly charges of unbundled local loop lines (ULLs) are not binding for all companies demanding ULLs, because they have applied to have them revoked by the competent courts. Individual approvals have been revoked with final and binding effect, so the Federal Network Agency has to decide again on the charges. So far, this applies specifically to the rate approvals of the ULL monthly charges from 1999, 2001, 2003, 2005, and 2007, and of the ULL one-time charges from 2001 to 2005, and to the new ruling on the ULL one-time charges from 2002 with regard to the cancellation charges. Individual competitors again filed actions against the new rulings on the ULL one-time charges from 2001 to 2005, which only applied to the former complainants.

  - Spectrum allocation. A number of appeals are pending against the decisions by the Federal Network Agency on the allocation of certain frequencies to individual mobile carriers, including Telekom Deutschland GmbH.

  - Auction of LTE frequencies. In 2010, the Federal Network Agency auctioned off additional frequencies in the 800 MHz, 1.8 GHz, 2.0 GHz and 2.6 GHz ranges, with all four German mobile network operators participating in the auction. Several companies appealed against the rulings of the Federal Network Agency with regard to the auction. After the final and binding dismissal of the appeals of broadcasting and cable network operators, the appeal of one telecommunications company is still pending. All complainants have also appealed against the allocation of frequencies to Telekom Deutschland GmbH, however this has not yet been ruled upon.

  - Extension of GSM frequency usage. In July 2009, the Federal Network Agency extended the usage period of the GSM frequencies assigned to T-Mobile Deutschland GmbH (today Telekom Deutschland GmbH), which were originally assigned until December 31, 2009, until December 31, 2016. Several companies appealed to the Federal Network Agency against this decision. Telefónica and E-Plus withdrew their objections; the Federal Network Agency dismissed the objection of Airdata. Airdata appealed against this. On November 28, 2013, the Cologne Administrative Court dismissed this complaint. The ruling is not yet legally binding.

- **Reduced pay tables.** With the entry into force of the reform of civil service law (Dienstrechtsneuordnungsgesetz), in 2009 the legislator integrated the previous year-end bonus paid annually in accordance with the German Federal Act on Bonus Payments into the basic monthly salary for all federal civil servants. In accordance with § 78 of the Federal Civil Service Remuneration Act (Bundesbesoldungsgesetz – BBesG), this does not apply for civil servants employed by the successor companies to Deutsche Bundespost. Several appeals against the new, reduced pay tables were filed, including at the Stuttgart Administrative Court. After the Federal Constitutional Court issued an order for reference advising that it deems this provision to be constitutional, the majority of the appeals were withdrawn or dismissed by the Stuttgart Administrative Court. We thus consider it unlikely that recourse will be taken to the courts in the cases still pending.

- **Claim for compensation against Slovak Telekom.** In 1999, an action was filed against Slovak Telekom based on the accusation that the legal predecessor of Slovak Telekom had ceased broadcast of an international radio program contrary to the underlying contract. The claimant originally demanded approximately EUR 100 million plus interest for damages and lost profit. On November 9, 2011, the Bratislava Regional Court ruled partly in favor of the claimant and ordered Slovak Telekom to pay approximately EUR 32 million plus interest. On December 27, 2011, Slovak Telekom appealed to the Supreme Court against this judgment. In case of a final and legally binding court ruling against Slovak Telekom, Deutsche Telekom AG can assert recourse claims against third parties for a part of the sum demanded.

- **Claim for compensation against OTE.** In May 2009, Lannet Communications S.A. filed an action against OTE claiming compensation for damages of EUR 176 million plus interest arising from an allegedly unlawful termination of services by OTE – mainly interconnection services, unbundling of local loops, and leasing of dedicated lines. A hearing took place on May 30, 2013; a ruling has not yet been issued.

- **MetroPCS.** In connection with the agreed business combination of T-Mobile USA with MetroPCS Communications, Inc., Deutsche Telekom AG had received notice in October 2012 and thereafter of several class actions filed in the United States against this business combination. Once the MetroPCS shareholders had given their approval for the – already closed – business combination with T-Mobile USA, the class actions filed in the U.S. states of Delaware and Texas were focused on claims for damages, in particular reimbursement of litigation costs. The class action filed in the U.S. state of Delaware was withdrawn after a settlement was reached with the plaintiffs in January 2014 on the reimbursement of litigation costs. Another action filed in New York seeking damages from MetroPCS (now: T-Mobile US) and individual members of management has been resolved by the conclusion of a settlement.

- **LTE frequency allocation auction, T-Mobile Austria.** On December 6, 2013, T-Mobile Austria filed a complaint with the Austrian Administrative Court and the Austrian Constitutional Court against an assignment and payment notice from the Austrian regulatory authority TKK. In the notice, the regulatory authority assigned the spectrum won in the frequency auction on October 21, 2013 to T-Mobile Austria and set down the charge to be paid. With its complaint, T-Mobile Austria is seeking an annulment of the notice, which would lead to the LTE frequency auction being held again. T-Mobile Austria bases its complaint on gross procedural violations in the execution of the auction, as well as on constitutionally illegal interference in the existing frequency usage rights of T-Mobile Austria. A request submitted to the Administrative Court at the same time for the appeal to have a suspensive effect with the aim of initially suspending the payment obligation, was rejected. A decision on the annulment is not expected before the second half of 2014.

- **Patents and licenses.** Like many other large telecommunications and Internet providers, Deutsche Telekom is exposed to a growing number of intellectual property rights (IPR) disputes. There is a risk that we may have to pay license fees and/or compensation; there is also a risk of cease-and-desist orders (relating to the sale of a product, use of a technology, etc.).

- **Reduction of the Company's contribution to the civil service pension of the former Deutsche Bundespost.** Deutsche Telekom complies with its obligation to pay contributions to the Civil Service Pension Fund in accordance with the Act on the Legal Provisions for the Former Deutsche Bundespost Staff (Postpersonalrechtsgesetz). The Act on the Legal Provisions for the Former Deutsche Bundespost Staff states that the obligation to contribute to the Civil Service Pension Fund may be reduced to a level that is in line with the market and a peer company if a former Deutsche Bundespost company bound by such payment obligations can provide evidence to the German government that the payment would constitute an unreasonable burden on its competitiveness. Deutsche Telekom previously filed an application with the responsible Federal Ministry of Finance to have its contribution obligations reduced, which was rejected. After the application had been rejected, Deutsche Telekom filed a claim with the responsible administrative court, asking for reimbursement of a portion of the paid contributions and a reduction of the contributions to be paid in future.

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

Proceedings concluded.

- Eutelsat arbitration proceedings. As part of the arbitration proceedings that Eutelsat S.A. has been conducting against Deutsche Telekom AG since 2011 in arbitration proceedings initiated at the International Chamber of Commerce, Eutelsat S.A. particularly requested clarification concerning a right to use a certain orbital position and asserted various claims for payment. The parties agreed a settlement to end the proceedings and the arbitral tribunal declared the proceedings closed in a ruling on March 20, 2013. This marks the final conclusion of the proceedings.

- Shareholder litigation. In connection with the two proceedings mentioned in the section "Litigation" on the allocation of LTE spectrum and the extension of GSM frequencies, in 2011 a shareholder had filed a nullity and rescission suit against Deutsche Telekom AG with the Cologne Regional Court, seeking declaration of the nullity of the resolutions passed by the Deutsche Telekom AG shareholders' meeting on May 12, 2011 concerning approval of the actions of the members of the Board of Management and Supervisory Board of Deutsche Telekom AG for the 2010 financial year (items 3 and 5 on the agenda) and of the nullity of the annual financial statements for the 2010 financial year. The complaint was dismissed in the first instance, the appeal against the first-instance ruling was rejected and leave for further appeal was refused. In a ruling on February 20, 2013, the Federal Court of Justice dismissed the complaint against the non-allowance of appeal filed by the shareholder. This marks the final and legally binding conclusion of the proceedings in our favor.

- Mobile communications patent litigation. Deutsche Telekom AG and IPCom GmbH & Co. KG signed a license agreement. The license agreement allows the Deutsche Telekom Group to use all current and future patents in the IPCom portfolio worldwide. Furthermore, all pending mutual infringement and nullity proceedings were thus ended through withdrawal of the respective actions. This terminates the series of proceedings for claims brought by IPCom GmbH & Co. KG against Deutsche Telekom AG, individual members of the Deutsche Telekom AG Board of Management, and against Telekom Deutschland GmbH.

- Year-end bonus for civil servants. In November 2004, the Federal Republic of Germany had passed the first Act to amend the Act on the Legal Provisions for the Former Deutsche Bundespost Staff (Postpersonalrechtsgesetz), which abolished the obligation on Deutsche Telekom and other successor companies to Deutsche Bundespost to pay active civil servants an annual year-end bonus under the German Federal Act on Bonus Payments (Bundessonderzahlungsgesetz). Various court instances saw no conflict with constitutional law in this. In December 2008, the Federal Administrative Court decided to refer the standards in dispute to the Federal Constitutional Court for a judicial review pursuant to Article 100 of the Basic Law. In a decision on January 17, 2012, the Federal Constitutional Court ruled that the abolition of the year-end bonus for Deutsche Telekom civil servants is constitutional. The move does not violate the principle of equal pay laid down in Article 3 (1) of the Basic Law in conjunction with Article 33 (5) of the Basic Law. Taking into account the decision of the Federal Constitutional Court, the Federal Administrative Court then had to rule on the current litigation on claims for payment of the difference between the payment under the Federal Act on Bonus Payments and the reduced payment under the Deutsche Telekom Special Allowance Ordinance. The Federal Administrative Court rejected the appeals by the complainants in April 2013, taking into consideration the ruling by the Federal Constitutional Court dated January 17, 2012. This concludes the legal dispute.

ANTI-TRUST AND CONSUMER PROTECTION PROCEEDINGS.

Like many other companies, our Group is subject to the regulations of anti-trust law. In individual countries, Deutsche Telekom and its subsidiaries, joint ventures, and associates are subject to various proceedings under anti-trust or competition law, or follow-up claims arising under civil law. Deutsche Telekom believes the respective allegations are unfounded. The major anti-trust and consumer protection actions are described below.

Proceedings by Anti-Monopoly Commission in Poland. On November 23, 2011, the Anti-Monopoly Commission in Poland (UOKiK) concluded investigations started in 2010. It accuses T-Mobile Polska (formerly PTC) and other Polish telecommunications companies of price fixing in breach of anti-trust law and imposed a fine on T-Mobile Polska of PLN 34 million (approximately EUR 8 million). T-Mobile Polska continues to believe these allegations are unfounded and filed action against the ruling. As a result, the fine is not yet due. The same applies to another fine of PLN 21 million (approximately EUR 5 million) imposed by UOKiK on T-Mobile Polska on January 2, 2012 for an alleged breach of consumer protection law. The court has not yet made a decision.

European Commission proceedings against Slovak Telekom and Deutsche Telekom. The European Commission decided on May 8, 2012 to send a statement of objections to Slovak Telekom and Deutsche Telekom. In this statement of objections, it communicates its preliminary opinion that Slovak Telekom, in which Deutsche Telekom holds a 51-percent stake, has breached European anti-trust law on the Slovakian broadband market. The European Commission intends to hold also the parent company, Deutsche Telekom, liable. The European Commission had initiated proceedings against Slovak Telekom in April 2009 and against Deutsche Telekom in December 2010.

Slovak Telekom and Deutsche Telekom defended themselves against the accusations made in the notification of objections. As a result, the European Commission undertook further investigations in 2013, which are currently ongoing. We continue to see no basis for holding Deutsche Telekom liable for the alleged breach of anti-trust law by Slovak Telekom. Furthermore, we are convinced that Slovak Telekom complies with applicable law. Intense competition and the ongoing price erosion on the Slovak broadband market argue against any obstruction of competitors by Slovak Telekom. The statement of objections does not constitute a final decision. Should the European Commission uphold its allegations in the course of the proceedings, it may impose a fine on Slovak Telekom and Deutsche Telekom. The financial impact of the proceedings cannot be estimated with sufficient certainty at this point in time.

Proceedings concluded.
Search at T-Mobile Netherlands. With the decision from November 21, 2013, the Dutch competition authorities ACM (formerly NMa) stopped the proceedings against T-Mobile Netherlands (TM NL) and other Dutch mobile providers concerning alleged collusion in violation of anti-trust law in relation to rates and sales channels. Once the statutory waiting period elapsed in January 2014, the decision has been final and legally binding.

FINANCIAL RISKS.

With regard to its assets, liabilities and planned transactions, Deutsche Telekom is particularly exposed to liquidity risks, credit risks and the risk of changes in exchange and interest rates. Financial risk management aims to limit these risks through ongoing operational and finance activities. The department performs simulation calculations using different worst-case and market scenarios so that it can estimate the effects of different conditions. Depending on the risk assessment, selected derivative and non-derivative hedging instruments (hedges) are used to mitigate the risks. However, Deutsche Telekom only hedges the risks that affect the Group's cash flow. Derivatives are exclusively used as hedging instruments, i.e., not for trading or other speculative purposes. The following risk areas of liquidity, credit, currency, and interest rate risks are evaluated after implementation of risk limitation measures (for the evaluation, please refer to TABLE 048, PAGE 141).

Liquidity risks. To ensure the Group's and Deutsche Telekom AG's solvency and financial flexibility at all times, a liquidity reserve is maintained in the form of credit lines and cash. The primary instruments used for medium- to long-term financing are bonds and medium-term notes (MTNs) issued in a variety of currencies and jurisdictions. These are generally issued via Deutsche Telekom International Finance B.V. (DTIF) and are forwarded within the Group as internal loans.

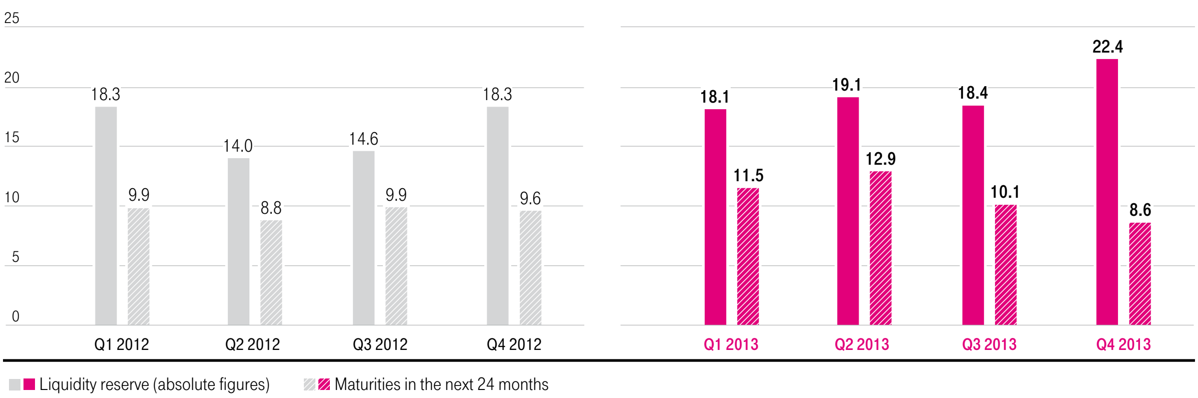
GRAPHIC 55 below shows the development of the liquidity reserve in relation to maturity dates. As of the end of 2013 and in preceding quarters, we clearly met our targets for the liquidity reserve to cover maturities due in the next 24 months.

As of December 31, 2013, 21 banks had granted Deutsche Telekom credit lines totaling EUR 12.6 billion. From today's perspective, access to the international debt capital markets is not jeopardized.

In January 2013, Deutsche Telekom International Finance B.V. (DTIF) issued a Eurobond with two tranches, an 8-year tranche for EUR 1,250 million and a 15-year tranche for EUR 750 million. In addition, in January and February, DTIF issued private placements for EUR 50 million each, in April a private placement of USD 50 million and, in July a private placement of EUR 80 million – all with a term of 20 years. In October 2013 Deutsche Telekom AG sold bonds in an amount equivalent to USD 5.6 billion that it had taken over in April 2013 as part of the merger between T-Mobile USA and MetroPCS. The bonds were sold successfully to international investors. The transaction increased the Group's liquidity reserve but had no effect on net debt. In August 2013, T-Mobile US issued a bond totaling USD 500 million. The notes have a coupon for 5.250 percent and fall due in 2018. In November 2013, T-Mobile US' wholly-owned affiliate issued USD 2 billion in aggregate principal amount of 6.125-percent senior notes due 2022 and 6.500-percent senior notes due 2024. T-Mobile US also issued 72,765 million shares in November at a price of USD 25 per share.

G 55

Liquidity reserve and maturities in 2013 compared with 2012.
billions of €



Credit risks. Through its operating business and certain financing activities, Deutsche Telekom is exposed to a credit risk, i.e., the risk that a counterparty will not fulfill its contractual obligations. With regard to financing activities, transactions are only concluded with counterparties that have at least a credit rating of BBB+/Baa1, in connection with an operational credit management system. At the level of operations, the outstanding debts are continuously monitored in each area, i.e., locally. The solvency of the business with corporate customers, especially international carriers, is monitored separately.

For derivative transactions, it was agreed with counterparties as part of collateral agreements that, in the event of insolvency, all existing contracts will be netted and only a receivable or liability in the amount of the balance will remain. The credit risk arising from derivative transactions is further reduced through the exchange of collateral. For existing receivable balances for existing collateral agreements, Deutsche Telekom receives security from the counterparty in the form of readily available cash, and in return provides such security in the event of liability balances.

Currency risks. Deutsche Telekom is exposed to currency risks from its investing, financing, and operating activities. Risks from foreign currency fluctuations are hedged if they affect the Group's cash flows (i.e., if the cash flow is not denominated in the functional currency of the respective Group company). Foreign-currency risks that do not influence the Group's cash flows (i.e., the risks resulting from the translation of statements of assets and liabilities of foreign operations into the Group's reporting currency) are generally not hedged, however. Deutsche Telekom may nevertheless also hedge this foreign-currency risk under certain circumstances.

Interest rate risks. Deutsche Telekom's interest rate risks mainly result from interest-bearing liabilities and exist primarily in the euro zone and the United States. To minimize the effects of interest rate fluctuations in these regions, Deutsche Telekom manages the interest rate risk for net debt denominated in euros and U.S. dollars separately. Once a year, the Board of Management stipulates the desired mix of fixed- and variable-interest net debt for a planning period of at least three years. Taking account of the Group's existing and planned debt structure, Treasury uses interest rate derivatives to adjust the interest structure for the net debt of the composition specified by the Board of Management.

Tax risks. In many countries, Deutsche Telekom is subject to the applicable legal tax regulations. Risks that affect tax expenses and income as well as tax receivables and liabilities can arise from changes in local taxation laws or jurisdiction and different interpretations of existing regulations.

Other financial risks. This section contains information on other financial risks that we consider to be immaterial at present or cannot evaluate based on current knowledge.

Rating risk. As of December 31, 2013, Deutsche Telekom's credit rating with Moody's was Baa1, while Fitch and Standard & Poor's rated us BBB+. All three agencies gave us a "stable" outlook. If our rating fell below certain defined levels, interest rates for some of the bonds and MTNs issued would rise.

Sales of shares by the Federal Republic or KfW. As of December 31, 2013, the Federal Republic and Kreditanstalt für Wiederaufbau (KfW) jointly held approximately 31.93 percent in Deutsche Telekom AG.

It is possible that the Federal Republic will continue its policy of privatization and sell further equity interests in a manner designed not to disrupt the capital markets and with the involvement of KfW. There is a risk that the sale of a significant volume of Deutsche Telekom AG shares by the Federal Republic or KfW, or any speculation to this effect, could have a negative impact on the price of the T-Share.

Impairment of Deutsche Telekom AG's assets. The value of the assets of Deutsche Telekom AG and its subsidiaries is reviewed periodically. In addition to the regular annual measurements, specific impairment tests may be carried out, for example where changes in the economic, regulatory, business or political environment suggest that the value of goodwill, intangible assets or property, plant and equipment might have decreased. These tests may lead to the recognition of impairment losses that do not, however, result in cash outflows. This could impact to a considerable extent on our results, which in turn may negatively affect the T-Share price.

For a detailed explanation, please refer to the section "Summary of accounting policies – Judgments and estimates" in the notes to the consolidated financial statements, PAGE 179 ET SEQ.

Sale of the SI business unit at T-Systems France. When selling the Systems Integration business unit of T-Systems France in the middle of 2013, a 15-month guarantee had to be issued to the responsible works council. Around 500 employees who have been transferred to the buyer are affected. According to the guarantee, a compensation of up to EUR 63 million in total will be paid to the staff in the event of the insolvency of the buyer.

MANAGEMENT'S ASSESSMENT OF THE AGGREGATE RISK AND OPPORTUNITIES POSITION.

The assessment of the aggregate risk position is the outcome of the consolidated analysis of all material areas of risk or individual risks. The aggregate risk position did not change fundamentally in 2013 compared with the previous year. Our major challenges particularly include the regulatory factors, intense competition, and price erosion in the telecommunications business. As it stands today, Deutsche Telekom's management sees no risk to the Company's continued existence as a going concern. We are convinced that we will also be able to exploit future opportunities and challenges without having to take on any unacceptably high risks.

For additional explanations, please refer to Note 37 "Financial instruments and risk management" in the notes to the consolidated financial statements, PAGE 230 ET SEQ.

We strive to achieve a good balance between opportunities and risks, with the aim of increasing added value for our Company and our shareholders by analyzing new market opportunities.

ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM.

Deutsche Telekom AG's internal control system (ICS) is based on the internationally recognized COSO (Committee of Sponsoring Organizations of the Treadway Commission) Internal Control – Integrated Framework, COSO I.

The Audit Committee of Deutsche Telekom AG monitors the effectiveness of the ICS as required by § 107 (3) sentence 2 AktG. The Board of Management has the responsibility to define the scope and structure of the ICS at its discretion. Internal Audit is responsible for independently reviewing the functionality and effectiveness of the ICS in the Group and at Deutsche Telekom AG, and, to comply with this task, has comprehensive information, audit, and access rights. In addition, the external auditors conduct a risk-oriented audit to verify the effectiveness of those parts of the ICS that are relevant to financial reporting.

The accounting-related ICS comprises the principles, methods, and measures used to ensure appropriate accounting. It is continuously being refined and aims to ensure the consolidated financial statements of Deutsche Telekom are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as with the regulations under commercial law as set forth in § 315a (1) HGB. Another objective of the accounting-related ICS is the preparation of the annual financial statements of Deutsche Telekom AG and the combined management report in accordance with German GAAP.

It is generally true of any ICS that regardless of how it is specifically structured there can be no absolute guarantee that it will achieve its objectives. Regarding the accounting-related ICS, there can therefore only ever be relative, but no absolute certainty, that material accounting misstatements can be prevented or detected.

Group Accounting manages the processes of Group accounting and management reporting. Laws, accounting standards, and other pronouncements are continuously analyzed as to whether and to what extent they are relevant and how they impact on financial reporting. The relevant requirements are defined in the Group Accounting Manual, for example, communicated to the relevant units and, together with the financial reporting calendar that is binding throughout the Group, forms the basis of the financial reporting process. In addition, supplementary process directives such as the Intercompany Policy, standardized reporting formats, IT systems, as well as IT-based reporting and consolidation processes support the process of uniform and compliant Group accounting. Where necessary, we also draw on the services of external service providers, for example, for measuring pension obligations. Group Accounting ensures that these requirements are complied with consistently throughout the Group. The staff involved in the accounting process receive regular training. Deutsche Telekom AG and the Group companies are responsible for ensuring that Group-wide policies and procedures are complied with. The Group companies ensure the compliance and timeliness of their accounting-related processes and systems and in doing so, are supported and monitored by Group Accounting.

Operational accounting processes at the national and international level are increasingly managed by our shared service centers. Harmonizing the processes enhances their efficiency and quality and in turn, improves the reliability of the internal ICS. In this context, the ICS safeguards the quality of internal processes as well as of the interfaces to our customer by means of adequate controls and an internal certification process.

Internal controls are embedded in the accounting process depending on risk levels. The accounting-related ICS comprises both preventive and detective controls, which include:

- IT-based and manual data matching
- The segregation of functions
- The dual checking principle
- General IT checks such as access management in IT systems, and change management

We have implemented a standardized process throughout the Group for monitoring the effectiveness of the accounting-related ICS. This process systematically focuses on risks of possible misstatements in the consolidated financial statements. At the beginning of the year, specific accounts and accounting-related process steps are selected based on risk factors. They are then reviewed for effectiveness in the course of the year, generally by way of external audits. If control weaknesses are found, they are analyzed and assessed, particularly in terms of their impact on the consolidated financial statements and the combined management report. Material control weaknesses, the action plans for eradicating them, and ongoing progress are reported to the Board of Management and additionally to the Audit Committee. In order to ensure a high-quality accounting-related ICS, Internal Audit is closely involved in all stages of the process.

OTHER DISCLOSURES.

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH § 289a HGB.

The Corporate Governance Statement in accordance with § 289a HGB forms part of the combined management report.

The Statement is available to the public on Deutsche Telekom's website **(www.telekom.com).**

CLOSING STATEMENT BY THE BOARD OF MANAGEMENT ON THE DEPENDENT COMPANY REPORT.

Since the Federal Republic of Germany, as minority shareholder of Deutsche Telekom AG, represents a solid majority at the shareholders' meeting due to the average level of attendance, Deutsche Telekom is a dependent company of the Federal Republic of Germany in accordance with § 17 (1) AktG.

Deutsche Telekom is not subject to any control or profit and loss transfer agreement with the Federal Republic of Germany. Under § 312 AktG, the Board of Management of Deutsche Telekom AG has therefore prepared a dependent company report describing relations between the controlling entity and dependent companies. The Board of Management issued the following statement at the end of the report: “The Board of Management hereby declares that under the circumstances known to the Board of Management at the time the corporate transactions were performed, the Company received appropriate remuneration for such transactions. The Company did not perform or omit any actions on behalf of, or on the instructions of, the controlling company or any dependent companies.”

LEGAL STRUCTURE OF THE DEUTSCHE TELEKOM GROUP.

Deutsche Telekom AG, Bonn, is the parent of the Deutsche Telekom Group. Its shares are traded on the Frankfurt/Main Stock Exchange as well as on other German stock exchanges.

SHAREHOLDERS’ EQUITY .

Each share entitles the holder to one vote. These voting rights are restricted, however, in relation to treasury shares and shares allocable to Deutsche Telekom in the same way as treasury shares (at December 31, 2013: around 21 million). The “trust” shares, as they are known, (at December 31, 2013: around 19 million) relate to the acquisition of VoiceStream and Powertel (now T-Mobile US) in 2001 and are allocable to Deutsche Telekom at December 31, 2013 in the same way as treasury shares. As regards the shares issued to trusts, the trustee waived voting rights and subscription rights and, in general, dividend rights for the duration of the trusts’ existence.

Capital increase. The resolution on the dividend payout of EUR 0.70 per share for the 2012 financial year gave shareholders the choice between payment in cash or having their dividend entitlement converted into Deutsche Telekom AG shares. Dividend entitlements of Deutsche Telekom AG shareholders amounting to EUR 1.1 billion for shares from authorized capital (2009 authorized capital I) were contributed in June 2013 and thus did not have an impact on cash flows. Deutsche Telekom AG carried out an increase in issued capital of EUR 0.3 billion against contribution of dividend entitlements for this purpose in June 2013. This increased capital reserves by EUR 0.8 billion, the number of shares by 129,855,897.

Treasury shares. The shareholders’ meeting resolved on May 24, 2012 to authorize the Board of Management to purchase shares in the Company by May 23, 2017, with the amount of share capital accounted for by these shares totaling up to EUR 1,106,257,715.20, provided the shares to be purchased on the basis of this authorization in conjunction with the other shares of the Company which the Company has already purchased and still possesses or are to be assigned to it under § 71d and § 71e AktG do not at any time account for more than 10 percent of the Company’s share capital. Moreover, the requirements under § 71 (2) sentences 2 and 3 AktG must be complied with. Shares shall not be purchased for the purpose of trading in treasury shares. This authorization may be exercised in full or in part. The purchase can be carried out in partial tranches spread over various purchase dates within the authorization period until the maximum purchase volume is reached. Dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG or third parties acting for the account of Deutsche Telekom AG or for the account of dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG are also entitled to purchase the shares. The shares are purchased through the stock exchange in adherence to the principle of equal treatment (§ 53a AktG). Shares can instead also be purchased by means of a public purchase or share exchange offer addressed to all shareholders, which, subject to a subsequently approved exclusion of the right to offer shares, must also comply with the principle of equal treatment.

The shares may be used for one or several of the purposes permitted by the authorization granted by the shareholders’ meeting on May 24, 2012 under item 7 on the agenda. The shares may also be used for purposes involving an exclusion of subscription rights. They may also be sold on the stock market or by way of an offer to all shareholders, or withdrawn. The shares may also be used to fulfill the rights of Board of Management members to receive shares in Deutsche Telekom AG, which the Supervisory Board has granted to these members as part of the arrangements governing the compensation of the Board of Management, on the basis of a decision by the Supervisory Board to this effect.

For information on the composition of capital stock in accordance with § 289 (4) HGB, please refer to Note 15 “Shareholders’ equity” in the notes to the consolidated financial statements, **PAGES 209** and **210**.

Under the resolution of the shareholders’ meeting on May 24, 2012, the Board of Management is also authorized to acquire the shares through the use of equity derivatives.

As part of this authorization, the Board of Management decided on December 18, 2012 to acquire a total of 268 thousand shares. From January 2, 2013 to January 16, 2013, shares were acquired in accordance with the authorization for a total acquisition price of EUR 2,394 thousand (excluding transaction costs) with an average purchase price of EUR 8.92 per share.

Furthermore, a total of 2 thousand shares were reallocated in January and March 2013 as part of the share matching plan and transferred free of charge to the deposits of eligible participants of the share matching plan who are not members of the Board of Management.

As part of the acquisition of VoiceStream Wireless Corp., Bellevue, and Powertel, Inc., Bellevue, in 2001 Deutsche Telekom issued new shares from authorized capital to a trustee, for the benefit of holders of warrants, options, and conversion rights, among others. These options and conversion rights all expired in the reporting year. As a result, the trustee no longer has any obligation to fulfill any claims in accordance with the purpose of the deposit. The 18,517 thousand deposited shares are accounted for in the same way as treasury shares in accordance with § 272 (1a) HGB.

As a result of the share buy-back, the transfer and the allocation of shares, treasury shares of EUR 48 million were openly deducted from issued capital, capital reserves increased by EUR 48 million, and the retained earnings of the Group decreased by EUR 2 million.

Authorized capital and contingent capital. The shareholders' meeting on April 30, 2009 authorized the Board of Management to increase the share capital with the approval of the Supervisory Board by up to EUR 2,176,000,000 by issuing up to 850,000,000 no par value registered shares against non-cash capital contributions in the period ending April 29, 2014. This authorization could be exercised either in full or in one or several partial amounts. The Board of Management was authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights when issuing new shares for business combinations or acquisitions of companies, parts thereof or interests in companies, including increasing existing investment holdings, or other assets eligible for contribution for such acquisitions, including receivables from the Company. The Board of Management was also authorized, subject to the approval of the Supervisory Board, to determine the rights accruing to the shares in the future and the conditions for issuing shares **(2009/I authorized capital).**

The shareholders' meeting resolved on May 16, 2013 to cancel the 2009 authorized capital I to the extent it still existed, effective the entry of the 2013 authorized capital described below. Following the increase in issued capital against contribution of dividend entitlements, 2009 authorized capital I amounted to EUR 1,843,568,903.68. The cancellation of the remaining 2009 authorized capital I was entered in the commercial register on June 25, 2013.

The shareholders' meeting on April 30, 2009 authorized the Board of Management to increase the share capital with the approval of the Supervisory Board by up to EUR 38,400,000 by issuing up to 15,000,000 no par value registered shares against cash and/or non-cash contributions in the period ending April 29, 2014. This authorization may be exercised either in full or in one or several partial amounts. Shareholders' subscription rights are disapplied. The new shares may only be issued to grant shares to employees of Deutsche Telekom AG and of lower-tier companies (employee shares). The new shares can also be issued to a bank or some other company meeting the requirements of § 186 (5) sentence 1 AktG that assumes the obligation to use these shares for the sole purpose of granting employee shares. Where permitted by law, the employee shares may also be issued in such a way that the contribution to be paid in return is taken from the part of the income after income taxes that the Board of Management and the Supervisory Board may transfer to other retained earnings in accordance with § 58 (2) AktG. The shares to be issued as employee shares can also be acquired in the form of a securities loan from a bank or some other company meeting the requirements of § 186 (5) sentence 1 AktG and the new shares used to repay this securities loan. The Board of Management is authorized, subject to the approval of the Supervisory Board, to determine the rights accruing to the shares in the future and the conditions for issuing shares **(2009/II authorized capital).**

The shareholders' meeting on May 16, 2013 also authorized the Board of Management to increase the share capital with the approval of the Supervisory Board by up to EUR 2,176,000,000 by issuing up to 850,000,000 no par value registered shares against cash and/ or non-cash contributions in the period ending May 15, 2018. This authorization may be exercised either in full or in one or several partial amounts. The Board of Management is authorized, subject to the approval of the Supervisory Board, to exclude residual amounts from shareholders' subscription rights. Furthermore, the Board of Management is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights in the event of capital increases against non-cash contributions when issuing new shares for business combinations or acquisitions of companies, parts thereof or interests in companies, including increasing existing investment holdings, or other assets eligible for contribution for such acquisitions, including receivables from the Company. The Board of Management is also authorized, subject to the approval of the Supervisory Board, to determine the rights accruing to the shares in the future and the conditions for issuing shares **(2013 authorized capital).**

The shareholders' meeting on May 16, 2013 instructed the Board of Management to enter the 2013 authorized capital described above in the commercial register only when (a) the existing 2009 authorized capital I (in the necessary partial amount) has been utilized to grant the shareholders the possibility described under item 2 of the agenda of the shareholders' meeting on May 16, 2013 to opt for shares (dividend in kind) instead of a cash dividend payment and the related capital increase has been entered, or (b) the dividend has been paid out in full in cash. 2013 authorized capital was entered in the commercial register on June 25, 2013 after the condition specified under (a) had been met.

The **contingent capital II** resolved by the shareholders' meeting on May 29, 2001 was for the fulfillment of subscription rights to shares from stock options issued in the period until December 31, 2003 based on authorization for a 2001 stock option plan as resolved at the same shareholders' meeting. Stock options with such subscription rights no longer exist, meaning that any residual contingent capital II at the time lost its purpose. The shareholders' meeting on May 16, 2013 therefore resolved to cancel the contingent capital II, insofar as any remained.

The share capital was contingently increased by up to EUR 1,100,000,000 as of December 31, 2013, composed of up to 429,687,500 no par value registered shares **(2010 contingent capital).** The contingent capital increase will be implemented only to the extent that

a) the holders or creditors of bonds with warrants, convertible bonds, profit participation rights, and/or participating bonds (or combinations of these instruments) with options or conversion rights, which are issued or guaranteed by Deutsche Telekom AG or its direct or indirect majority holdings by May 2, 2015, on the basis of the authorization resolution granted by the shareholders' meeting on May 3, 2010, make use of their option and/or conversion rights or

b) those obligated as a result of bonds with warrants, convertible bonds, profit participation rights, and/or participating bonds (or combinations of these instruments) which are issued or guaranteed by Deutsche Telekom AG or its direct or indirect majority holdings by May 2, 2015, on the basis of the authorization resolution granted by the shareholders' meeting on May 3, 2010, fulfill their option or conversion obligations

and other forms of fulfillment are not used. The new shares shall participate in profits starting at the beginning of the financial year in which they are issued as the result of the exercise of any option or conversion rights or the fulfillment of any option or conversion obligations. The Supervisory Board is authorized to amend § 5 (4) of the Articles of Incorporation in accordance with the particular usage of the contingent capital and after the expiry of all the option or conversion periods.

Main agreements including a change of control clause.
The main agreements entered into by Deutsche Telekom AG, which include a clause in the event of a change of control, principally relate to bilateral credit lines and several loan agreements. In the event of a change of control, the individual lenders have the right to terminate the credit line and, if necessary, serve notice or demand repayment of the loans. A change of control is assumed when a third party, which can also be a group acting jointly, acquires control over Deutsche Telekom AG.

In addition, the other members of the Toll Collect consortium (Daimler Financial Services AG and Cofiroute S.A.) have a call option in the event that the ownership structure of Deutsche Telekom AG changes such that over 50 percent of its share capital or voting rights are held by a new shareholder and this change was not approved by the other members of the consortium.

The Hellenic Republic shall have the right to purchase all of Deutsche Telekom AG's shares in the Hellenic Telecommunications Organization S.A., Athens, Greece (OTE), from Deutsche Telekom AG or to demand that they be transferred to a third party named by it if Deutsche Telekom AG were to be taken over by another company that is not a telecommunications company based in the European Union or the United States of a similar size and stature to Deutsche Telekom AG. For this purpose, a change of control over Deutsche Telekom shall be deemed to have taken place if one or several entities, with the exception of the Federal Republic of Germany, directly or indirectly acquire 35 percent of the voting rights in Deutsche Telekom AG.

When establishing the EE joint venture in the United Kingdom, Deutsche Telekom AG and France Télécom S.A. agreed in the joint venture agreement that if Deutsche Telekom comes under the controlling influence of a third party, France Télécom will be exempted from all the restrictions imposed on the shareholders with regard to a transfer of their shares for a period of one year. Transferring shares to competitors would remain prohibited even in this situation, however.

In the master agreement establishing the procurement joint venture BuyIn in Belgium, Deutsche Telekom AG and France Télécom S.A./ Atlas Services Belgium S.A. (a subsidiary of France Télécom S.A.) agreed that if Deutsche Telekom or France Télécom comes under the controlling influence of a third party or if a third party that is not wholly owned by the France Télécom group of companies acquires shares in Atlas Services Belgium S.A., the respective other party (France Télécom and Atlas Services Belgium only jointly) can terminate the master agreement with immediate effect.

Changes in the consolidated group.
67 German and 177 foreign subsidiaries are fully consolidated in Deutsche Telekom's consolidated financial statements (December 31, 2012: 68 and 167). 13 associates (December 31, 2012: 12) and nine joint ventures (December 31, 2012: 8) are also included using the equity method.

The principal subsidiaries of Deutsche Telekom AG are listed in the notes to the consolidated financial statements in the section "Summary of accounting policies" under "Principal subsidiaries," **PAGE 186.**

Business combinations.
Business combinations are presented in the notes to the consolidated financial statements in the section "Changes in the composition of the Group and transactions with owners."

Please refer to **PAGE 182 ET SEQ.**

CONSOLIDATED FINANCIAL STATEMENTS.

We want to become the leading European telecommunications provider. We know how we want to achieve this: We will continue to build out our networks, interconnecting them more closely to offer our consumers and business customers the best network anytime, anywhere. They will benefit from the best customer experience through in-house and partner products as well as outstanding service. Our value-enhancing portfolio and finance management will support this course, just like the culture of innovation we promote within our Company.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

T 050

millions of €

	Note	Dec. 31, 2013	Dec. 31, 2012[a]	Dec. 31, 2011[a]
ASSETS				
CURRENT ASSETS		**21,963**	**15,019**	**15,865**
Cash and cash equivalents	1	7,970	4,026	3,749
Trade and other receivables	2	7,712	6,417	6,557
Current recoverable income taxes	25	98	95	129
Other financial assets	8	2,745	2,020	2,373
Inventories	3	1,062	1,106	1,084
Other assets	9	1,343	1,265	1,537
Non-current assets and disposal groups held for sale	4	1,033	90	436
NON-CURRENT ASSETS		**96,185**	**92,923**	**106,631**
Intangible assets[b]	5	45,967	41,847	50,227
Property, plant and equipment[b]	6	37,427	37,407	41,797
Investments accounted for using the equity method	7	6,167	6,726	6,873
Other financial assets	8	1,362	1,901	2,096
Deferred tax assets	25	4,960	4,712	4,403
Other assets	9	302	330	1,235
TOTAL ASSETS		**118,148**	**107,942**	**122,496**

[a] The prior-year comparatives were adjusted retrospectively due to the application of IAS 19 (amended) as of January 1, 2013.
[b] Figures for intangible assets and property, plant and equipment were adjusted retrospectively (please refer to Note 6 “Property, plant and equipment,” PAGES 194 and 195).

millions of €

	Note	Dec. 31, 2013	Dec. 31, 2012[a]	Dec. 31, 2011[a]
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES		22,496	22,995	24,215
Financial liabilities	10	7,891	9,260	10,219
Trade and other payables	11	7,259	6,445	6,436
Income tax liabilities	25	308	440	577
Other provisions	13	3,120	2,885	3,095
Other liabilities	14	3,805	3,956	3,888
Liabilities directly associated with non-current assets and disposal groups held for sale	4	113	9	–
NON-CURRENT LIABILITIES		63,589	54,416	58,249
Financial liabilities	10	43,708	35,354	38,099
Provisions for pensions and other employee benefits	12	7,006	7,312	6,124
Other provisions	13	2,071	1,857	1,647
Deferred tax liabilities	25	6,916	5,988	8,491
Other liabilities	14	3,888	3,905	3,888
LIABILITIES		86,085	77,411	82,464
SHAREHOLDERS' EQUITY	15	32,063	30,531	40,032
Issued capital		11,395	11,063	11,063
Treasury shares		(54)	(6)	(6)
		11,341	11,057	11,057
Capital reserves		51,428	51,506	51,504
Retained earnings including carryforwards		(37,437)	(29,106)	(25,371)
Total other comprehensive income		(2,383)	(2,176)	(2,326)
Net profit (loss)		930	(5,353)	538
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT		23,879	25,928	35,402
Non-controlling interests		8,184	4,603	4,630
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		118,148	107,942	122,496

[a] The prior-year comparatives were adjusted retrospectively due to the application of IAS 19 (amended) as of January 1, 2013.

CONSOLIDATED INCOME STATEMENT.

T 051

millions of €

	Note	2013	2012[a]	2011[a]
NET REVENUE	16	**60,132**	**58,169**	**58,653**
Cost of sales	17	(36,255)	(34,256)	(33,948)
GROSS PROFIT (LOSS)		**23,877**	**23,913**	**24,705**
Selling expenses	18	(13,797)	(14,075)	(14,001)
General and administrative expenses	19	(4,518)	(4,855)	(5,279)
Other operating income	20	1,326	2,968	4,362
Other operating expenses	21	(1,958)	(11,913)	(4,224)
PROFIT (LOSS) FROM OPERATIONS		**4,930**	**(3,962)**	**5,563**
Finance costs	22	(2,162)	(2,033)	(2,325)
Interest income		228	306	268
Interest expense		(2,390)	(2,339)	(2,593)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	23	(71)	(154)	(73)
Other financial income (expense)	24	(569)	(225)	(162)
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES		**(2,802)**	**(2,412)**	**(2,560)**
PROFIT (LOSS) BEFORE INCOME TAXES		**2,128**	**(6,374)**	**3,003**
Income taxes	25	(924)	1,516	(2,345)
PROFIT (LOSS)		**1,204**	**(4,858)**	**658**
PROFIT (LOSS) ATTRIBUTABLE TO				
Owners of the parent (net profit (loss))		930	(5,353)	538
Non-controlling interests	26	274	495	120
EARNINGS PER SHARE	27			
Basic	€	0.21	(1.24)	0.13
Diluted	€	0.21	(1.24)	0.13

[a] The prior-year comparatives were adjusted retrospectively due to the application of IAS 19 (amended) as of January 1, 2013.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.[a]

T 052

millions of €

	2013	2012[b]	2011[b]
PROFIT (LOSS)	**1,204**	**(4,858)**	**658**
Items not reclassified to the income statement retrospectively			
Gain (loss) from the remeasurement of defined benefit plans	48	(1,822)	173
Share of profit (loss) of investments accounted for using the equity method	(17)	0	0
Income taxes relating to components of other comprehensive income	(16)	556	(44)
	15	**(1,266)**	**129**
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	4	0
Change in other comprehensive income (not recognized in income statement)	(901)	318	10
Available-for-sale financial assets			
Recognition of other comprehensive income in income statement	0	(227)	0
Change in other comprehensive income (not recognized in income statement)	(4)	33	242
Gains (losses) from hedging instruments			
Recognition of other comprehensive income in income statement	178	9	200
Change in other comprehensive income (not recognized in income statement)	(162)	(219)	(765)
Share of profit (loss) of investments accounted for using the equity method			
Recognition of other comprehensive income in income statement	0	0	0
Change in other comprehensive income (not recognized in income statement)	(37)	22	0
Income taxes relating to components of other comprehensive income	(5)	77	148
	(931)	**17**	**(165)**
OTHER COMPREHENSIVE INCOME	**(916)**	**(1,249)**	**(36)**
TOTAL COMPREHENSIVE INCOME	**288**	**(6,107)**	**622**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent	197	(6,466)	404
Non-controlling interests	91	359	218

[a] The structure of the statement of comprehensive income was adjusted retrospectively due to the application of IAS 1 (amended) as of January 1, 2013.
[b] The prior-year comparatives were adjusted retrospectively due to the application of IAS 19 (amended) as of January 1, 2013.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.

T 053

millions of €

	Issued capital and reserves attributable to the owners of the parent					
	Number of shares	Equity contributed			Consolidated shareholders' equity generated	
	thousands	Issued capital	Treasury shares	Capital reserves	Retained earnings including carryforwards [b]	Net profit (loss) [b]
BALANCE AT JANUARY 1, 2011 BEFORE IAS 19 ADJUSTMENTS	**4,321,319**	**11,063**	**(5)**	**51,635**	**(24,355)**	**1,695**
Adjustments for IAS 19 [b]					129	
BALANCE AT JANUARY 1, 2011 AFTER IAS 19 ADJUSTMENTS	**4,321,319**	**11,063**	**(5)**	**51,635**	**(24,226)**	**1,695**
Changes in the composition of the Group				(131)		
Unappropriated profit (loss) carried forward					1,695	(1,695)
Dividends					(3,011)	
Capital increase from share-based payment						
Share buy-back			(1)		(2)	
Profit (loss)						538
Other comprehensive income					103	
TOTAL COMPREHENSIVE INCOME						
Transfer to retained earnings/other adjustments					70	
BALANCE AT DECEMBER 31, 2011	**4,321,319**	**11,063**	**(6)**	**51,504**	**(25,371)**	**538**
BALANCE AT JANUARY 1, 2012	**4,321,319**	**11,063**	**(6)**	**51,504**	**(25,371)**	**538**
Changes in the composition of the Group						
Unappropriated profit (loss) carried forward					538	(538)
Dividends					(3,010)	
Capital increase from share-based payment				2		
Share buy-back						
Profit (loss)						(5,353)
Other comprehensive income					(1,266)	
TOTAL COMPREHENSIVE INCOME						
Transfer to retained earnings					3	
BALANCE AT DECEMBER 31, 2012	**4,321,319**	**11,063**	**(6)**	**51,506**	**(29,106)**	**(5,353)**
BALANCE AT JANUARY 1, 2013	**4,321,319**	**11,063**	**(6)**	**51,506**	**(29,106)**	**(5,353)**
Changes in the composition of the Group					12	
Transactions with owners				(1,050)	(4)	
Unappropriated profit (loss) carried forward					(5,353)	5,353
Dividends					(3,010)	
Capital increase at Deutsche Telekom AG	129,856	332		811		
Capital increase from share-based payment				113		
Share buy-back/shares held in a trust depot			(48)	48	(2)	
Profit (loss)						930
Other comprehensive income					23	
TOTAL COMPREHENSIVE INCOME						
Transfer to retained earnings					3	
BALANCE AT DECEMBER 31, 2013	**4,451,175**	**11,395**	**(54)**	**51,428**	**(37,437)**	**930**

[a] The structure and the prior-year comparatives of the consolidated statement of comprehensive income were adjusted retrospectively as of January 1, 2013 to present the share of investments accounted for using the equity method in total other comprehensive income.
[b] The prior-year comparatives were adjusted retrospectively due to the application of IAS 19 (amended) as of January 1, 2013.

Issued capital and reserves attributable to the owners of the parent								
Total other comprehensive income						Total	Non-controlling interests[b]	Total shareholders' equity
Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets	Hedging instruments[a]	Investments accounted for using the equity method[a]	Taxes[b]			
(2,843)	**37**	**(4)**	**1,094**	**28**	**(329)**	**38,016**	**5,012**	**43,028**
						129	(24)	105
(2,843)	**37**	**(4)**	**1,094**	**28**	**(329)**	**38,145**	**4,988**	**43,133**
(2)						(133)	(77)	(210)
						0		0
						(3,011)	(497)	(3,508)
						0	(2)	(2)
						(3)		(3)
						538	120	658
67		106	(565)		155	(134)	98	(36)
						404	**218**	**622**
	(70)		8	(8)		0		0
(2,778)	**(33)**	**102**	**537**	**20**	**(174)**	**35,402**	**4,630**	**40,032**
(2,778)	**(33)**	**102**	**537**	**20**	**(174)**	**35,402**	**4,630**	**40,032**
						0		0
						0		0
						(3,010)	(387)	(3,397)
						2	1	3
						0		0
						(5,353)	495	(4,858)
330		(59)	(210)	22	70	(1,113)	(136)	(1,249)
						(6,466)	**359**	**(6,107)**
	(3)					0		0
(2,448)	**(36)**	**43**	**327**	**42**	**(104)**	**25,928**	**4,603**	**30,531**
(2,448)	**(36)**	**43**	**327**	**42**	**(104)**	**25,928**	**4,603**	**30,531**
						12	287	299
553		(1)				(502)	3,527	3,025
						0		0
						(3,010)	(369)	(3,379)
						1,143		1,143
						113	45	158
						(2)		(2)
						930	274	1,204
(708)		(4)	16	(54)	(6)	(733)	(183)	(916)
						197	**91**	**288**
	(3)					0		0
(2,603)	**(39)**	**38**	**343**	**(12)**	**(110)**	**23,879**	**8,184**	**32,063**

CONSOLIDATED STATEMENT OF CASH FLOWS.

T 054

millions of €

	Note	2013	2012 [a]	2011 [a]
	31			
PROFIT (LOSS)		**1,204**	**(4,858)**	**658**
Depreciation, amortization and impairment losses		10,904	21,957	14,436
Income tax expense (benefit)		924	(1,516)	2,345
Interest income and interest expense		2,162	2,033	2,325
Other financial (income) expense		569	225	162
Share of (profit) loss of associates and joint ventures accounted for using the equity method		71	154	73
(Profit) loss on the disposal of fully consolidated subsidiaries		(131)	(6)	(4)
Other operating income from the agreement with Crown Castle concerning the leasing and use of cell towers in the United States		–	(1,444)	–
Non-cash transactions in connection with the compensation from AT&T		–	–	(705)
Other non-cash transactions		101	15	27
(Gain) loss from the disposal of intangible assets and property, plant and equipment		138	(83)	28
Change in assets carried as working capital		(1,266)	(24)	690
Change in provisions		(195)	(203)	(135)
Change in other liabilities carried as working capital		696	(406)	(885)
Income taxes received (paid)		(648)	(694)	(778)
Dividends received		273	490	515
Net payments from entering into or canceling interest rate derivatives		290	122	–
CASH GENERATED FROM OPERATIONS		**15,092**	**15,762**	**18,752**
Interest paid		(2,961)	(3,060)	(3,397)
Interest received		886	875	859
NET CASH FROM OPERATING ACTIVITIES		**13,017**	**13,577**	**16,214**
Cash outflows for investments in				
Intangible assets [b]		(4,498)	(2,811)	(2,316)
Property, plant and equipment [b]		(6,570)	(5,621)	(6,090)
Non-current financial assets		(667)	(1,028)	(430)
Payments to acquire control of subsidiaries and associates		(48)	(19)	(1,239)
Proceeds from disposal of				
Intangible assets		8	26	20
Property, plant and equipment		245	187	336
Cell towers from the framework agreement with Crown Castle in the United States		–	1,769	–
Non-current financial assets		54	549	61
Proceeds from the loss of control of subsidiaries and associates		650	50	5
Net change in cash and cash equivalents due to the first-time full consolidation of MetroPCS		1,641	–	–
Net change in short-term investments and marketable securities and receivables		(701)	219	339
Other		(10)	8	39
NET CASH USED IN INVESTING ACTIVITIES		**(9,896)**	**(6,671)**	**(9,275)**

[a] The prior-year comparatives for net cash from operating activities were adjusted retrospectively due to the application of IAS 19 (amended) as of January 1, 2013.
[b] Cash outflows for investments in intangible assets and property, plant and equipment were adjusted retrospectively (please refer to Note 6 "Property, plant and equipment," PAGES 194 and 195).

millions of €

	Note	2013	2012	2011
Proceeds from issue of current financial liabilities		10,874	22,664	66,349
Repayment of current financial liabilities		(18,033)	(29,064)	(71,685)
Proceeds from issue of non-current financial liabilities		9,334	3,539	3,303
Repayment of non-current financial liabilities		(129)	(171)	(51)
Dividends		(2,243)	(3,400)	(3,521)
Share buy-back		(2)	–	(3)
Repayment of lease liabilities		(172)	(169)	(163)
Stock options of other T-Mobile US shareholders (previous MetroPCS programs)		102	–	–
T-Mobile US capital increase		1,313	–	–
Other		(22)	–	(187)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**1,022**	**(6,601)**	**(5,958)**
Effect of exchange rate changes on cash and cash equivalents		(167)	(28)	(40)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale		(32)	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,944**	**277**	**941**
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE YEAR		**4,026**	**3,749**	**2,808**
CASH AND CASH EQUIVALENTS, AT THE END OF THE YEAR		**7,970**	**4,026**	**3,749**