CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

T 056

millions of €

	Note	Dec. 31, 2014	Dec. 31, 2013
ASSETS			
CURRENT ASSETS		**29,798**	**21,963**
Cash and cash equivalents	1	7,523	7,970
Trade and other receivables	2	10,454	7,712
Current recoverable income taxes	25	84	98
Other financial assets	8	2,976	2,745
Inventories	3	1,503	1,062
Other assets	9	1,380	1,343
Non-current assets and disposal groups held for sale	4	5,878	1,033
NON-CURRENT ASSETS		**99,562**	**96,185**
Intangible assets	5	51,565	45,967
Property, plant and equipment	6	39,616	37,427
Investments accounted for using the equity method	7	617	6,167
Other financial assets	8	2,284	1,362
Deferred tax assets	25	5,169	4,960
Other assets	9	311	302
TOTAL ASSETS		**129,360**	**118,148**

millions of €

	Note	Dec. 31, 2014	Dec. 31, 2013
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES		**28,198**	**22,496**
Financial liabilities	10	10,558	7,891
Trade and other payables	11	9,681	7,259
Income tax liabilities	25	276	308
Other provisions	13	3,517	3,120
Other liabilities	14	4,160	3,805
Liabilities directly associated with non-current assets and disposal groups held for sale	4	6	113
NON-CURRENT LIABILITIES		**67,096**	**63,589**
Financial liabilities	10	44,669	43,708
Provisions for pensions and other employee benefits	12	8,465	7,006
Other provisions	13	2,373	2,071
Deferred tax liabilities	25	7,712	6,916
Other liabilities	14	3,877	3,888
LIABILITIES		**95,294**	**86,085**
SHAREHOLDERS' EQUITY	15	**34,066**	**32,063**
Issued capital		11,611	11,395
Treasury shares		(53)	(54)
		11,558	**11,341**
Capital reserves		51,778	51,428
Retained earnings including carryforwards		(39,783)	(37,437)
Total other comprehensive income		(1,838)	(2,383)
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale		798	–
Net profit (loss)		2,924	930
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT		**25,437**	**23,879**
Non-controlling interests		8,629	8,184
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**129,360**	**118,148**

CONSOLIDATED INCOME STATEMENT

T 057

millions of €

	Note	2014	2013	2012
NET REVENUE	16	**62,658**	**60,132**	**58,169**
Cost of sales	17	(38,539)	(36,255)	(34,256)
GROSS PROFIT		**24,119**	**23,877**	**23,913**
Selling expenses	18	(13,898)	(13,797)	(14,075)
General and administrative expenses	19	(4,721)	(4,518)	(4,855)
Other operating income	20	3,231	1,326	2,968
Other operating expenses	21	(1,484)	(1,958)	(11,913)
PROFIT (LOSS) FROM OPERATIONS		**7,247**	**4,930**	**(3,962)**
Finance costs	22	(2,340)	(2,162)	(2,033)
Interest income		325	228	306
Interest expense		(2,665)	(2,390)	(2,339)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	23	(198)	(71)	(154)
Other financial income (expense)	24	(359)	(569)	(225)
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES		**(2,897)**	**(2,802)**	**(2,412)**
PROFIT (LOSS) BEFORE INCOME TAXES		**4,350**	**2,128**	**(6,374)**
Income taxes	25	(1,106)	(924)	1,516
PROFIT (LOSS)		**3,244**	**1,204**	**(4,858)**
PROFIT (LOSS) ATTRIBUTABLE TO				
Owners of the parent (net profit (loss))		2,924	930	(5,353)
Non-controlling interests	26	320	274	495
EARNINGS PER SHARE	27			
Basic €		0.65	0.21	(1.24)
Diluted €		0.65	0.21	(1.24)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

T 058

millions of €

	2014	2013	2012
PROFIT (LOSS)	**3,244**	**1,204**	**(4,858)**
Items not reclassified to the income statement retrospectively			
Gain (loss) from the remeasurement of defined benefit plans	(1,581)	48	(1,822)
Share of profit (loss) of investments accounted for using the equity method	(29)	(17)	0
Income taxes relating to components of other comprehensive income	477	(16)	556
	(1,133)	**15**	**(1,266)**
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	(4)	0	4
Change in other comprehensive income (not recognized in income statement)	1,849	(901)	318
Available-for-sale financial assets			
Recognition of other comprehensive income in income statement	(1)	0	(227)
Change in other comprehensive income (not recognized in income statement)	41	(4)	33
Gains (losses) from hedging instruments			
Recognition of other comprehensive income in income statement	(267)	178	9
Change in other comprehensive income (not recognized in income statement)	265	(162)	(219)
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)	0	(37)	22
Income taxes relating to components of other comprehensive income	3	(5)	77
	1,886	**(931)**	**17**
OTHER COMPREHENSIVE INCOME	**753**	**(916)**	**(1,249)**
TOTAL COMPREHENSIVE INCOME	**3,997**	**288**	**(6,107)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent	3,184	197	(6,466)
Non-controlling interests	813	91	359

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

T 059

millions of €

	Issued capital and reserves attributable to owners of the parent					
	Number of shares	Equity contributed			Consolidated shareholders' equity generated	
	thousands	Issued capital	Treasury shares	Capital reserves	Retained earnings including carryforwards	Net profit (loss)
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 deposit			(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**
BALANCE AT JANUARY 1, 2014	**4,451,175**	**11,395**	**(54)**	**51,428**	**(37,437)**	**930**
Changes in the composition of the Group						
Transactions with owners				(527)		
Unappropriated profit (loss) carried forward					930	(930)
Dividends					(2,215)	
Capital increase at Deutsche Telekom AG	84,396	216		807		
Capital increase from share-based payment				70		
Share buy-back/shares held in a trust deposit			1		1	
Profit (loss)						2,924
Other comprehensive income					(1,085)	
TOTAL COMPREHENSIVE INCOME						
Transfer to retained earnings					23	
BALANCE AT DECEMBER 31, 2014	**4,535,571**	**11,611**	**(53)**	**51,778**	**(39,783)**	**2,924**

Issued capital and reserves attributable to owners of the parent						Total	Non-controlling interests	Total shareholders' equity
Total other comprehensive income								
Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets	Hedging instruments	Investments accounted for using the equity method	Taxes			
(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**
(2,603)	**(39)**	**38**	**343**	**(12)**	**(110)**	**23,879**	**8,184**	**32,063**
						0	1	1
21						(506)	(324)	(830)
						0		0
						(2,215)	(81)	(2,296)
						1,023	2	1,025
						70	34	104
						2		2
						2,924	320	3,244
1,335		41	(3)	(30)	2	260	493	753
						3,184	**813**	**3,997**
	(23)					0		0
(1,247)	**(62)**	**79**	**340**	**(42)**	**(108)**	**25,437**	**8,629**	**34,066**

CONSOLIDATED STATEMENT OF CASH FLOWS

T 060

millions of €

	Note	2014	2013	2012
	31			
PROFIT (LOSS)		**3,244**	**1,204**	**(4,858)**
Depreciation, amortization and impairment losses		10,574	10,904	21,957
Income tax expense (benefit)		1,106	924	(1,516)
Interest income and interest expense		2,340	2,162	2,033
Other financial (income) expense		359	569	225
Share of (profit) loss of associates and joint ventures accounted for using the equity method		198	71	154
(Profit) loss on the disposal of fully consolidated subsidiaries		(1,674)	(131)	(6)
Other operating income from the agreement with Crown Castle concerning the leasing and use of cell towers in the United States		–	–	(1,444)
Other non-cash transactions		166	101	15
(Gain) loss from the disposal of intangible assets and property, plant and equipment		(436)	138	(83)
Change in assets carried as working capital		(2,275)	(1,266)	(24)
Change in provisions		382	(195)	(203)
Change in other liabilities carried as working capital		2,207	696	(406)
Income taxes received (paid)		(679)	(648)	(694)
Dividends received		344	273	490
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives		55	290	122
CASH GENERATED FROM OPERATIONS		**15,911**	**15,092**	**15,762**
Interest paid		(3,390)	(2,961)	(3,060)
Interest received		872	886	875
NET CASH FROM OPERATING ACTIVITIES		**13,393**	**13,017**	**13,577**
Cash outflows for investments in				
Intangible assets		(4,658)	(4,498)	(2,811)
Property, plant and equipment		(7,186)	(6,570)	(5,621)
Non-current financial assets		(806)	(667)	(1,028)
Payments to acquire control of subsidiaries and associates		(606)	(48)	(19)
Proceeds from disposal of				
Intangible assets		16	8	26
Property, plant and equipment		265	245	187
Cell towers from the framework agreement with Crown Castle in the United States		–	–	1,769
Non-current financial assets		74	54	549
Proceeds from the loss of control of subsidiaries and associates		1,540	650	50
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		591	(701)	219
Other		9	(10)	8
NET CASH USED IN INVESTING ACTIVITIES		**(10,761)**	**(9,896)**	**(6,671)**

millions of €

		2014	2013	2012
Proceeds from issue of current financial liabilities		12,785	10,874	22,664
Repayment of current financial liabilities		(17,089)	(18,033)	(29,064)
Proceeds from issue of non-current financial liabilities		4,275	9,334	3,539
Repayment of non-current financial liabilities		(1,042)	(129)	(171)
Dividends		(1,290)	(2,243)	(3,400)
Deutsche Telekom AG share buy-back		–	(2)	–
Repayment of lease liabilities		(164)	(172)	(169)
Stock options of other T-Mobile US shareholders (previous MetroPCS programs)		17	102	–
T-Mobile US capital increase		–	1,313	–
Acquisition of the remaining shares in T-Mobile Czech Republic		(828)	–	–
T-Mobile US share buy-back		(53)	–	–
OTE share buy-back		(69)	–	–
Cash inflows from the assignment of OTE stock options		26	–	–
Other		(2)	(22)	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(3,434)**	**1,022**	**(6,601)**
Effect of exchange rate changes on cash and cash equivalents		323	(167)	(28)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale		32	(32)	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(447)**	**3,944**	**277**
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE YEAR		**7,970**	**4,026**	**3,749**
CASH AND CASH EQUIVALENTS, AT THE END OF THE YEAR		**7,523**	**7,970**	**4,026**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF ACCOUNTING POLICIES

GENERAL INFORMATION

The Deutsche Telekom Group (hereinafter referred to as "Deutsche Telekom" or the "Group") is one of the world's leading service providers in the telecommunications and information technology sector. Deutsche Telekom offers its customers all kinds of products and services for connected life and work. The Group reports on the four operating segments Germany, United States, Europe, and Systems Solutions, as well as on the Group Headquarters & Group Services segment.

The Company was entered as Deutsche Telekom AG in the commercial register of the Bonn District Court (Amtsgericht – HRB 6794) on January 2, 1995.

The Company has its registered office in Bonn, Germany. Its address is Deutsche Telekom AG, Friedrich-Ebert-Allee 140, 53113 Bonn.

The declaration of conformity with the German Corporate Governance Code required pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz – AktG) was released and made available to shareholders. The Declaration of Conformity can be found on the Deutsche Telekom website (www.telekom.com) via the following path: Investor Relations/Corporate Governance/Declaration of Conformity.

The shares of Deutsche Telekom AG are traded on the Frankfurt/Main Stock Exchange as well as on other German stock exchanges.

The annual financial statements of Deutsche Telekom AG as well as the consolidated financial statements of Deutsche Telekom AG, which have an unqualified audit opinion from PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, are published in the Federal Gazette (Bundesanzeiger). The annual report is available upon request from Deutsche Telekom AG, Bonn, Investor Relations, and on Deutsche Telekom's homepage at www.telekom.com.

The consolidated financial statements of Deutsche Telekom for the 2014 financial year were released for publication by the Board of Management on February 10, 2015.

BASIS OF PREPARATION

The consolidated financial statements of Deutsche Telekom have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as well as with the regulations under commercial law as set forth in § 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB). The term IFRS is consistently used in the following.

The financial year corresponds to the calendar year. The consolidated statement of financial position includes comparative amounts for one reporting date. The consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows include two comparative years.

Presentation in the statement of financial position differentiates between current and non-current assets and liabilities, which are generally broken down further by their respective maturities in the notes to the consolidated financial statements. The consolidated income statement is presented using the cost-of-sales method. Under this format, net revenue is compared against the expenses incurred to generate these revenues, classified into cost of sales, selling, and general and administrative functions. The consolidated financial statements are prepared in euros.

The financial statements of Deutsche Telekom AG and its subsidiaries included in the consolidated financial statements were prepared using uniform group accounting policies.

INITIAL APPLICATION OF STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS IN THE FINANCIAL YEAR

In the 2014 financial year, Deutsche Telekom applied the following IASB pronouncements and/or amendments to such pronouncements for the first time:

T 061

Pronouncement	Title
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 28	Investments in Associates and Joint Ventures
IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
IAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting

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

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

- **IFRS 11 "Joint Arrangements"** replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers." It governs the accounting for joint ventures and joint operations. Proportionate consolidation for joint ventures – an option Deutsche Telekom has never exercised – is no longer permissible as a result of the discontinuation of IAS 31. The amended **IAS 28 "Interests in Associates and Joint Ventures"** governs the application of the equity method when accounting for investments in both associates and joint ventures. In case of a joint operation, the share of assets, liabilities, expenses, and income is directly recognized in the consolidated financial statements and annual financial statements of the joint operator.

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

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

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

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

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

STANDARDS, INTERPRETATIONS, AND AMENDMENTS ISSUED, BUT NOT YET TO BE APPLIED

In November 2009, the IASB issued **IFRS 9 "Financial Instruments."** The issuance is the result of the project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9. IFRS 9 governs the classification and measurement of financial assets. In October 2010, the IASB reissued IFRS 9, carrying over the requirements relating to the recognition and derecognition of financial liabilities as well as most of the requirements for classification and measurement unchanged from IAS 39. In November 2013, IFRS 9 was again revised. The amendments primarily relate to a fundamental revision of the provisions on hedge accounting, extending their scope of application. In addition, changes in the fair value of liabilities due to a change in the entity's credit risk are no longer to be recognized in profit or loss, but under other comprehensive income. In July 2014, the IASB issued the final version of IFRS 9 as a full standard that combines all previously published provisions with the new provisions on accounting for impairment losses as well as limited changes to the classification and measurement of financial assets. The new provisions shall be applied retrospectively for financial years beginning on or after January 1, 2018 and have not yet been endorsed by the European Union. Deutsche Telekom is currently analyzing the effects on the presentation of its results of operations, financial position, or cash flows.

In May 2013, the IASB issued **IFRIC Interpretation 21 "Levies."** The core issue in the Interpretation is the question of when to recognize a liability to pay a levy imposed by a government. The IFRIC clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the obligation to pay the levy in accordance with the relevant legislation. However, an "economic compulsion" to continue to operate in a future period under the going concern assumption expressly does not constitute an obligating event. The new requirements were endorsed by the European Union in June 2014 and are effective within the European Union retrospectively for financial years beginning on or after June 17, 2014. The amendments do not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.

In November 2013, the IASB published narrow-scope amendments to IAS 19 "Employee Benefits" entitled "Defined Benefit Plans: Employee Contributions." The objective of the amendments is to simplify the accounting for contributions from employees or third parties to a defined benefit plan. The simplified accounting permits such contributions to be recognized as a reduction in the current service cost in the period in which the related service is rendered if the amount of the contributions is independent of the number of years of service. The amendments were endorsed by the European Union in December 2014 and are effective retrospectively for financial years beginning on or after February 1, 2015. The amendments do not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.

The IASB issued Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle in December 2013 which amended nine standards in detail. The improvements primarily aim to provide clarifications. The amendments were endorsed by the European Union in December 2014 and are effective prospectively for financial years beginning on or after January 1, 2015 (2011–2013 cycle) and February 1, 2015 (2010–2012 cycle), respectively. The amendments do not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.

In January 2014, the IASB issued IFRS 14 "Regulatory Deferral Accounts." This standard only applies to first-time adopters of IFRS and is therefore not relevant for Deutsche Telekom.

In May 2014, the IASB issued amendments to IFRS 11 "Joint Arrangements" entitled "Accounting for Acquisitions of Interests in Joint Operations." IFRS 11 requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in IFRS 11. The amendments shall be applied prospectively in financial years beginning on or after January 1, 2016 and have not yet been endorsed by the European Union. The amendments do not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.

In May 2014, the IASB issued amendments to IAS 16 "Property, Plant & Equipment" and IAS 38 "Intangible Assets" entitled "Clarification of Acceptable Methods of Depreciation and Amortisation." Pursuant to these amendments, a revenue-based depreciation method for property, plant and equipment is not permissible, whereas for intangible assets there is only a refutable assumption that such a method is not appropriate. The amendments shall be applied prospectively in financial years beginning on or after January 1, 2016 and have not yet been endorsed by the European Union. The amendments do not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers." This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaces in particular the existing standards IAS 18 "Revenue" and IAS 11 "Construction Contracts." When applying IFRS 15 for the first time, an entity shall apply the standard in full for the current period. This includes retrospective application to all contracts that were not complete at the beginning of the reporting period. In respect of prior periods, the transition guidance grants entities an option to either apply IFRS 15 in full to prior periods (with certain limited practical expedients being available) or to retain prior-period figures as reported under the previous standards, recognizing the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity at the date of initial application (beginning of current reporting period). The standard has a material effect on the presentation of Deutsche Telekom's results of operations and financial position. In particular, in many multiple-element arrangements (e.g., a mobile service contract plus mobile handset), the new provisions – depending on the specific business model – result in a larger share of the total compensation being attributable to the element delivered in advance (mobile handset) and thus in earlier recognition of revenue. At the same time, this leads to higher revenue from the sale of goods and merchandise and to lower revenue from the provision of services. Future capitalization and spreading of the expenses for sales commissions over the estimated period of customer retention is also expected to have a material effect. The quantitative effects will be analyzed as part of a Group-wide project for implementing the new standard, though a reliable estimate is not possible until the project has been completed. The new provisions are effective for financial years beginning on or after January 1, 2017 and have not yet been endorsed by the European Union.

In June 2014, the IASB issued amendments to IAS 16 "Property, Plant & Equipment" and IAS 41 "Agriculture" entitled "Bearer Plants." The amendments are not relevant for Deutsche Telekom.

In August 2014, the IASB issued amendments to IAS 27 "Separate Financial Statements" entitled "Equity Method in Separate Financial Statements." This standard is not relevant for Deutsche Telekom.

In September 2014, the IASB published narrow-scope amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" entitled "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture." The amendments affect transactions between an investor and its associate or joint venture and provide for full gain or loss recognition on the loss of control of a business and partial recognition of the gain or loss resulting from the sale or contribution of assets that do not constitute a business, regardless of whether that business is housed in a subsidiary or not. The amendments shall apply prospectively to transactions that occur in financial years beginning on or after January 1, 2016 and have not yet been endorsed by the European Union. Since the amendments concern only future transactions, it is not possible to forecast their impact on the presentation of Deutsche Telekom's results of operations or financial position.

In September 2014, the IASB issued the **"Annual Improvements to IFRSs 2012–2014 Cycle,"** which amended four standards in detail. The improvements primarily aim to provide clarifications. The amendments shall apply to transactions that occur in financial years beginning on or after January 1, 2016 and have not yet been endorsed by the European Union. The amendments do not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.

In December 2014, the IASB published narrow-scope amendments to **IAS 1 "Presentation of Financial Statements"** entitled **"Disclosure Initiative."** The amendments are to encourage entities to exercise more judgment in presenting relevant information in the financial statements. They clarify, for example, that materiality assessments are to be applied to the whole of the financial statements and that the inclusion of immaterial information can obscure material information. The amendments shall be applied prospectively in financial years beginning on or after January 1, 2016 and have not yet been endorsed by the European Union. The amendments do not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.

In December 2014, the IASB published narrow-scope amendments to **IAS 10 "Consolidated Financial Statements," IFRS 12 "Disclosure of Interests in Other Entities,"** and **IAS 28 "Investments in Associates and Joint Ventures"** entitled **"Investment Entities: Applying the Consolidation Exception."** The amendments address issues that have arisen in relation to the exemption from consolidation for investment entities and shall be applied prospectively for financial years beginning on or after January 1, 2016. The amendments which have yet to be endorsed by the European Union, are not expected to have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.

CHANGES IN ACCOUNTING POLICIES AND CHANGES IN THE REPORTING STRUCTURE

With the exception of the standards, interpretations, and amendments of standards and interpretations that are effective for the first time in the financial year, Deutsche Telekom did not make any major changes in its accounting policies. Deutsche Telekom carried out the following changes in the report structure in the 2014 financial year:

The ICSS/GNF business of the local business units (LBUs), which had been organizationally assigned to the Systems Solutions operating segment until December 31, 2013, was brought together as of January 1, 2014 and is now reported under the Europe operating segment. Furthermore, as of January 1, 2014, the local business customer units of T-Systems Czech Republic, which had previously been managed under the Systems Solutions operating segment, were merged with T-Mobile Czech Republic. In addition to mobile and fixed-network business activities, the company will now also offer ICT solutions for business customers and public administrations. The activities will be disclosed under the Europe operating segment.

The EE joint venture in the United Kingdom, which had previously been assigned to the Europe operating segment, was transferred to the Group Headquarters & Group Services segment as of January 1, 2014.

For further details, please refer to Note 32 "Segment reporting," PAGE 239 ET SEQ.

ACCOUNTING POLICIES

Key assets and liabilities shown in the consolidated statement of financial position are measured as follows:

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Items of the statement of financial position	Measurement principle
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Current recoverable income taxes	Amount expected to be recovered from the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period
Other financial assets	
Other non-derivative financial assets	
Held-to-maturity investments	Amortized cost
Available-for-sale financial assets	Fair value or at cost
Originated loans and receivables	Amortized cost
Derivative financial assets	Fair value
Inventories	Lower of net realizable value and cost
Non-current assets and disposal groups held for sale	Lower of carrying amount or fair value less costs of disposal (including allocable liabilities)
NON-CURRENT ASSETS	
Intangible assets	
Of which: with finite useful lives	Amortized cost or lower recoverable amount
Of which: with indefinite useful lives (including goodwill)	Cost or lower recoverable amount (impairment-only approach)
Property, plant and equipment	Amortized cost or lower recoverable amount
Investments accounted for using the equity method	Pro-rata value of the investment's equity carried forward or lower recoverable amount
Other financial assets	
Other non-derivative financial assets	
Held-to-maturity investments	Amortized cost
Available-for-sale financial assets	Fair value or at cost
Originated loans and receivables	Amortized cost
Derivative financial assets	Fair value
Deferred tax assets	Non-discounted amount measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled

Items of the statement of financial position	Measurement principle
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES	
Financial liabilities	
Non-derivative interest-bearing and non-interest-bearing liabilities	Amortized cost
Derivative financial liabilities	Fair value
Trade payables	Amortized cost
Income tax liabilities	Amount expected to be paid to the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period
Other provisions	Present value of the settlement amount
NON-CURRENT LIABILITIES	
Financial liabilities	
Non-derivative interest-bearing and non-interest-bearing liabilities	Amortized cost
Derivative financial liabilities	Fair value
Provisions for pensions and other employee benefits	Actuarial projected unit credit method
Other provisions	Present value of the settlement amount
Deferred tax liabilities	Non-discounted amount measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled

The material principles on recognition and measurement outlined below were applied uniformly to all accounting periods presented in these consolidated financial statements.

INTANGIBLE ASSETS (EXCLUDING GOODWILL)

Intangible assets with finite useful lives, including UMTS and LTE licenses, are measured at cost and generally amortized on a straight-line basis over their useful lives. Such assets are impaired if their recoverable amount, which is measured at the higher of fair value less costs of disposal and value in use, is lower than the carrying amount. Indefinite-lived intangible assets (mobile communications licenses granted by the Federal Communications Commission in the United States (FCC licenses)) are carried at cost. While FCC licenses are issued for a fixed time, renewals of FCC licenses have occurred routinely and at negligible costs. Moreover, Deutsche Telekom has determined that there are currently no legal, regulatory, contractual, competitive, economic, or other factors that limit the useful lives of the FCC licenses, and therefore treats the FCC licenses as an indefinite-lived intangible asset. They are not amortized, but tested for impairment annually or whenever there are indications of impairment and, if necessary, written down to the recoverable amount. Impairment losses are reversed if the reasons for recognizing the original impairment loss no longer apply and the asset is recognized at a value that would have been applied if no impairment losses had been recognized in prior periods.

The useful lives and the amortization methods of the assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8.

Amortization of mobile communications licenses begins as soon as the related network is ready for use. The useful lives of mobile communications licenses are determined based on several factors, including the term of the licenses granted by the respective regulatory body in each country, the availability and expected cost of renewing the licenses, as well as the development of future technologies.

The remaining useful lives of Deutsche Telekom's most important mobile communications licenses are as follows:

T 063

Mobile communications licenses	Years
FCC licenses	Indefinite
LTE licenses	7 to 25
UMTS licenses	6 to 17
GSM licenses	2 to 15

Development expenditures are capitalized if they meet the criteria for recognition as assets and are amortized over their useful lives. Research expenditures are expensed when incurred.

GOODWILL

Goodwill is not amortized, but is tested for impairment based on the recoverable amount of the cash-generating unit to which the goodwill is allocated (impairment-only approach). The impairment test is carried out on a regular basis at the end of each financial year, as well as whenever there are indications that the carrying amount of the cash-generating unit is impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination. If the carrying amount of the cash-generating unit to which goodwill is allocated exceeds its recoverable amount, goodwill allocated to this cash-generating unit must be reduced in the amount of the difference. Impairment losses for goodwill must not be reversed. If the impairment loss recognized for the cash-generating unit exceeds the carrying amount of the allocated goodwill, the additional amount of the impairment loss is to be distributed on a pro-rata basis to the assets allocated to the cash-generating unit. The fair values or values in use (if measurable) of the individual assets shall be considered to be the minimum values.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost less straight-line depreciation, and impairment losses, if applicable. The depreciation period is based on the expected useful life. Items of property, plant and equipment are depreciated pro rata temporis in the year of acquisition. The residual values, useful lives, and the depreciation methods of the assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8. In addition to directly attributable costs, the costs of internally developed assets include proportionate indirect material and labor costs, as well as administrative expenses relating to production or the provision of services. In addition to the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, costs also include the estimated costs for dismantling and removing the asset, and restoring the site on which it is located. If an item of property, plant and equipment consists of several components with different estimated useful lives, those components that are significant are depreciated over their individual useful lives. Maintenance and repair costs are expensed as incurred. Public investment grants reduce the cost of the assets for which the grants were made.

On disposal of an item of property, plant and equipment or when no future economic benefits are expected from its use or disposal, the carrying amount of the item is derecognized. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognized as other operating income or other operating expenses when the item is derecognized. The useful lives of material asset categories are presented in TABLE 064:

T 064

	Years
Buildings	25 to 50
Telephone facilities and terminal equipment	3 to 10
Data communications equipment, telephone network and ISDN switching equipment, transmission equipment, radio transmission equipment and technical equipment for broadband distribution networks	2 to 12
Broadband distribution networks, outside plant networks and cable conduit lines	8 to 35
Other equipment, operating and office equipment	2 to 23

Leasehold improvements are depreciated over the shorter of their useful lives or applicable lease terms.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of that asset. Deutsche Telekom defines qualifying assets as construction projects or other assets for which a period of at least twelve months is necessary in order to get them ready for their intended use or sale. Borrowing costs relating to assets measured at fair value and to inventories that are manufactured or produced in large quantities on a repetitive basis are not capitalized.

IMPAIRMENTS OF INTANGIBLE ASSETS (INCLUDING GOODWILL) AND ITEMS OF PROPERTY, PLANT AND EQUIPMENT

Impairments are identified by comparing the carrying amount with the recoverable amount. If individual assets do not generate future cash flows independently of other assets, recoverability is assessed on the basis of the cash-generating unit to which the assets can be allocated. At each reporting date, Deutsche Telekom assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or cash-generating unit must be determined. In addition, annual impairment tests are carried out for intangible assets with indefinite useful lives (goodwill and FCC licenses) at regular intervals.

The recoverable amount of a cash-generating unit is measured at the higher of fair value less costs of disposal and the value in use. The recoverable amount is generally determined by means of a discounted cash flow (DCF) calculation, unless it can be determined on the basis of a market price. These DCF calculations use projections that are based on financial budgets approved by management covering a ten-year period and are also used for internal purposes. The planning horizon reflects the assumptions for short- to mid-term market developments. Cash flows beyond the ten-year period are extrapolated using appropriate growth rates. Key assumptions on which management has based its calculation of the recoverable amount include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, growth rates, and discount rates. Cash flow calculations are supported by external sources of information. The discount rate used reflects the risk specific to the asset or cash-generating unit.

INVENTORIES

Inventories are carried at the lower of net realizable value or cost. Cost comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the necessary estimated selling expenses. Deutsche Telekom sells handsets in connection with service contracts, and separately. In the former case, Deutsche Telekom sometimes also sells such devices at a price below cost, as the handset subsidy is part of the Company's strategy for acquiring new customers. In these cases, the loss on the sale of handsets is recognized at the time of the sale as the difference between cost of sales and the lower revenue generated.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets and disposal groups held for sale are classified as such if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of the carrying amount and fair value less costs of disposal and classified as non-current assets and disposal groups held for sale. Such assets are no longer depreciated. Impairment of such assets is recognized if fair value less costs of disposal is lower than the carrying amount. If fair value less costs of disposal subsequently increases, the impairment loss previously recognized must be reversed. The reversal of impairment losses is limited to the impairment losses previously recognized for the assets concerned. If the requirements for the classification of assets as held for sale are no longer met, the assets may no longer be shown as held for sale. The assets are to be measured at the lower of the carrying amount that would have applied if the asset had not been classified as held for sale, and the recoverable amount at the date at which the requirements for the classification as held for sale are no longer met.

EMPLOYEE BENEFITS

Deutsche Telekom maintains defined benefit pension plans in various countries on the basis of the pensionable compensation of its employees and their length of service. Some of these pension plans are financed through external pension funds and some through incorporation in a contractual trust agreement (CTA). Provisions for pensions are actuarially measured using the projected unit credit method for defined benefit pension plans, taking into account not only the pension obligations and vested pension rights known at the reporting date, but also expected future salary and benefit increases. The interest rate used to determine the present value of the obligations is generally set on the basis of the yields on high-quality corporate bonds in the respective currency area. The return on plan assets and interest expenses resulting from the unwinding of the discount are reported in (net) finance costs. Service cost is classified as operating expenses. Past service cost not recognized due to a change in the pension plan shall immediately be recognized in the period in which the change took effect. Gains and losses arising from adjustments and changes in actuarial assumptions are recognized immediately and in full in the period in which they occur outside profit or loss within equity. Some Group entities grant defined contribution plans to their employees in accordance with statutory or contractual requirements, with the payments being made to state or private pension insurance funds. Under defined contribution plans, the employer does not assume any other obligations above and beyond the payment of contributions to an external fund. The amount of the future pension payments will exclusively depend on the contribution made by the employer (and their employees, if applicable) to the external fund, including income from the investment of such contributions. The amounts payable are expensed when the obligation to pay the amounts is established, and classified as expenses.

Up until December 31, 2012, Deutsche Telekom maintained a joint pension fund, Bundes-Pensions-Service für Post und Telekommunikation e. V., Bonn (Federal Pension Service for Post and Telecommunications – BPS-PT), together with Deutsche Post AG and Deutsche Postbank AG for civil servant pension plans. BPS-PT made pension and allowance payments to retired employees and their surviving dependents who are entitled to pension payments as a result of civil-servant status. The German Act on the Reorganization of the Civil Service Pension Fund (Gesetz zur Neuordnung der Postbeamtenversorgungskasse – PVKNeuG) transferred the functions of BPS-PT relating to civil servant pensions (organized within the Civil Service Pension Fund) to the German Federal Posts and Telecommunications Agency effective January 1, 2013. The level of Deutsche Telekom AG's payment obligations to the Civil Service Pension Fund is defined under § 16 of the German Act on the Legal Provisions for the Former Deutsche Bundespost Staff (Postpersonalrechtsgesetz). Since 2000, Deutsche Telekom AG has been legally obliged to make an annual contribution to the special pension fund amounting to 33 percent of the pensionable gross emoluments of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence.

In the past, Deutsche Telekom AG and its domestic subsidiaries agreed on partial retirement arrangements with varying terms and conditions, predominantly based on what is known as the block model. Two types of obligations, both measured at their present value in accordance with actuarial principles, arise and are accounted for separately. The first type of obligation relates to the cumulative outstanding settlement amount, which is recorded on a pro-rata basis during the active or working phase. The cumulative outstanding settlement amount is based on the difference between the employee's remuneration before entering partial retirement (including the employer's social security contributions) and the remuneration for the part-time service (including the employer's social security contributions, but excluding top-up payments). The second type of obligation relates to the employer's obligation to make top-up payments plus an additional contribution to the statutory pension scheme. Top-up payments are often hybrid in nature, i.e., although the agreement is often considered a form of compensation for terminating the employment relationship at an earlier date, payments to be made at a later date are subject to the performance of work in the future. Despite having the characteristics of severance payments, the top-up payments must be recognized ratably over the vesting period due to their dependency on the performance of work in the future. If the block model is used, the vesting period for top-up payments starts when the employee is granted the entitlement to participate in the partial retirement program and ends upon entry into the passive phase (leave from work).

Obligations arising from the granting of termination benefits are recognized when Deutsche Telekom does not have a realistic possibility of withdrawal from the granting of the corresponding benefits. Severance payments for employees and obligations arising in connection with early retirement arrangements in Germany are mainly granted in the form of offers to the employees to leave the Company voluntarily. As a rule, such obligations are not recognized before the employees have accepted an offer from the Company, unless the Company is prevented by legal or other restrictions from withdrawing its offer at an earlier date. Obligations arising from the sole decision by the Company to shed jobs are recognized when the Company has announced a detailed formal plan to terminate employment relationships. If termination benefits are granted in connection with restructuring measures within the meaning of IAS 37, a liability under IAS 19 is recognized at the same time as a restructuring provision. Where termination benefits fall due more than twelve months after the reporting date, the expected amount to be paid is discounted to the reporting date. If the timing or the amount of the payment is still uncertain at the reporting date, the obligations are reported under other provisions.

OTHER PROVISIONS

Other provisions are recognized for current legal or constructive obligations to third parties that are uncertain with regard to their maturities or their amount. Provisions are recognized for these obligations provided they relate to past transactions or events, will probably require an outflow of resources to settle, and this outflow can be reliably measured. Provisions are carried at their expected settlement amount, taking into account all identifiable risks. The settlement amount is calculated on the basis of a best estimate; suitable estimation methods and sources of information are used depending on the characteristics of the obligation. In case of a number of similar obligations, the group of obligations is treated as one single obligation. The expected value method is used as the estimation method. If there is a range of potential events with the same probability of occurrence, the average value is taken. Individual obligations (e.g., legal and litigation risks) are regularly evaluated based on the most probable outcome, provided an exceptional probability distribution does not mean that other estimates would lead to a more appropriate evaluation.

The measurement of provisions is based on past experience, current costing and price information, as well as estimates and reports from experts. If experience or current costing or price information is used to determine the settlement amount, these values are extrapolated to the expected settlement date. Suitable price trend indicators (e.g., construction price indexes or inflation rates) are used for this purpose. Provisions are discounted when the effect of the time value of money is material. Provisions are discounted using pre-tax market interest rates that reflect the term of the obligation and the risk associated with it (insofar as not already taken into consideration in the calculation of the settlement amount). Reimbursement claims are not netted against provisions; they are recognized separately as soon as their realization is virtually certain.

Provisions for decommissioning, restoration, and similar obligations arising from the acquisition of property, plant and equipment are offset by a corresponding increase in the capitalized cost of the relevant asset. Changes at a later date in estimates of the amount or timing of payments or changes to the interest rate applied in measuring such obligations also result in retrospective increases or decreases in the carrying amount of the relevant item of property, plant and equipment. Where the decrease in the amount of a provision exceeds the carrying amount of the related asset, the excess is recognized immediately in profit or loss.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include, in particular, cash and cash equivalents, trade receivables and other originated loans and receivables, held-to-maturity investments, and derivative and non-derivative financial assets held for trading. Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular, this includes bonds and other securitized liabilities, trade payables, liabilities to banks, finance lease payables, liabilities to non-banks from promissory notes, and derivative financial liabilities. Financial instruments are recognized as soon as Deutsche Telekom becomes a party to the contractual regulations of the financial instrument. However, in the case of regular way purchase or sale (purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned), the settlement date is relevant for the initial recognition and derecognition. This is the day on which the asset is delivered to or by Deutsche Telekom. In general, financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity currently has a right to set off the recognized amounts and intends to settle on a net basis. To the extent that contracts to buy or sell non-financial assets fall within the scope of IAS 39, they are accounted for in accordance with this standard.

Financial assets are measured at fair value on initial recognition. For all financial assets not subsequently remeasured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are taken into account. The fair values recognized in the statement of financial position are generally based on the market prices of the financial assets. If these are not available, they must be calculated using standard valuation models on the basis of current market parameters. For this calculation, the cash flows already fixed or determined by way of forward rates using the current yield curve are discounted at the measurement date using the discount factors calculated from the yield curve applicable at the reporting date. Middle rates are used.

Trade and other current receivables are measured at the carrying amount at which the item is initially recognized less any impairment losses, provided the receivables are due after one year or more using the effective interest rate method. Impairments, which take the form of allowances, make adequate provision for the expected credit risk; concrete cases of default lead to the derecognition of the respective receivables. For allowances, financial assets with a potential need for a write-down are grouped together on the basis of similar credit risk characteristics, tested collectively for impairment, and written down, if necessary. The expected future cash flows of the portfolios are being calculated based on contractually agreed cash flows, taking previous cases of default into consideration. The cash flows are discounted on the basis of the weighted average of the original effective interest rates of the financial assets contained in the relevant portfolio. Write-offs of trade receivables are recognized in some cases using allowance accounts. The decision to account for credit risks using an allowance account or by directly reducing the receivable will depend on the reliability of the risk assessment. As there is a variety of operating segments and regional circumstances, this decision is the responsibility of the respective portfolio managers.

Cash and cash equivalents, which include cash accounts and short-term cash deposits at banks, have maturities of up to three months when initially recognized and are measured at amortized cost.

Other non-current receivables are measured at amortized cost using the effective interest method.

Financial assets held for trading are measured at fair value. These mainly include derivatives that are not part of an effective hedging relationship as set out in IAS 39 and therefore shall be classified as held for trading. Any gains or losses arising from subsequent measurement are recognized in the income statement.

Certain types of investment are intended and expected to be held to maturity with reasonable economic certainty. These financial assets are measured at amortized cost using the effective interest method.

Non-derivative financial assets that do not fulfill the definition of another category of financial instruments are classified as available for sale and generally measured at fair value. The gains and losses arising from fair value measurement are recognized directly in equity, unless the impairment is permanent or significant, or the changes in the fair value of debt instruments resulting from currency fluctuations are recognized in profit or loss. The cumulative gains and losses arising from fair value measurement are only recognized in profit or loss on disposal of the related financial assets. If the fair value of unquoted equity instruments cannot be measured with sufficient reliability, these instruments are measured at cost (less any impairment losses, if applicable).

Deutsche Telekom has not yet made use of the option of designating financial assets upon initial recognition as financial assets at fair value through profit or loss.

The carrying amounts of the financial assets that are not measured at fair value through profit or loss are tested at each reporting date to determine whether there is objective, material evidence of impairment (e.g., a debtor is facing serious financial difficulties, it is highly probable that insolvency proceedings will be initiated against the debtor, an active market for the financial asset disappears, there is a substantial change in the technological, economic, or legal environment and the market environment of the issuer, or there is a continuous decline in the fair value of the financial asset to a level below amortized cost). Any impairment losses caused by the fair value being lower than the carrying amount are recognized in profit or loss. Where changes in the fair value of available-for-sale financial assets were recognized directly in equity (other comprehensive income) in the past, these must now be reclassified from other comprehensive income in the amount of the impairment determined to the income statement. If, in a subsequent period, the fair value of the financial asset increases and this increase can be related objectively to events occurring after the impairment was recognized, the impairment loss is reversed in the appropriate amount. In the case of debt instruments, these reversed impairment losses are recognized in profit or loss. Impairment losses on unquoted equity instruments that are classified as available for sale and carried at cost may not be reversed. Both the fair value of held-to-maturity securities to be determined by testing for impairment and the fair value of the loans and receivables measured at amortized cost, which are required for impairment testing, correspond to the present value of the estimated future cash flows, discounted using the original effective interest rate. The fair value of unquoted equity instruments measured at cost is calculated as the present value of the expected future cash flows, discounted using the current interest rate that corresponds to the investment's special risk position.

Financial liabilities are measured at fair value on initial recognition. For all financial liabilities not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are also recognized.

Trade payables and other non-derivative financial liabilities are measured at amortized cost using the effective interest method.

Deutsche Telekom has not yet made use of the option to designate financial liabilities upon initial recognition as financial liabilities at fair value through profit or loss.

Derivatives that are not part of an effective hedging relationship as set out in IAS 39 must be classified as held for trading and measured at fair value through profit or loss. If the fair values are negative, the derivatives are recognized as financial liabilities.

Deutsche Telekom uses derivatives to hedge the interest rate and currency risks resulting from its operating, financing, and investing activities. The Company does not hold or issue derivatives for speculative trading purposes. Derivatives are carried at their fair value upon initial recognition. The fair values are also relevant for subsequent measurement. The fair value of traded derivatives is equal to their market value, which can be positive or negative. If there is no market value available, the fair value is determined using standard financial valuation models.

The fair value of derivatives is the value that Deutsche Telekom would receive or have to pay if the financial instrument were transferred at the reporting date. This is calculated on the basis of the contracting parties' relevant exchange rates and interest rates at the reporting date. Calculations are made using middle rates. In the case of interest-bearing derivatives, a distinction is made between the clean price and the dirty price. In contrast to the clean price, the dirty price also includes the interest accrued. The fair values carried correspond to the full fair value or the dirty price.

Recording the changes in the fair values – in either the income statement or directly in equity – depends on whether or not the derivative is part of an effective hedging relationship as set out in IAS 39. If hedge accounting pursuant to IAS 39 is not employed, the changes in the fair values of the derivatives must be recognized in profit or loss. If, on the other hand, an effective hedging relationship as set out in IAS 39 exists, the hedge will be recognized as such.

Deutsche Telekom applies hedge accounting to hedge items in the statement of financial position and future cash flows, thus reducing income statement volatility. A distinction is made between fair value hedges, cash flow hedges, and hedges of a net investment in a foreign operation depending on the nature of the hedged item.

Fair value hedges are used to hedge the fair values of assets recognized in the statement of financial position, liabilities recognized in the statement of financial position, or firm commitments not yet recognized in the statement of financial position. Any change in the fair value of the derivative designated as the hedging instrument is recognized in profit or loss; the carrying amount of the hedged item is adjusted by the profit or loss to the extent of the hedged risk (basis adjustment). The adjustments to the carrying amount are not amortized until the hedging relationship has been discontinued.

Cash flow hedges are used to hedge against fluctuations in future cash flows from assets and liabilities recognized in the statement of financial position, from firm commitments (in the case of currency risks), or from highly probable forecast transactions. To hedge the currency risk of an unrecognized firm commitment, Deutsche Telekom makes use of the option to recognize it as a cash flow hedge rather than a fair value hedge. If a cash flow hedge is employed, the effective portion of the change in the fair value of the hedging instrument is recognized in equity (hedging reserve) until the gain or loss on the hedged item is realized; the ineffective portion of the hedging instrument is recognized in profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a financial or non-financial asset or liability, the associated cumulative gains and losses that were recognized directly in equity are reclassified into profit or loss in the same periods during which the financial asset acquired or the financial liability assumed affects profit or loss for the period. In doing so, Deutsche Telekom has decided not to make use of the basis adjustment option for hedging forecast transactions when non-financial items in the statement of financial position arise.

If hedges of a net investment in a foreign operation are employed, all gains or losses on the effective portion of the hedging instrument, together with any gains or losses on the foreign-currency translation of the hedged investment, are taken directly to equity. Any gains or losses on the ineffective portion are recognized immediately in profit or loss. The cumulative remeasurement of gains and losses on the hedging instrument that had previously been recognized directly in equity and the gains and losses on the currency translation of the hedged item are recognized in profit or loss only on disposal of the investment.

IAS 39 sets out strict requirements on the use of hedge accounting. These are fulfilled at Deutsche Telekom by documenting, at the inception of a hedge, both the relationship between the financial instrument used as the hedging instrument and the hedged item, as well as the aim and strategy of the hedge. This involves concretely assigning the hedging instruments to the corresponding assets or liabilities or (firmly agreed/expected) future transactions and also estimating the degree of effectiveness of the hedging instruments employed. The effectiveness of existing hedge accounting is monitored on an ongoing basis; ineffective hedges are discontinued immediately.

Deutsche Telekom does not use hedge accounting in accordance with IAS 39 to hedge the foreign-currency exposure of recognized monetary assets and liabilities, because the gains and losses on the hedged item from currency translation that are recognized in profit or loss in accordance with IAS 21 are shown in the income statement together with the gains and losses on the derivatives used as hedging instruments.

CONTINGENCIES (CONTINGENT LIABILITIES AND ASSETS)

Contingencies (contingent liabilities and assets) are potential liabilities or assets arising from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of Deutsche Telekom. Contingent liabilities are also present obligations that arise from past events for which an outflow of resources embodying economic benefits is not probable or for which the amount of the obligation cannot be measured reliably. Contingent liabilities are only recognized at their fair value if they were assumed in the course of a business combination. Contingent liabilities not assumed in the course of a business combination are not recognized. Contingent assets are not recognized. However, when the realization of income is virtually certain, then the related asset is no longer a contingent asset, but it is recognized as an asset. Information on contingent liabilities is disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. The same applies to contingent assets where an inflow of economic benefits is probable.

LEASES

Beneficial ownership of leased assets is attributed to the contracting party in the lease to which the substantial risks and rewards incidental to ownership of the asset are transferred.

If substantially all risks and rewards are attributable to the lessor (operating lease), the leased asset is recognized in the statement of financial position by the lessor. Measurement of the leased asset is then based on the accounting policies applicable to that asset. The lease payments are recognized in profit or loss by the lessor. The lessee in an operating lease recognizes the lease payments made during the term of the lease in profit or loss. Contractually defined future changes in the lease payments during the term of the lease are recognized on a straight-line basis over the entire lease term, which is defined only once at the inception date of the contract. Where extension options exist, the exercise of those extension options that are reasonably certain is initially taken into account at the time the lease is concluded. In the course of the lease, when circumstances come to light that could lead to a change in the original assessment of the exercise of extension options, the estimated future obligations arising from operating leases will be changed accordingly.

If substantially all risks and rewards incidental to ownership of the leased asset are attributable to the lessee (finance lease) the lessee must recognize the leased asset in the statement of financial position. At the commencement of the lease term, the leased asset is measured at the lower of fair value or present value of the future minimum lease payments and is depreciated over the shorter of the estimated useful life or the lease term. Depreciation is recognized as expense. The lessee recognizes a lease liability equal to the carrying amount of the leased asset at the commencement of the lease term. In subsequent periods, the lease liability is reduced using the effective interest method and the carrying amount is adjusted accordingly. The lessor in a finance lease recognizes a receivable in the amount of the net investment in the lease. Lease income is classified into repayments of the lease receivable and finance income. The lease receivable is reduced using the effective interest method and the carrying amount is adjusted accordingly.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term.

SHARE-BASED PAYMENT PROGRAMS

Equity-settled share-based payment transactions are measured at fair value on the grant date. The fair value of the obligation is recognized as personnel costs over the vesting period and offset against capital reserves. For equity-settled share-based payment transactions, the fair value is determined using internationally accepted valuation techniques, such as the Black-Scholes model or the Monte Carlo model. For cash-settled share-based payment transactions, the goods and services acquired and the liability incurred have to be recognized at the fair value of the liability. The fair value of the liability has to be newly determined at each reporting date and at the settlement date, and the changes in the fair value have to be recognized in profit and loss, until the liability is settled.

NET REVENUE

Revenues include all revenues from the ordinary business activities of Deutsche Telekom. Revenues are recorded net of value-added tax and other taxes collected from customers that are remitted to governmental authorities. They are recognized in the accounting period in which they are earned in accordance with the provision of services based on the realization principle. Customer activation fees are deferred and recognized as revenue over the estimated average period of customer retention, unless they are part of a multiple-element arrangement, in which case they are a component of the arrangement consideration to be paid by the customer.

For multiple-element arrangements, revenue recognition for each of the units of accounting (elements) identified must be determined separately. Revenue is recognized on the basis of the fair value (standalone selling prices) of the individual elements. Arrangements involving the delivery of bundled products or services shall be separated into individual elements, each with its own separate revenue contribution. Total arrangement consideration relating to the bundled contract is allocated among the different elements based on their relative standalone selling prices (i.e., based on a ratio of the standalone selling price of each element to the aggregated standalone selling prices of the bundled deliverables). The relative standalone selling price of an individual element and thus the revenue recognized for this unit of accounting, however, is limited by that proportion of the total arrangement consideration to be provided by the customer, the payment of which does not depend on the delivery of additional elements.

Payments to customers, including payments to dealers and agents (discounts, commissions) are generally recognized as a decrease in revenue. If the consideration provides a benefit in its own right and can be reliably measured, the payments are recognized as expenses.

Revenue recognition at Deutsche Telekom is as follows:

Revenue generated by the mobile communications business of the operating segments Germany, United States, and Europe includes revenues from the provision of mobile services, customer activation fees, and sales of mobile handsets and accessories. Mobile service revenue includes monthly service charges, charges for special features, call charges, and roaming charges billed to Deutsche Telekom customers, as well as other mobile operators. Mobile service revenue is recognized based upon minutes of use or other agreed calling plans less credits and adjustments for discounts. The revenue and related expenses associated with the sale of mobile handsets and accessories are recognized when the products are delivered and accepted by the customer.

The fixed-network business in the operating segments Germany and Europe provides narrow and broadband access to the fixed network as well as the Internet. Revenue generated from these types of access for the use of voice and data communications is recognized upon rendering of the service. The services rendered relate to use by customers (e.g., call minutes), availability over time (e.g., monthly service charges), or other agreed rate plans. Telecommunications equipment is also sold, leased, and serviced. Revenue and expenses associated with the sale of telecommunications equipment and accessories are recognized when the products are delivered, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. Revenue from rentals and operating leases is recognized monthly as the entitlement to the fees accrues. Revenues from customer activation fees are deferred over the average customer retention period. Revenues also result from charges for advertising and e-commerce. Advertising revenues are recognized in the period in which the advertisements are exhibited. Transaction revenues are recognized upon notification from the customer that qualifying transactions have occurred and collection of the resulting receivable is reasonably assured.

In the Systems Solutions operating segment, revenue is recognized when persuasive evidence of a sales arrangement exists, products are delivered or services are rendered, the selling price or fee is fixed or determinable, and collectability is reasonably assured.

Revenue from Computing & Desktop Services is recognized as the services are provided using a proportional performance model. Revenue is recognized ratably over the contractual service period for fixed-price contracts and on an output or consumption basis for all other service contracts. Revenue from service contracts billed on the basis of time and material used is recognized at the contractual hourly rates as labor hours are delivered and direct expenses are incurred.

Revenue from hardware sales or sales-type leases is recognized when the product is shipped to the customer, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. Any costs of these obligations are recognized when the corresponding revenue is recognized.

Telecommunications services include network services and hosting & ASP services. Contracts for network services, which consist of the installation and operation of communication networks for customers, have an average duration of approximately three years. Customer activation fees and related costs are deferred and amortized over the estimated average period of customer retention. Revenues for voice and data services are recognized under such contracts when used by the customer. When an arrangement contains a lease, the lease is accounted for separately in accordance with IFRIC 4 and IAS 17. Revenues from hosting & ASP services are recognized as the services are provided.

Revenue from rentals and leases is recognized on a straight-line basis over the rental period.

INCOME TAXES

Income taxes include current income taxes as well as deferred taxes. Current and deferred tax shall be recognized as income or expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction which is recognized, in the same or a different period, outside profit and loss, either in other comprehensive income or directly in equity. Tax liabilities/tax receivables mainly comprise liabilities/receivables relating to domestic and foreign income taxes. They include liabilities/receivables for the current period as well as for prior periods. The liabilities/receivables are measured based on the applicable tax law in the countries Deutsche Telekom operates in.

Deferred taxes are recognized for temporary differences between the carrying amounts in the consolidated statement of financial position and the tax base, as well as for tax loss carryforwards and tax credits. By way of derogation from this principle, a deferred tax liability is not recognized for temporary differences if the deferred tax liability arises from the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit/tax loss. A deferred tax liability is not recognized either for temporary differences arising from the initial recognition of goodwill. A deferred tax asset is recognized only when it is probable that a taxable profit will be available against which the deductible temporary differences, loss carryforwards, and tax credits can be utilized. A deferred tax liability is generally recognized for temporary differences associated with investments in subsidiaries and associates unless Deutsche Telekom is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and other tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset in the statement of financial position if Deutsche Telekom has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

JUDGMENTS AND ESTIMATES

The presentation of the results of operations or financial position in the consolidated financial statements is dependent upon and sensitive to the accounting policies, assumptions, and estimates. The actual amounts may differ from those estimates. The following critical accounting estimates and related assumptions and uncertainties inherent in accounting policies applied are essential to understand the underlying financial reporting risks and the effects that these accounting estimates, assumptions and uncertainties may have on the consolidated financial statements.

Measurement of property, plant and equipment, and intangible assets involves the use of estimates for determining the fair value at the acquisition date, provided they were acquired in a business combination. Furthermore, the expected useful lives of these assets must be estimated. The determination of the fair values of assets and liabilities, as well as of the useful lives of the assets is based on management's judgment.

The determination of impairments of property, plant and equipment, and intangible assets involves the use of estimates that include, but are not limited to, the cause, timing, and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the telecommunications industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions, and other changes in circumstances that indicate an impairment exists. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives, and residual values. Specifically, the estimation of cash flows underlying the fair values from the mobile business considers the continued investment in network infrastructure required to generate future revenue growth through the offering of new data products and services, for which only limited historical information on customer demand is available. If the demand for these products and services does not materialize as expected, this would result in less revenue, less cash flow and potential impairment. When determining the fair values, additional planning uncertainties are factored in that reflect the risks of macroeconomic development, which could adversely affect future results of operations.

The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to calculate the recoverable amount include discounted cash flow-based methods and methods that use market prices as a basis. The measurements on the basis of discounted cash flows are founded on projections that are based on financial plans that have been approved by management and are also used for internal purposes. The planning horizon selected reflects the assumptions for short- to medium-term market developments and is selected to achieve a steady state in the business outlook that is necessary for calculating the perpetual annuity. This steady state is only reached based on the planning horizon selected, in particular due to the sometimes long investment cycles in the telecommunications industry and the investments planned and expected in the long run to acquire and extend the rights of spectrum use. Cash flows beyond the internal mid-term planning are extrapolated using appropriate growth rates. The key assumptions on which management has based its calculation of the recoverable amount include the following assumptions that were primarily derived from internal sources and are based on past experience and extended to include internal expectations, and that are underscored by external market data and estimates: development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, and growth rates. Discount rates are determined on the basis of external figures derived from the market, taking account of the risks associated with the cash-generating unit. Any future changes in the aforementioned assumptions could have a significant impact on the fair values of the cash-generating units.

Management maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer creditworthiness, and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

Income taxes must be estimated for each of the jurisdictions in which the Group operates, involving a specific calculation of the expected actual income tax exposure for each tax object and an assessment of temporary differences resulting from the different treatment of certain items for IFRS consolidated financial and tax reporting purposes. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Management judgment is required for the calculation of actual and deferred taxes. Deferred tax assets are recognized to the extent that their utilization is probable. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in the respective tax type and jurisdiction, taking into account any legal restrictions on the length of the loss carryforward period. Various factors are used to assess the probability of the future utilization of deferred tax assets, including past results of operations, operational plans, loss carryforward periods, and tax planning strategies. The period used for the assessment of the recoverability depends on the circumstances at the respective Group company and typically is in a range of 5 to 10 years. If actual results differ from these estimates or if these estimates must be adjusted in future periods, results of operations, the financial position, and cash flows may be negatively affected. In the event that the assessment of future utilization of deferred tax assets changes, the recognized deferred tax assets must be reduced in profit or loss or directly in equity, or the impairment loss of impaired deferred tax assets must be reversed and recognized in profit or loss, or directly in equity, depending on how the deferred tax assets were originally recognized.

Pension obligations for benefits to non-civil servants are generally satisfied by defined benefit plans. Pension benefit costs for non-civil servants are determined in accordance with actuarial valuations, which rely on assumptions regarding the discount rate, the expected salary increase rate, the expected pension trend, and life expectancy. In the event that changes in the assumptions regarding these parameters are required, the future amounts of the pension benefit costs may be affected materially.

Deutsche Telekom is obligated, under the German Federal Posts and Telecommunications Agency Reorganization Act (Gesetz zur Reorganisation der Bundesanstalt für Post und Telekommunikation Deutsche Bundespost), to pay for its share of any operating cost shortfalls between the income of the Civil Service Health Insurance Fund (Postbeamtenkrankenkasse) and benefits paid. The Civil Service Health Insurance Fund provides services mainly in cases of illness, birth, or death for its members, who are civil servants employed by or retired from Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG, and their relatives. When Postreform II came into effect, participation in the Civil Service Health Insurance Fund was closed to new members. The insurance premiums collected by the Civil Service Health Insurance Fund may not exceed the insurance premiums imposed by alternative private health insurance enterprises for comparable insurance benefits, and, therefore, do not reflect the changing age distribution of the participants in the fund. Deutsche Telekom recognizes provisions in the amount of the actuarially determined present value of Deutsche Telekom's share in the fund's future deficit, using a discount rate and making assumptions about life expectancies and projections for contributions and future increases in general health care costs in Germany. Since the calculation of these provisions involves long-term projections over periods of more than 50 years, the present value of the liability may be highly sensitive even to small variations in the underlying assumptions.

Deutsche Telekom exercises considerable judgment in measuring and recognizing provisions and contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration, or government regulation. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Provisions are recognized for losses from executory contracts, provided a loss is considered probable and can be reasonably estimated. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. In addition, significant estimates are involved in the determination of provisions related to taxes and litigation risks. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as actuaries or legal counsel. Revisions to the estimates of these losses from executory contracts may significantly affect future results of operations.

REVENUE RECOGNITION

Customer activation fees that are not part of a multiple-element arrangement are deferred and recognized as revenue over the estimated average period of customer retention. The estimation of the expected average duration of the relationship is based on historical customer turnover. If management's estimates are revised, material differences may result in the amount and timing of revenue for any period.

The fair values of individual products or services that are part of multi-element arrangements are complex to determine, because some of the elements are price-sensitive and, thus, volatile in a competitive marketplace. Revisions to the estimates of these relative fair values may significantly affect the allocation of total arrangement consideration among the different units of accounting, affecting future results of operations.

CONSOLIDATION METHODS

SUBSIDIARIES

Subsidiaries are companies that are directly or indirectly controlled by Deutsche Telekom. Control only exists if an investor has the power over the investee, is exposed to variable returns, and is able to use power to affect its amount of variable returns. The existence and effect of substantive potential voting rights that are currently exercisable or convertible, including potential voting rights held by other Group companies, are considered when assessing whether an entity is controlled.

All subsidiaries are included in the consolidated financial statements, unless an operating segment or the Group considers them to be insignificant based on the following criterion: The sum of all unconsolidated subsidiaries must not account for more than 1 percent of the Group's total assets, revenue, profit/loss for the year, contingent assets/liabilities, and other financial obligations. If the 1 percent limit is exceeded, Deutsche Telekom determines which companies are to be included in the consolidated financial statements, taking the long-term development of the investment and consolidation effects into account. Aside from the quantitative criteria, qualitative criteria will also be used to assess the materiality of an entity for the consolidated group. Excluding a subsidiary must not significantly change the segment result or the Group's profit/loss for the year, nor may other significant trends be ignored.

Income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date. Income and expenses of a subsidiary remain included in the consolidated financial statements until the date on which the parent ceases to control the subsidiary. If necessary, the subsidiaries' accounting principles are aligned with the uniform accounting principles applied by the Deutsche Telekom Group. Intercompany income and expenses, receivables and liabilities, and profits or losses are eliminated.

Upon loss of control, a gain or loss from the disposal of the subsidiary is recognized in the consolidated income statement in the amount of the difference between the (i) proceeds from the disposal of the subsidiary, the fair value of the remaining shares, the carrying amount of the non-controlling interests, and the cumulative amounts of other comprehensive income attributable to the subsidiary, and (ii) the carrying amount of the subsidiary's net assets to be disposed of.

JOINT OPERATIONS, JOINT VENTURES AND ASSOCIATES

Joint arrangements, in which two or more parties have joint control over an activity, must be classified as either joint operations or joint ventures.

A **joint operation** is characterized by the fact that the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in the joint operation as well as its share of the joint assets, liabilities, revenues and expenses.

In a **joint venture,** on the other hand, the parties that have joint control of the arrangements (partners) have rights to the net assets of the entity. **Associates** are companies on which Deutsche Telekom has a significant influence, and that are neither subsidiaries nor joint ventures. As with joint ventures, associates are accounted for using the **equity method.**

Investments in joint ventures and associates that are included in the consolidated financial statements using the equity method are recognized at cost at the time of acquisition. The carrying amount of the investment may include goodwill as the positive difference between the cost of the investment and Deutsche Telekom's proportionate share in the fair values of the entity's identifiable assets and liabilities. If necessary, the accounting principles of joint ventures and associates are aligned with the uniform accounting principles applied by the Deutsche Telekom Group. The carrying amount of the investment accounted for using the equity method is tested for impairment provided there are indications of impairment. If the carrying amount of the investment exceeds its recoverable amount, an impairment loss must be recognized in the amount of the difference. The recoverable amount is measured at the higher of fair value less costs of disposal and value in use.

Upon loss of significant influence, a gain or loss from the disposal of the joint venture/associate is recognized in the amount of the difference between the (i) proceeds from the disposal of the shares, the fair value of the remaining shares, and the cumulative amounts of other comprehensive income attributable to the joint venture or associate, and (ii) the carrying amount of the investment to be disposed of.

The materiality assessment for jointly controlled entities and associates is generally performed using the same methods as for subsidiaries, but is limited to the criteria of profit/loss for the year, contingent assets and liabilities, and other financial obligations.

BUSINESS COMBINATIONS

A business combination exists when Deutsche Telekom obtains control of another entity. All business combinations must be accounted for using the acquisition method. The cost of an acquired subsidiary is measured at the fair value of the consideration transferred, i.e., the sum of the assets transferred, liabilities assumed, and equity instruments issued. Transaction costs are generally recognized as expense. The acquisition cost is allocated to the acquired assets, liabilities, and contingent liabilities. The identifiable assets acquired and the liabilities and contingent liabilities assumed are recognized in full at their fair values at the acquisition date, regardless of the level of the investment held by Deutsche Telekom.

Goodwill arising in a business combination is measured as the excess of the aggregate of the cost of acquisition, the amount of any non-controlling interest in the acquiree, and, in a business combination achieved in stages, the fair value of the equity interest held by Deutsche Telekom in the acquiree prior to the acquisition date over the net of the amounts of the identifiable assets acquired and liabilities assumed. Any difference arising on the revaluation of equity interests previously held by Deutsche Telekom is recognized in profit or loss.

For all business combinations there is an option in relation to the measurement of the non-controlling interests. These can be recognized either directly at their fair value (i.e., the non-controlling interest in the enterprise value of the acquiree) or at the non-controlling interest in the fair value of the net assets recognized for the acquiree. As a result, in the first case, the non-controlling interests also have a share in the goodwill arising from the business combination, while in the second case the non-controlling interest is limited to the revalued assets and liabilities and the goodwill is therefore recognized only as the residual amount attributable to Deutsche Telekom.

Transactions relating to the further acquisition or sale of equity interests with other shareholders that do not affect Deutsche Telekom's controlling interest do not lead to any change in goodwill. The difference between the fair value of the consideration transferred or received (i.e., the purchase price of the interests) and the carrying amount of the equity attributable to the non-controlling interests must be offset directly against consolidated shareholders' equity in capital reserves.

CHANGES IN THE COMPOSITION OF THE GROUP AND TRANSACTIONS WITH OWNERS

In the 2014 financial year, Deutsche Telekom conducted the following transactions, which had an impact on the composition of the Group. Other changes to the composition of the Group not shown here were of no material significance for Deutsche Telekom's consolidated financial statements.

Acquisition of the GTS Central Europe group

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

The cash consideration for the acquisition of GTS transferred at the acquisition date amounts to EUR 301 million. Payments in connection with the acquisition were made in the amount of EUR 539 million (see TABLE 149 "Net cash used in investing activities" in the notes to the consolidated statement of cash flows, PAGE 238). The difference mainly resulted from the repayment of loans by GTS to third parties that were not included in the consideration transferred to the seller. The bases for the measurement of the capitalized customer bases as well as property, plant and equipment have been adjusted compared with May 30, 2014. The goodwill recognized was thus reduced by EUR 18 million to EUR 135 million as a result of the ongoing purchase price allocation. The purchase price allocation was completed on December 31, 2014.

The fair values of GTS' acquired assets and liabilities recognized at the acquisition date are presented in TABLE 065.

T 065

millions of €

	Fair value at the acquisition date
CURRENT ASSETS	**138**
Cash and cash equivalents	24
Trade and other receivables	41
Other current assets	9
Non-current assets and disposal groups held for sale	64
NON-CURRENT ASSETS	**598**
Intangible assets	350
Of which: goodwill	135
Of which: customer base	201
Of which: other	14
Property, plant and equipment	223
Other non-current assets	25
ASSETS	**736**
CURRENT LIABILITIES	**387**
Financial liabilities	222
Trade and other payables	27
Other liabilities	54
Other current liabilities	20
Liabilities directly associated with non-current assets and disposal groups held for sale	64
NON-CURRENT LIABILITIES	**48**
Deferred tax liabilities	44
Other non-current liabilities	4
LIABILITIES	**435**

The measurement of the capitalized customer bases is based on the multi-period excess earnings method which is the most decisive factor influencing the measurement of the expected customer retention period. A useful life of seven years was assumed for the customer bases of GTS' local and pan-European B2B operations. International Wholesale customer bases are deemed to have a useful life of 17 years. Property, plant and equipment were measured using recent estimates of replacement costs, including a deduction for wear and tear (indirect cost method). The acquired current receivables of GTS are not expected to give rise to significant bad debt losses in the future. The current receivables acquired therefore largely correspond to the gross amounts of the contractual receivables.

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

The acquired goodwill of EUR 0.1 billion to be recognized in Deutsche Telekom's consolidated statement of financial position is calculated as follows:

T 066

millions of €

	Fair value at the acquisition date
Consideration transferred	301
Assets acquired for 100 % of the shares	(601)
Liabilities acquired for 100 % of the shares	435
GOODWILL	**135**

Goodwill is influenced by synergy effects as a result of the acquisition, which are attributable to future business potential on account of GTS' position as an integrated provider of telecommunications services in Central and Eastern Europe. Goodwill developed as follows between the closing date and December 31, 2014:

T 067

millions of €

	Development of goodwill
Goodwill on May 30, 2014	135
Exchange rate effects	(2)
GOODWILL ON DECEMBER 31, 2014	**133**

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

Deutsche Telekom's net revenue in the reporting period increased by EUR 172 million on account of the acquisition of GTS. Had the business combination already occurred on January 1, 2014, revenue of the Group would have been a further EUR 133 million higher. Deutsche Telekom's profit/loss for the current reporting period includes a loss from GTS of EUR 3 million. Had the business combination already occurred on January 1, 2014, the profit of the Deutsche Telekom Group would have been a further EUR 31 million lower.

No material transaction-based costs were incurred by December 31, 2014.

Sale of Scout24 Holding GmbH and Scout24 International Management AG

On February 12, 2014, Deutsche Telekom consummated the sale of 70 percent of the shares in Scout24 Holding GmbH to Hellman & Friedman LLC (H&F). As a result, the shares in the Scout24 group were deconsolidated and the remaining approximately 30 percent of the shares retained directly and indirectly by Deutsche Telekom were recognized in the consolidated statement of financial position as of the date of first-time inclusion under investments accounted for using the equity method at a fair value of EUR 0.3 billion. In addition, by acquiring 100 percent of the shares in Scout24 International Management AG (now operating under the name Classifieds Business Beteiligungs- und Verwaltungs AG), effective January 24, 2014, Ringier Digital AG took over the 57.6 percent stake in Scout24 Schweiz AG that had been held indirectly by Scout24 Holding GmbH. The two transactions, taking into account the inclusion of the approximately 30 percent of shares in the Scout24 group accounted for using the equity method, gave rise to income from divestitures of EUR 1.7 billion, which was recognized under other operating income. In particular intangible assets of EUR 0.2 billion and cash and cash equivalents of EUR 40 million were deconsolidated. The cash flows from both transactions amounted to EUR 1.6 billion in total. Both entities were part of the Group Headquarters & Group Services segment. The remaining investment in the Scout24 group accounted for using the equity method continues to be part of this segment.

First-time consolidation of four structured leasing special-purpose entities (SPEs)

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

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

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

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

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

TABLE 068 shows the effects of the aforementioned changes in the composition of the Group on the consolidated income statement and segment reporting for the 2014 financial year.

T 068

millions of €

	Germany	United States	Europe	Systems Solutions	Group Headquarters & Group Services	Reconciliation	Total
Net revenue	(8)	1,278	(86)	(38)	(331)	0	815
Cost of sales	5	(809)	39	55	55	0	(655)
GROSS PROFIT (LOSS)	**(3)**	**469**	**(47)**	**17**	**(276)**	**0**	**160**
Selling expenses	0	(265)	89	2	156	0	(18)
General and administrative expenses	1	(27)	(18)	7	42	0	5
Other operating income	0	2	(184)	0	(4)	0	(186)
Other operating expenses	5	0	(53)	0	0	(3)	(51)
PROFIT (LOSS) FROM OPERATIONS	**3**	**179**	**(213)**	**26**	**(82)**	**(3)**	**(90)**
Finance costs	0	(77)	3	0	1	0	(73)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	0	0	0	0	4	0	4
Other financial income (expense)	25	(23)	36	(5)	(1)	0	32
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**25**	**(100)**	**39**	**(5)**	**4**	**0**	**(37)**
PROFIT (LOSS) BEFORE INCOME TAXES	**28**	**79**	**(174)**	**21**	**(78)**	**(3)**	**(127)**
Income taxes	0	0	9	0	3	1	13
PROFIT (LOSS)	**28**	**79**	**(165)**	**21**	**(75)**	**(2)**	**(114)**

Changes in the composition of the Group

The composition of the Deutsche Telekom Group changed as follows in the 2014 financial year:

T 069

	Domestic	International	Total
CONSOLIDATED SUBSIDIARIES			
January 1, 2014	67	177	244
Additions	2	34	36
Disposals (including mergers)	13	14	27
DECEMBER 31, 2014	**56**	**197**	**253**
ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD			
January 1, 2014	4	9	13
Additions	1	1	2
Disposals	–	2	2
DECEMBER 31, 2014	**5**	**8**	**13**
JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD			
January 1, 2014	3	6	9
Additions	–	1	1
Disposals	–	4	4
DECEMBER 31, 2014	**3**	**3**	**6**
TOTAL			
January 1, 2014	74	192	266
Additions	3	36	39
Disposals (including mergers)	13	20	33
DECEMBER 31, 2014	**64**	**208**	**272**

Other transactions that had no effect on the composition of the Group

Acquisition of the remaining shares in T-Mobile Czech Republic

On February 25, 2014, Deutsche Telekom acquired the 39.23-percent stake in T-Mobile Czech Republic that it did not previously hold for a purchase price of EUR 0.8 billion. The acquisition of these remaining shares make it possible to simplify the financial and governance structure at T-Mobile Czech Republic. In addition, the transaction results in reduced dividend payments to non-controlling interests. For the effects on shareholders' equity, please refer to Note 15, PAGES 227 and 228.

PRINCIPAL SUBSIDIARIES

The Group's principal subsidiaries are presented in TABLE 070:

T 070

Name and registered office		Deutsche Telekom share %	Net revenue[c] millions of €	Profit (loss) from operations[c] millions of €	Shareholders' equity[c] millions of €	Average number of employees	Segment allocation
Telekom Deutschland GmbH, Bonn, Germany	**Dec. 31, 2014/2014**	100.00	21,760	4,597	4,223	12,423	Germany
	Dec. 31, 2013/2013	100.00	21,990	4,562	4,671	12,834	
T-Mobile US, Inc., Bellevue, Washington, United States[a, b]	**Dec. 31, 2014/2014**	66.29	22,408	1,405	14,060	37,858	United States
	Dec. 31, 2013/2013	66.75	18,556	1,404	11,942	32,962	
T-Systems International GmbH, Frankfurt/Main, Germany	**Dec. 31, 2014/2014**	100.00	6,472	(517)	997	21,590	Systems Solutions
	Dec. 31, 2013/2013	100.00	6,730	(265)	1,275	22,347	
Hellenic Telecommunications Organization S.A. (OTE), Athens, Greece[a]	**Dec. 31, 2014/2014**	40.00	3,918	365	3,591	21,903	Europe
	Dec. 31, 2013/2013	40.00	4,244	315	3,597	25,325	
Magyar Telekom Public Limited Company, Budapest, Hungary[a, b]	**Dec. 31, 2014/2014**	59.23	2,013	262	2,137	14,559	Europe
	Dec. 31, 2013/2013	59.23	2,145	193	2,151	14,493	
T-Mobile Netherlands Holding B.V., The Hague, Netherlands[a, b]	**Dec. 31, 2014/2014**	100.00	1,551	360	2,508	1,439	Europe
	Dec. 31, 2013/2013	100.00	1,666	181	2,252	1,658	
T-Mobile Polska S.A., Warsaw, Poland[b]	**Dec. 31, 2014/2014**	100.00	1,492	328	2,395	4,641	Europe
	Dec. 31, 2013/2013	100.00	1,584	348	2,199	4,721	
T-Mobile Czech Republic a.s., Prague, Czech Republic[a, b]	**Dec. 31, 2014/2014**	100.00	874	228	1,588	3,419	Europe
	Dec. 31, 2013/2013	60.77	988	271	1,540	3,360	
Hrvatski Telekom d.d., Zagreb, Croatia[a, b]	**Dec. 31, 2014/2014**	51.00	905	148	1,964	5,359	Europe
	Dec. 31, 2013/2013	51.00	929	202	1,920	5,606	
T-Mobile Austria Holding GmbH, Vienna, Austria[a, b]	**Dec. 31, 2014/2014**	100.00	815	59	973	1,113	Europe
	Dec. 31, 2013/2013	100.00	828	(510)	921	1,207	
Slovak Telekom a.s., Bratislava, Slovakia[a, b]	**Dec. 31, 2014/2014**	51.00	768	98	1,956	3,752	Europe
	Dec. 31, 2013/2013	51.00	828	69	1,903	3,811	

[a] Consolidated subgroup.
[b] Indirect shareholding of Deutsche Telekom AG.
[c] IFRS figures of the respective subgroup.

TABLE 071 shows the principal subsidiaries with non-controlling interests:

T 071

Name and registered office		Percentage of shareholding for non-controlling interests %	Percentage of voting rights for non-controlling interests %	Cumulative non-controlling interests [c] millions of €	Dividends paid out to non-controlling interests millions of €
T-Mobile US, Inc., Bellevue, Washington, United States [a, b]	**Dec. 31, 2014/2014**	33.71	33.71	4,516	–
	Dec. 31, 2013/2013	33.25	33.25	3,782	–
Hellenic Telecommunications Organization S.A. (OTE), Athens, Greece [a]	**Dec. 31, 2014/2014**	60.00	50.00	1,966	–
	Dec. 31, 2013/2013	60.00	50.00	1,961	–
Magyar Telekom Public Limited Company, Budapest, Hungary [a, b]	**Dec. 31, 2014/2014**	40.77	40.77	618	22
	Dec. 31, 2013/2013	40.77	40.77	610	77
T-Mobile Czech Republic a.s., Prague, Czech Republic [a, b]	**Dec. 31, 2014/2014**	0.00	0.00	–	–
	Dec. 31, 2013/2013	39.23	39.23	361	90
Hrvatski Telekom d.d., Zagreb, Croatia [a, b]	**Dec. 31, 2014/2014**	49.00	49.00	745	48
	Dec. 31, 2013/2013	49.00	49.00	714	110
Slovak Telekom a.s., Bratislava, Slovakia [a, b]	**Dec. 31, 2014/2014**	49.00	49.00	782	9
	Dec. 31, 2013/2013	49.00	49.00	756	35

[a] Consolidated subgroup.
[b] Indirect shareholding of Deutsche Telekom AG.
[c] IFRS figures at the level of the consolidated financial statements of Deutsche Telekom.
In accordance with § 313 HGB, the full statement of investment holdings, which forms part of the notes to the consolidated financial statements, is published in the Federal Gazette (Bundesanzeiger) together with the consolidated financial statements. It is available upon request from Deutsche Telekom AG, Bonn, Investor Relations, and on Deutsche Telekom's website (www.telekom.com/investor-relations).
Furthermore, the statement of investment holdings includes a full list of all subsidiaries that exercise simplification options in accordance with § 264 (3) HGB or disclosure simplification options in accordance with § 264 b HGB.

Deutsche Telekom held 40 percent plus one vote of the shares in the OTE group as of the reporting date. In accordance with shareholder agreements between Deutsche Telekom and the Hellenic Republic, Deutsche Telekom has taken control of 50 percent plus two voting shares and therefore the OTE group's financial and operating policy. Consequently, the OTE group companies are fully consolidated subsidiaries.

Summarized financial information for subsidiaries with significant non-controlling interests:

T 072

millions of €

Name and registered office		Current assets [c]	Non-current assets [c]	Current liabilities [c]	Non-current liabilities [c]	Profit (loss) [c]	Total comprehensive income [c]
T-Mobile US, Inc., Bellevue, Washington, United States [a, b]	**Dec. 31, 2014/2014**	12,387	37,398	7,499	28,226	344	1,994
	Dec. 31, 2013/2013	9,239	29,591	4,126	22,762	627	73
Hellenic Telecommunications Organization S.A. (OTE), Athens, Greece [a]	**Dec. 31, 2014/2014**	2,493	6,104	2,436	3,063	85	85
	Dec. 31, 2013/2013	2,531	6,368	2,443	3,376	39	34
Magyar Telekom Public Limited Company, Budapest, Hungary [a, b]	**Dec. 31, 2014/2014**	662	3,460	1,046	1,089	100	39
	Dec. 31, 2013/2013	681	3,325	1,033	1,012	50	41
T-Mobile Czech Republic a.s., Prague, Czech Republic [a, b]	**Dec. 31, 2014/2014**	–	–	–	–	–	–
	Dec. 31, 2013/2013	489	739	190	56	227	146
Hrvatski Telekom d.d., Zagreb, Croatia [a, b]	**Dec. 31, 2014/2014**	723	1,140	251	107	133	126
	Dec. 31, 2013/2013	672	1,084	247	51	162	152
Slovak Telekom a.s., Bratislava, Slovakia [a, b]	**Dec. 31, 2014/2014**	789	1,254	249	154	73	64
	Dec. 31, 2013/2013	617	1,467	339	157	49	33

[a] Consolidated subgroup.
[b] Indirect shareholding of Deutsche Telekom AG.
[c] IFRS figures of the respective subgroup.

T 073

millions of €

Name and registered office		Net cash from operating activities[c]	Net cash (used in) from investing activities[c]	Net cash (used in) from financing activities[c]
T-Mobile US, Inc., Bellevue, Washington, United States[a, b]	2014	3,246	(3,582)	1,952
	2013	2,727	(973)	2,728
Hellenic Telecommunications Organization S.A. (OTE), Athens, Greece[a]	2014	1,135	(442)	(438)
	2013	1,290	297	(976)
Magyar Telekom Public Limited Company, Budapest, Hungary[a, b]	2014	482	(219)	(50)
	2013	471	(234)	(64)
T-Mobile Czech Republic a.s., Prague, Czech Republic[a, b]	2014	–	–	–
	2013	343	(246)	(267)
Hrvatski Telekom d.d., Zagreb, Croatia[a, b]	2014	320	(163)	(122)
	2013	315	(196)	(223)
Slovak Telekom a.s., Bratislava, Slovakia[a, b]	2014	275	(319)	(25)
	2013	297	(362)	(71)

[a] Consolidated subgroup.
[b] Indirect shareholding of Deutsche Telekom AG.
[c] IFRS figures of the respective subgroup.

STRUCTURED ENTITIES

Deutsche Telekom processes factoring transactions by means of structured entities (see Note 37 “Financial instruments and risk management,” PAGE 248 ET SEQ.).

T-Mobile USA Tower LLC and T-Mobile West Tower LLC, which are included in Deutsche Telekom’s consolidated statement of financial position as investments accounted for using the equity method, are also structured entities (see Note 7 “Investments accounted for using the equity method,” PAGE 211 ET SEQ.).

JOINT OPERATIONS

On the basis of a contractual arrangement concluded by T-Mobile Polska S.A., Poland, Deutsche Telekom combined the activities for the planning, building, and operation of the Polish mobile communications network with a partner in 2011 to generate savings. Deutsche Telekom discloses the corresponding assets in line with the economic substance allocable to its share (50 percent) in the consolidated statement of financial position.

CURRENCY TRANSLATION

Foreign-currency transactions are translated into the functional currency at the exchange rate at the date of transaction. At the reporting date, monetary items are translated at the closing rate, and non-monetary items are translated at the exchange rate at the date of transaction. Exchange rate differences are recognized in profit or loss.

The assets and liabilities of Group entities whose functional currency is not the euro are translated into euros from the local currency using the middle rates at the reporting date. The middle rates are the monthly average of the bid and ask rates. The income statements and corresponding profit or loss of foreign-currency denominated Group entities are translated at average exchange rates for the period. The differences that arise from the use of both rates are recognized directly in equity.

The exchange rates of certain significant currencies changed as follows:

T 074

€

	Annual average rate			Rate at the reporting date	
	2014	2013	2012	Dec. 31, 2014	Dec. 31, 2013
100 Czech korunas (CZK)	3.63124	3.85018	3.97740	3.60844	3.64929
1 Pound sterling (GBP)	1.24035	1.17714	1.23292	1.28428	1.20086
100 Croatian kuna (HRK)	13.09950	13.19720	13.29600	13.06000	13.12490
1,000 Hungarian forints (HUF)	3.23940	3.36771	3.45820	3.17153	3.36594
100 Macedonian denars (MKD)	1.62380	1.61831	1.62376	1.62669	1.62712
100 Polish zlotys (PLN)	23.89430	23.82270	23.89580	23.35810	24.08060
1 U.S. dollar (USD)	0.75241	0.75289	0.77820	0.82300	0.72597

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents have an original maturity of less than three months and mainly comprise fixed-term bank deposits. They also include small amounts of cash-in-hand and checks. Deutsche Telekom obtained cash collateral of EUR 486 million (December 31, 2013: EUR 40 million) on the basis of collateral contracts as surety for potential credit risks arising from derivative transactions.

In the reporting period, cash and cash equivalents decreased by EUR 0.4 billion to EUR 7.5 billion. For further details, please refer to the consolidated statement of cash flows in Note 31, PAGES 238 and 239.

As of December 31, 2014, Deutsche Telekom reported cash and cash equivalents of EUR 32 million held by subsidiaries in the F.Y.R.O. Macedonia (December 31, 2013: EUR 23 million). These subsidiaries are subject to foreign exchange controls or other legal restrictions. As a result, the cash balances are not fully available for use by the parent or other Group companies.

2 TRADE AND OTHER RECEIVABLES

T 075

millions of €

	Dec. 31, 2014	Dec. 31, 2013
Trade receivables	10,262	7,580
Other receivables	192	132
	10,454	**7,712**

Of the total of trade and other receivables, EUR 8,897 million (December 31, 2013: EUR 6,735 million) is due within one year.

The development in receivables is largely attributable to customer growth and an increased percentage of terminal equipment sold under installment plans in the United States operating segment. This results from the strategy pursued by T-Mobile US to no longer sell terminal equipment at a subsidized price, but on the basis of installment plans, for example.

TABLE 076 shows the maturity structure of the trade receivables that are not impaired at the reporting date:

T 076

millions of €

Trade receivables	Of which: neither impaired nor past due on the reporting date	Of which: not impaired on the reporting date and past due in the following periods					
		Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
As of Dec. 31, 2014	3,226	421	116	64	73	63	46
As of Dec. 31, 2013	2,816	661	82	51	75	106	77

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The allowances on trade receivables developed as follows:

T 077

millions of €

	2014	2013
ALLOWANCES AS OF JANUARY 1	**1,344**	**1,316**
Currency translation adjustments	15	(15)
Additions (allowances recognized as expense)	641	642
Use	(410)	(479)
Reversal	(222)	(120)
ALLOWANCES AS OF DECEMBER 31	**1,368**	**1,344**

TABLE 078 presents expenses for the full write-off of trade receivables as well as income from recoveries on trade receivables written off:

T 078

millions of €

	2014	2013	2012
Expenses for full write-off of receivables	352	129	138
Income from recoveries on receivables written off	254	46	103

All income and expenses relating to allowances and write-offs of trade receivables are reported under selling expenses.

3 INVENTORIES

T 079

millions of €

	Dec. 31, 2014	Dec. 31, 2013
Raw materials and supplies	65	75
Work in process	24	40
Finished goods and merchandise	1,414	947
	1,503	**1,062**

Of the inventories reported as of December 31, 2014, write-downs of EUR 57 million (2013: EUR 46 million, 2012: EUR 58 million) on the net realizable value were recognized in profit or loss.

The carrying amount of inventories recognized as expense amounted to EUR 8,237 million (2013: EUR 6,470 million, 2012: EUR 5,519 million).

The finished goods and merchandise primarily comprise retail products (e.g., terminal equipment and accessories) not manufactured by ourselves, and services rendered but not yet invoiced, primarily to business customers.

4 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

As of December 31, 2014, current assets recognized in the consolidated statement of financial position included EUR 5.9 billion in non-current assets and disposal groups held for sale. The increase of EUR 4.8 billion compared with December 31, 2013 results primarily from the following effect:

Since December 2014, Deutsche Telekom and Orange S.A., Paris, France, have been conducting negotiations with BT Group PLC, London, United Kingdom, for the sale of their respective 50-percent stakes in the EE joint venture. The sale agreement was signed on February 5, 2015. The transaction is yet to be approved by BT's shareholders and the responsible authorities. The transaction is expected to be closed before the end of March 2016. The EE joint venture had previously been included in the consolidated financial statements of Deutsche Telekom and accounted for using the equity method. It is reported in the Group Headquarters & Group Services segment.

By contrast, non-current assets and disposal groups held for sale as of December 31, 2014 no longer included T-Mobile US spectrum licenses in the amount of EUR 0.6 billion and assets of the Scout24 group in the amount of EUR 0.3 billion. Both of these transactions were completed in the 2014 financial year.

Reversals of impairments of the carrying amounts of the non-current assets and disposal groups held for sale were not material.

T 080

millions of €

	Dec. 31, 2014			
	EE	Deutsche Telekom AG real estate	Other	Total
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE				
Other current assets	–	–	5	**5**
Intangible assets	–	–	39	**39**
Property, plant and equipment	–	95	12	**107**
Investments accounted for using the equity method	5,727	–	–	**5,727**
TOTAL	**5,727**	**95**	**56**	**5,878**

The decrease of EUR 0.1 billion in liabilities directly associated with non-current assets and disposal groups held for sale is a result of the completion of the sale of the Scout24 group.

In accordance with IFRS 5, the following assets and disposal groups were no longer recognized at their carrying amounts, but at their fair value less costs of disposal as of December 31, 2014.

T 081

millions of €

	Dec. 31, 2014			
	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable	Total
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE				
Deutsche Telekom AG real estate	–	–	75	**75**

Deutsche Telekom AG's real estate held for sale relates to sites no longer considered to be necessary for operations. The fair values are determined by means of external expert opinions. The fair value is measured on a regular basis using the earnings value method, taking into account local market estimates and specific characteristics of the property, including input parameters that cannot be observed in the market. The expected costs of disposal (currently usually around 10 percent of the fair value) are subtracted. The property is recognized at the lower of the carrying amount and fair value less costs of disposal. The real estate was written down by EUR 0.1 billion to the fair value less costs of disposal. The expense was recognized under other operating expenses.

5 INTANGIBLE ASSETS

T 082

millions of €

	Internally generated intangible assets	Acquired intangible assets		
		Total	Acquired concessions, industrial and similar rights and assets	LTE licenses
COST				
AT DECEMBER 31, 2012	**3,602**	**46,913**	**839**	**1,355**
Currency translation	(83)	(1,310)	(12)	0
Changes in the composition of the Group	0	3,654	104	0
Other changes	0	0	0	0
Additions	112	1,262	214	20
Disposals	456	1,151	30	0
Change from non-current assets and disposal groups held for sale	(18)	(1,165)	(119)	0
Reclassifications	961	2,268	10	1,075
AT DECEMBER 31, 2013	**4,118**	**50,471**	**1,006**	**2,450**
Currency translation	272	3,714	22	(19)
Changes in the composition of the Group	3	248	12	0
Other changes	0	0	0	0
Additions	93	4,577	117	320
Disposals	551	1,249	43	1
Change from non-current assets and disposal groups held for sale	(1)	(856)	0	0
Reclassifications	851	1,919	24	918
AT DECEMBER 31, 2014	**4,785**	**58,824**	**1,138**	**3,668**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES				
AT DECEMBER 31, 2012	**2,352**	**22,173**	**614**	**158**
Currency translation	(63)	(432)	(2)	0
Changes in the composition of the Group	0	(331)	(71)	0
Additions (amortization)	995	2,460	52	146
Additions (impairment)	0	116	1	0
Disposals	454	1,131	29	0
Change from non-current assets and disposal groups held for sale	(11)	(438)	0	0
Reclassifications	1	16	2	10
AT DECEMBER 31, 2013	**2,820**	**22,433**	**567**	**314**
Currency translation	206	965	1	(1)
Changes in the composition of the Group	0	(14)	0	0
Additions (amortization)	842	2,956	87	216
Additions (impairment)	3	11	0	0
Disposals	551	1,215	42	1
Change from non-current assets and disposal groups held for sale	(1)	(47)	0	0
Reclassifications	(226)	231	6	14
Reversal of impairment losses	0	(4)	0	0
AT DECEMBER 31, 2014	**3,093**	**25,316**	**619**	**542**
NET CARRYING AMOUNTS				
At December 31, 2013	1,298	28,038	439	2,136
AT DECEMBER 31, 2014	**1,692**	**33,508**	**519**	**3,126**

Acquired intangible assets				Goodwill	Advance payments and intangible assets under development	
UMTS licenses	GSM licenses	FCC licenses (T-Mobile US)	Other acquired intangible assets			Total
10,048	**1,777**	**20,045**	**12,849**	**27,494**	**1,417**	**79,426**
(18)	(19)	(1,012)	(249)	(565)	(13)	(1,971)
(16)	(85)	2,920	731	1	(6)	3,649
0	0	0	0	0	0	0
13	174	271	570	984	3,859	6,217
32	365	0	724	2	63	1,672
0	0	(940)	(106)	(298)	(14)	(1,495)
(7)	(32)	0	1,222	0	(3,111)	118
9,988	**1,450**	**21,284**	**14,293**	**27,614**	**2,069**	**84,272**
(10)	(14)	3,272	463	1,196	22	5,204
0	0	0	236	0	3	254
0	0	0	0	0	0	0
0	0	3,551	589	176	2,319	7,165
0	52	0	1,153	0	20	1,820
0	0	(854)	(2)	0	0	(857)
(49)	(93)	0	1,119	0	(2,705)	65
9,929	**1,291**	**27,253**	**15,545**	**28,986**	**1,688**	**94,283**
5,196	**1,211**	**5,694**	**9,300**	**13,054**	**0**	**37,579**
(7)	(17)	(245)	(161)	(410)	0	(905)
3	(29)	0	(234)	0	0	(331)
603	105	0	1,554	0	0	3,455
0	0	104	11	605	0	721
32	351	0	719	0	0	1,585
0	0	(343)	(95)	(197)	0	(646)
(5)	(10)	0	19	0	0	17
5,758	**909**	**5,210**	**9,675**	**13,052**	**0**	**38,305**
(5)	(5)	696	279	1,206	0	2,377
0	0	0	(14)	0	0	(14)
597	76	0	1,980	0	0	3,798
0	0	10	1	51	0	65
0	52	0	1,120	0	0	1,766
0	0	(44)	(3)	0	0	(48)
(8)	(4)	0	223	0	0	5
0	0	(4)	0	0	0	(4)
6,342	**924**	**5,868**	**11,021**	**14,309**	**0**	**42,718**
4,230	541	16,074	4,618	14,562	2,069	45,967
3,587	**367**	**21,385**	**4,524**	**14,677**	**1,688**	**51,565**

The net carrying amount of the UMTS licenses of EUR 3.6 billion mainly relates to the Germany operating segment. T-Mobile US acquired and exchanged mobile licenses in the 2014 financial year. These transactions primarily comprise the acquisition of licenses from and the exchange of licenses with Verizon Communications totaling EUR 3.3 billion, both completed in April 2014. These licenses were included in additions (see also Note 20 "Other operating income," PAGE 230).

Deutsche Telekom had commitments for the acquisition of intangible assets in the amount of EUR 1.0 billion (December 31, 2013: EUR 0.7 billion) as of the reporting date. The increase is mainly attributable to an obligation for T-Mobile US to buy mobile licenses.

The **carrying amount of goodwill** is allocated to the operating segments, the Group Headquarters & Group Services segment and cash-generating units as follows:

T 083

millions of €

	Dec. 31, 2014	Dec. 31, 2013[a]
GERMANY	**3,978**	**3,977**
UNITED STATES	**1,028**	**907**
EUROPE	**6,580**	**6,576**
Of which: Poland	1,578	1,573
Netherlands	1,312	1,312
Hungary	994	1,055
Czech Republic	707	674
Croatia	493	484
Slovakia	428	428
Greece – Mobile communications	422	422
Austria	324	324
Romania – Mobile communications	122	144
F.Y.R.O. Macedonia	52	52
International Carrier Sales & Solutions	102	62
Other	46	46
SYSTEMS SOLUTIONS	**3,091**	**3,074**
GROUP HEADQUARTERS & GROUP SERVICES	**0**	**28**
Of which: Digital Business Unit	0	28
	14,677	**14,562**

[a] The prior-year comparatives were adjusted retrospectively due to the change in disclosure of local business units.

In the 2014 financial year, the main changes in the carrying amounts of goodwill at cash-generating units were as follows:

United States. The increase in goodwill of EUR 0.1 billion compared with December 31, 2013 results from exchange rate effects.

Europe. Goodwill from the acquisition of the GTS Central Europe group was assigned to the cash-generating units as follows: Poland accounts for EUR 54 million, the Czech Republic for EUR 41 million, and International Carrier Sales & Solutions for EUR 40 million. The following effects also had an impact: In Poland the increase attributable to the acquisition of GTS was offset by exchange rate effects. The decline in Hungary is due to exchange rate effects.

Disclosures on annual impairment tests. Deutsche Telekom performed its annual impairment tests for the goodwill assigned to the cash-generating units as of December 31, 2014. A need for impairment of EUR 51 million in total was identified at the cash-generating units Digital Business Unit in the Group Headquarters & Group Services segment (EUR 29 million) and Romania – Mobile communications (EUR 22 million) as of December 31, 2014 on the basis of information available at the reporting date and expectations with respect to the future development of the market and competitive environment. The impairment loss recognized on goodwill at the cash-generating unit Digital Business Unit is attributable to a restructuring initiative resulting in lower cash flows with a higher risk involved. The Romania – Mobile communications cash-generating unit was affected in particular by intensified competition and a generally difficult market situation.

The recoverable amounts to be identified for the impairment test were determined on the basis of the fair values less costs of disposal. These values were calculated using the net present value method. The main parameters are shown in the TABLES 084 and 085. The recoverable amount (prior to the deduction of net debt) for Romania – Mobile communications was EUR 782 million, whereas the recoverable amount for Group Headquarters & Group Services was EUR 164 million. The values were calculated according to IFRS 13 using Level 3 input parameters (i.e., unobservable input parameters).

The recoverable amount used for the impairment tests carried out at a cash-generating unit in the 2014 financial year is generally its fair value less costs of disposal. The recoverable amount at the Croatia cash-generating unit, by contrast, was determined on the basis of the value in use, since, in this case, it is higher than the fair value. The market price of an active and liquid market (share price) of T-Mobile US was used to determine the fair value less costs of disposal in the case of the United States cash-generating unit. The measurements of all other cash-generating units are generally founded on projections that are based on financial plans that have been approved by management and are also used for internal purposes. The planning horizon selected reflects the assumptions for short- to medium-term market developments and is selected to achieve a steady state in the business outlook that is necessary for calculating the perpetual annuity. This steady state can only be established based on this planning horizon, in particular due to the sometimes long investment cycles in the telecommunications industry and the investments planned and expected in the long run to acquire and extend the rights of spectrum use. Cash flows beyond the internal mid-term planning are extrapolated using appropriate growth rates. The key assumptions on which management has based its determination of the recoverable amount include the following assumptions that were primarily derived from internal sources and are based on past experience and extended to include internal expectations, and that are underscored by external market data and estimates: development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, and growth rates. Discount rates are determined on the basis of external figures derived from the market, taking account of the market risks associated with the cash-generating unit. Any significant future changes in the aforementioned assumptions would have an impact on the fair values of the cash-generating units. Any changes in the assumptions may have a negative impact, as a result of the future macroeconomic trends, continued intense competition, further possible legislation changes (e.g., as part of national austerity programs), and regulatory intervention.

The following TABLES 084 and 085 provide an overview of the period for the cash flow projections, the growth rates used for cash flow projections, the discount rates applied to the cash flow projections, and the classification of the input parameters (levels) allocated to the recoverable amounts in accordance with IFRS 13. They show the most significant cash-generating units to which goodwill has been allocated.

T 084

	Parameters as of December 31, 2014			
	Projection period (years)	Growth rates %	Discount rates %	Level allocation of input parameters
GERMANY	**10**	**1.0**	**6.14**	**3**
UNITED STATES	**–**	**–**	**–**	**1**
EUROPE				
Poland	10	2.0	7.54	3
Netherlands	10	2.0	6.47	3
Hungary	10	2.0	6.81	3
Czech Republic	10	2.0	7.52	3
Croatia	10	2.0	8.63 [a]	–
Slovakia	10	2.0	6.88	3
Greece – Mobile communications	10	2.0	9.50	3
Austria	10	2.0	6.50	3
Romania – Mobile communications	10	2.0	9.52	3
F.Y.R.O. Macedonia	10	2.0	9.29	3
International Carrier Sales & Solutions	10	2.0	5.68	3
Other cash-generating units	10	1.5–2.0	8.85–9.71	3
SYSTEMS SOLUTIONS	**10**	**1.5**	**7.80**	**3**
GROUP HEADQUARTERS & GROUP SERVICES				
Digital Business Unit	10	0.5	9.84	3

[a] Discount rate before taxes due to the determination of the value in use. The discount rate after taxes is 6.97 percent.

T 085

	Parameters as of December 31, 2013			
	Projection period (years)	Growth rates %	Discount rates %	Level allocation of input parameters
GERMANY	**10**	**1.0**	**6.23**	**3**
UNITED STATES	**–**	**–**	**–**	**1**
EUROPE				
Poland	10	2.0	7.75	3
Netherlands	10	2.0	6.76	3
Hungary	10	2.0	7.15	3
Czech Republic	10	2.0	7.73	3
Croatia	10	2.0	8.78 [a]	–
Slovakia	10	2.0	7.11	3
Greece – Mobile communications	10	2.0	10.48	3
Austria	10	2.0	6.86	3
Romania – Mobile communications	10	2.0	9.70	3
F.Y.R.O. Macedonia	10	2.0	9.79	3
International Carrier Sales & Solutions	10	2.0	5.82	3
Other cash-generating units	10	1.5–2.0	9.14–10.18	3
SYSTEMS SOLUTIONS	**10**	**1.5**	**7.97**	**3**
GROUP HEADQUARTERS & GROUP SERVICES				
Digital Business Unit	10	0.5	9.48	3

[a] Discount rate before taxes due to the determination of the value in use. The discount rate after taxes is 7.27 percent.

If the net cash flows, discount rates, or growth rates used for impairment testing had been 0.5 percentage points higher or lower for the projection period, this would not have resulted in significantly higher or lower impairment losses, respectively.

6 PROPERTY, PLANT AND EQUIPMENT

T 086

millions of €

	Land and equivalent rights, and buildings including buildings on land owned by third parties	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and construction in progress	Total
COST					
AT DECEMBER 31, 2012	**19,134**	**102,496**	**7,711**	**2,857**	**132,198**
Currency translation	(133)	(879)	(103)	(51)	(1,166)
Changes in the composition of the Group	(394)	188	313	49	156
Additions	199	2,483	462	3,999	7,143
Disposals	353	3,684	720	76	4,833
Change from non-current assets and disposal groups held for sale	(304)	(117)	(52)	(2)	(475)
Reclassifications	281	3,706	248	(4,353)	(118)
AT DECEMBER 31, 2013	**18,430**	**104,193**	**7,859**	**2,423**	**132,905**
Currency translation	176	1,997	167	123	2,463
Changes in the composition of the Group	84	324	95	19	522
Additions	153	2,895	475	4,393	7,916
Disposals	148	3,544	590	72	4,354
Change from non-current assets and disposal groups held for sale	(326)	(32)	(4)	(2)	(364)
Reclassifications	275	3,210	330	(3,880)	(65)
AT DECEMBER 31, 2014	**18,644**	**109,043**	**8,332**	**3,004**	**139,023**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
AT DECEMBER 31, 2012	**10,129**	**79,000**	**5,635**	**27**	**94,791**
Currency translation	(77)	(560)	(78)	0	(715)
Changes in the composition of the Group	(211)	(454)	121	0	(544)
Additions (depreciation)	700	5,189	722	0	6,611
Additions (impairment)	96	12	6	2	116
Disposals	245	3,484	636	1	4,366
Change from non-current assets and disposal groups held for sale	(240)	(100)	(37)	(1)	(378)
Reclassifications	48	(42)	(23)	0	(17)
Reversal of impairment losses	(20)	0	0	0	(20)
AT DECEMBER 31, 2013	**10,180**	**79,561**	**5,710**	**27**	**95,478**
Currency translation	135	1,220	124	1	1,480
Changes in the composition of the Group	0	102	(1)	0	101
Additions (depreciation)	683	5,265	685	0	6,633
Additions (impairment)	59	13	1	2	75
Disposals	90	3,435	518	1	4,044
Change from non-current assets and disposal groups held for sale	(254)	(33)	(3)	(2)	(292)
Reclassifications	(1)	(17)	13	0	(5)
Reversal of impairment losses	(18)	(1)	0	0	(19)
AT DECEMBER 31, 2014	**10,694**	**82,675**	**6,011**	**27**	**99,407**
NET CARRYING AMOUNTS					
At December 31, 2013	8,250	24,632	2,149	2,396	37,427
AT DECEMBER 31, 2014	**7,950**	**26,368**	**2,321**	**2,977**	**39,616**

For further details on depreciation, amortization and impairment losses, please refer to Note 30 "Depreciation, amortization and impairment losses," PAGE 237.

Restoration obligations of EUR 0.2 billion were recognized as of December 31, 2014 (December 31, 2013: EUR 0.3 billion). Deutsche Telekom had commitments for the acquisition of property, plant and equipment in the amount of EUR 2.1 billion (December 31, 2013: EUR 1.1 billion) as of the reporting date. The increase is mainly attributable to the build-out of the mobile network in the United States operating segment (EUR 0.6 billion) and in the Germany operating segment (EUR 0.2 billion).

7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Significant investments in entities accounted for using the equity method are as follows:

T 087

	Deutsche Telekom share		Percentage of voting rights		Assigned to segment	Fair value of the investment, if a listed market price is available	
Name and registered office	Dec. 31, 2014 %	Dec. 31, 2013 %	Dec. 31, 2014 %	Dec. 31, 2013 %		Dec. 31, 2014 millions of €	Dec. 31, 2013 millions of €
Asa NewCo GmbH, Munich, Germany [a]	28.24	–	28.24	–	Group Headquarters & Group Services	–	–
Hrvatske telekomunikacije d.d. Mostar, Mostar, Bosnia-Herzegovina [b]	39.10	39.10	39.10	39.10	Europe	38	41
T-Mobile USA Tower LLC, Wilmington, United States [c]	100.00	100.00	100.00	100.00	United States	–	–
T-Mobile West Tower LLC, Wilmington, United States [c]	100.00	100.00	100.00	100.00	United States	–	–
Toll Collect GmbH, Berlin, Germany	45.00	45.00	45.00	45.00	Systems Solutions	–	–

[a] Further shares totaling 1.76 % in Scout24 Holding GmbH, which was sold in the reporting year, are held indirectly via Scout Lux Management Equity Co S.a.r.l.
[b] Indirect shareholding via Hrvatski Telekom d.d., Croatia (Deutsche Telekom AG's share: 51.00 %).
[c] Indirect shareholding via T-Mobile US, Inc., United States (Deutsche Telekom AG's share: 66.29 %).

All entities are accounted for using the equity method.

Description of the nature of the activities of the joint arrangement or associate

Following the sale of the stake in Scout24 Holding GmbH in the 2014 financial year, Deutsche Telekom's remaining shares are held by Asa NewCo GmbH.

Hrvatske telekomunikacije d.d. provides mobile and fixed-network communications services in Bosnia-Herzegovina.

T-Mobile USA Tower LLC and T-Mobile West Tower LLC are structured entities founded by T-Mobile US in each of which it holds a 100-percent stake for the purpose of contributing cell sites in accordance with a framework agreement signed in 2012 between T-Mobile US and Crown Castle International Corp., Houston, United States concerning the leasing and use of the cell sites. The sole right to continue to use and lease out these sites was transferred to Crown Castle. T-Mobile US will continue to operate its mobile equipment on these cell towers and, to this end, lease back the required capacity from Crown Castle. Previously unused infrastructure is thus available for Crown Castle to lease to third parties. In return, the owners of the land on which the cell towers are built will no longer receive lease payments from T-Mobile US for those cell towers which were contributed to the two associates and those that were disposed of. Both entities were deconsolidated as of the date of the closing of the transaction in 2012, because Crown Castle independently operates the cell sites, generates revenues from the lease out of the sites for an average of 28 years and determines the finance and business activities of both entities that are relevant for consolidation purposes. It is expected that the leasing tower space allows Crown Castle to generate sufficient ongoing profits and cash flows to be able to meet its contractual obligations. The majority of voting rights is therefore not the relevant criterion for establishing control. As a result, it was determined that Deutsche Telekom has only significant influence and these entities have been included in Deutsche Telekom's consolidated group as associates. Under certain conditions, T-Mobile US will continue to be held liable for any default in the lease payment by Crown Castle to the owners of the underlying land of the cell sites. The agreement includes a considerably low maximum guarantee amount for Deutsche Telekom, since in the unlikely event that this case occurs, T-Mobile US could take over the further use of the relevant cell sites or alternatively terminate the contracts with the owners of the cell site land at short notice. At closing T-Mobile US established an immaterial cash reserve in the entities sufficient to fund the payment of ongoing administrative expenses not payable by Crown Castle. Aside from the guarantee and the payment of administrative expenses there is no other funding obligation by T-Mobile US.

Toll Collect GmbH operates the highway toll system in Germany.

The following TABLES 088 and 089 provide summarized financial information on the main companies included in the consolidated financial statements and accounted for using the equity method. The data is not based on the portions attributable to the Deutsche Telekom Group, but represents the shareholdings on a 100-percent basis.

Summarized financial information on significant joint ventures accounted for using the equity method

T 088

millions of €

	HT Mostar d.d.		Toll Collect GmbH	
	Dec. 31, 2014/2014	Dec. 31, 2013/2013	Dec. 31, 2014/2014	Dec. 31, 2013/2013
Current assets	41	38	557	557
Of which: cash and cash equivalents	1	1	76	54
Non-current assets	171	186	136	53
Current liabilities	34	42	805	523
Of which: financial liabilities	2	5	20	0
Non-current liabilities	6	10	2	62
Of which: financial liabilities	1	3	0	60
Net revenue	119	120	433	410
Interest income	0	2	5	8
Interest expense	0	(1)	(5)	(6)
Income taxes	0	1	(33)	21
Profit (loss)	5	7	(139)	2
Other comprehensive income	0	0	0	0
Total comprehensive income	5	7	(139)	2
Depreciation and amortization	(250)	(31)	(2)	(2)
Dividends paid to Deutsche Telekom	2	3	0	0

Summarized financial information on significant associates accounted for using the equity method

T 089

millions of €

	Asa NewCo GmbH		T-Mobile USA Tower LLC		T-Mobile West Tower LLC	
	Dec. 31, 2014/2014	Dec. 31, 2013/2013	Dec. 31, 2014/2014	Dec. 31, 2013/2013	Dec. 31, 2014/2014	Dec. 31, 2013/2013
Current assets	63	–	0	0	0	0
Non-current assets	2,127	–	60	75	91	86
Current liabilities	94	–	0	0	0	0
Non-current liabilities	1,037	–	0	0	0	0
Net revenue	306	–	0	0	0	0
Profit (loss)	(39)	–	0	0	0	0
Other comprehensive income	2	–	0	0	0	0
Total comprehensive income	(37)	–	0	0	0	0
Dividends paid to Deutsche Telekom	0	–	38	0	79	0

Reconciliation to the carrying amount included in Deutsche Telekom's consolidated statement of financial position as of December 31, 2014

T 090

millions of €

	HT Mostar d.d.		Toll Collect GmbH	
	2014	2013	2014	2013
NET ASSETS AS OF JANUARY 1	**172**	**172**	**25**	**23**
Profit (loss)	5	7	(139)	2
Other comprehensive income	0	0	0	0
Dividends paid	(5)	(7)	0	0
Exchange rate effects	0	0	0	0
NET ASSETS AS OF DECEMBER 31	**172**	**172**	**(114)**	**25**
SHARE OF NET ASSETS ATTRIBUTABLE TO DEUTSCHE TELEKOM AS OF DECEMBER 31	**66**	**67**	**(57)**	**13**
Adjustment of carrying amount	0	0	57	0
Other reconciliation effects	(15)	(15)	0	0
CARRYING AMOUNT AS OF DECEMBER 31	**51**	**52**	**0**	**13**

T 091

millions of €

	Asa NewCo GmbH		T-Mobile USA Tower LLC		T-Mobile West Tower LLC	
	2014[a]	2013	2014	2013	2014	2013
NET ASSETS AS OF JANUARY 1	**1,096**	**–**	**75**	**79**	**86**	**90**
Profit (loss)	(39)	–	0	0	0	0
Other comprehensive income	2	–	0	0	0	0
Dividends paid	0	–	(38)	0	(79)	0
Capital increase	0	–	13	0	73	0
Exchange rate effects	0	–	10	(4)	11	(4)
NET ASSETS AS OF DECEMBER 31	**1,059**	**–**	**60**	**75**	**91**	**86**
SHARE OF NET ASSETS ATTRIBUTABLE TO DEUTSCHE TELEKOM AS OF DECEMBER 31	**309**	**–**	**60**	**75**	**91**	**86**
Adjustment of carrying amount	0	–	0	0	0	0
Other reconciliation effects	0	–	0	0	0	0
CARRYING AMOUNT AS OF DECEMBER 31	**309**	**–**	**60**	**75**	**91**	**86**

[a] Asa NewCo GmbH has been included in the consolidated statement of financial position since February 12, 2014 as an investment accounted for using the equity method.

Dividends paid by T-Mobile USA Tower LLC of EUR 38 million and by T-Mobile West Tower LLC of EUR 79 million to T-Mobile US in the 2014 financial year were based on contractual agreements from 2012. These dividend payments are directly related to the contribution of further T-Mobile US cell towers to both companies. The contribution is disclosed as a capital increase.

Deutsche Telekom did not report losses in connection with investments accounted for using the equity method of EUR 57 million (2013: EUR 0 million) because it has no obligation to offset these losses.

Summarized aggregate financial information on non-significant investments accounted for using the equity method

The figures relate to the interests attributable to Deutsche Telekom.

T 092

millions of €

	Joint ventures		Associates	
	Dec. 31, 2014/ 2014	Dec. 31, 2013/ 2013	Dec. 31, 2014/ 2014	Dec. 31, 2013/ 2013
Total carrying amounts	14	24	92	73
Total interests				
Profit (loss)	(1)	1	(30)	(28)
Other comprehensive income	0	0	0	0
TOTAL COMPREHENSIVE INCOME	**(1)**	**1**	**(30)**	**(28)**

8 OTHER FINANCIAL ASSETS

T 093

millions of €

	Dec. 31, 2014		Dec. 31, 2013	
	Total	Of which: current	Total	Of which: current
Originated loans and receivables	3,224	2,632	2,672	2,347
Available-for-sale financial assets	683	224	652	110
Derivative financial assets	1,343	117	771	283
Held-to-maturity investments	10	3	12	5
	5,260	**2,976**	**4,107**	**2,745**

T 094

millions of €

Originated loans and receivables	Of which: neither impaired nor past due on the reporting date	Of which: not impaired on the reporting date and past due in the following periods: Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
As of Dec. 31, 2014							
Due within one year	1,836	53	29	33	37	1	1
Due after more than one year	590	–	–	–	–	–	1
As of Dec. 31, 2013							
Due within one year	2,283	9	3	3	0	1	2
Due after more than one year	324	–	–	–	–	–	1

With respect to the originated loans and receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

Receivables of EUR 527 million (December 31, 2013: EUR 941 million) were used in connection with collateral agreements as surety for potential credit risks arising from derivative transactions.

The available-for-sale financial assets include, among other assets, unquoted equity instruments whose fair values could not be reliably measured, and which were therefore recognized at cost in the amount of EUR 122 million as of December 31, 2014 (December 31, 2013: EUR 280 million). No plans existed as of the reporting date to sell these instruments.

9 OTHER ASSETS

Other assets mainly include deferred expenses of EUR 1.1 billion (December 31, 2013: EUR 1.1 billion).

10 FINANCIAL LIABILITIES

T 095

millions of €

	Dec. 31, 2014				Dec. 31, 2013			
	Total	Due within 1 year	Due >1 year ≤ 5 years	Due > 5 years	Total	Due within 1 year	Due >1 year ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	**44,219**	**5,425**	**13,890**	**24,904**	**40,535**	**3,315**	**13,676**	**23,544**
Of which: bonds	32,751	3,250	9,333	20,168	28,211	545	9,531	18,135
Of which: commercial paper, medium-term notes and similar liabilities	11,468	2,175	4,557	4,736	12,324	2,770	4,145	5,409
Liabilities to banks	**3,676**	**1,369**	**1,934**	**373**	**4,105**	**1,721**	**2,185**	**199**
Of which: promissory notes	520	140	193	187	1,689	1,227	332	130
Of which: loans from the European Investment Bank	2,110	493	1,617	–	1,760	10	1,750	–
Of which: other loans	1,046	736	124	186	656	484	103	69
	47,895	**6,794**	**15,824**	**25,277**	**44,640**	**5,036**	**15,861**	**23,743**
Finance lease liabilities	1,461	180	570	711	1,446	162	550	734
Liabilities to non-banks from promissory notes	946	40	647	259	1,072	127	529	416
Other interest-bearing liabilities	1,775	1,196	392	187	891	577	210	104
Other non-interest-bearing liabilities	2,055	1,942	110	3	1,967	1,855	109	3
Derivative financial liabilities	1,095	406	442	247	1,583	134	594	855
	7,332	**3,764**	**2,161**	**1,407**	**6,959**	**2,855**	**1,992**	**2,112**
FINANCIAL LIABILITIES	**55,227**	**10,558**	**17,985**	**26,684**	**51,599**	**7,891**	**17,853**	**25,855**

Financial liabilities increased year-on-year by EUR 3.6 billion to a total of EUR 55.2 billion.

Deutsche Telekom has established ongoing liquidity management. To ensure the Group's and Deutsche Telekom AG's solvency and financial flexibility at all times, Deutsche Telekom maintains a liquidity reserve in the form of credit lines and cash. This liquidity reserve is to cover the capital market maturities of the next 24 months at any time.

In addition to the reported liabilities to banks, Deutsche Telekom had standardized bilateral credit agreements with 21 banks for a total of EUR 12.3 billion at December 31, 2014. EUR 0.2 billion of these had been utilized by December 31, 2014. Pursuant to the credit agreements, the terms and conditions depend on Deutsche Telekom's rating. The bilateral credit agreements have an original maturity of 36 months and can, after each period of twelve months, be extended by a further twelve months to renew the maturity of 36 months. From today's perspective, access to the international debt capital markets is not jeopardized. In the 2014 financial year, T-Mobile US issued bonds with a total volume of USD 3 billion. One bond with a value of USD 1 billion was repaid ahead of time. In December 2014, T-Mobile US issued Mandatory Convertible Preferred Stock with a volume of USD 1 billion, which after three years will be converted into T-Mobile US shares. The nominal volume of the Mandatory Convertible Preferred Stock is shown under bonds.

TABLES 096 and 097 show Deutsche Telekom's contractually agreed (undiscounted) interest payments and repayments of the non-derivative financial liabilities and the derivatives with positive and negative fair values:

T 096

millions of €

	Carrying amounts Dec. 31, 2014	Cash flows in 2015		
		Fixed interest rate	Variable interest rate	Repayment
NON-DERIVATIVE FINANCIAL LIABILITIES				
Bonds, other securitized liabilities, liabilities to banks and liabilities to non-banks from promissory notes and similar liabilities	(48,841)	(1,317)	(14)	(7,087)
Finance lease liabilities	(1,461)	(102)		(183)
Other interest-bearing liabilities	(1,775)	(80)	(6)	(1,197)
Other non-interest-bearing liabilities	(2,055)			(1,942)
DERIVATIVE FINANCIAL LIABILITIES AND ASSETS				
Derivative financial liabilities:				
Currency derivatives without a hedging relationship	(229)			(233)
Currency derivatives in connection with cash flow hedges	(9)			(10)
Currency derivatives in connection with net investment hedges	0			
Other derivatives without a hedging relationship	(15)			(6)
Interest rate derivatives without a hedging relationship	(420)	(131)	(8)	(68)
Interest rate derivatives in connection with fair value hedges	(8)	5	(1)	
Interest rate derivatives in connection with cash flow hedges	(414)	(37)	4	
Derivative financial assets:				
Currency derivatives without a hedging relationship	67			63
Currency derivatives in connection with cash flow hedges	4			4
Interest rate derivatives without a hedging relationship	584	24	26	20
Interest rate derivatives in connection with fair value hedges	222	218	(116)	
Interest rate derivatives in connection with cash flow hedges	282	22		
FINANCIAL GUARANTEES AND LOAN COMMITMENTS [a]	(1)			(339)

[a] For more detailed information, please refer to Note 37 "Financial instruments and risk management," PAGE 248 ET SEQ. In each case, the maximum payment at the earliest possible date of utilization is shown.

	Cash flows in 2016			Cash flows in 2017–2019			Cash flows in 2020–2024			Cash flows in 2025 and thereafter		
	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
	(2,146)	(13)	(4,812)	(5,307)	(13)	(9,794)	(5,116)		(17,379)	(3,563)		(8,929)
	(99)		(173)	(208)		(394)	(222)		(416)	(94)		(295)
	(12)		(255)	(53)		(137)	(73)		(106)	(21)		(81)
			(107)			(3)			(2)			(1)
			(4)			(6)						
	(47)	(3)		(31)	(26)	(25)	49	(49)		55	(73)	17
	5	(1)		5		(16)						
	(57)	5		(27)	4		148			110		137
	(8)	27	64	(19)	53	228	(12)	37		6	83	183
	214	(114)		472	(224)		477	(128)		1,017	(363)	
	22		42	72		47	80		129	47		72

T 097

millions of €

	Carrying amounts Dec. 31, 2013	Cash flows in 2014	2015	2016 – 2018	2019 – 2023	2024 and thereafter
NON-DERIVATIVE FINANCIAL LIABILITIES						
Bonds, other securitized liabilities, liabilities to banks and liabilities to non-banks from promissory notes and similar liabilities	(45,712)	(7,284)	(6,991)	(16,550)	(20,933)	(12,142)
Finance lease liabilities	(1,446)	(267)	(260)	(604)	(632)	(448)
Other interest-bearing liabilities	(891)	(581)	(117)	(109)	(128)	(35)
Other non-interest-bearing liabilities	(1,967)	(1,856)	(35)	(73)	(3)	
DERIVATIVE FINANCIAL LIABILITIES AND ASSETS						
Derivative financial liabilities:						
Currency derivatives without a hedging relationship	(39)	(43)				
Currency derivatives in connection with cash flow hedges	(3)	(1)	(1)			
Currency derivatives in connection with net investment hedges	–					
Interest rate derivatives without a hedging relationship	(542)	(138)	(68)	(100)	(2)	(97)
Interest rate derivatives in connection with fair value hedges	(276)	66	66	173	309	644
Interest rate derivatives in connection with cash flow hedges	(723)	(12)	(91)	(237)	70	(57)
Derivative financial assets:						
Currency derivatives without a hedging relationship	26	25				
Currency derivatives in connection with cash flow hedges	24	24				
Interest rate derivatives without a hedging relationship	412	218	115	3		32
Interest rate derivatives in connection with fair value hedges	62	43	48	57		
Interest rate derivatives in connection with cash flow hedges	89	10	10	69	140	55
FINANCIAL GUARANTEES AND LOAN COMMITMENTS [a]	(1)	(340)				

[a] For more detailed information, please refer to Note 37 "Financial instruments and risk management," PAGE 248 ET SEQ. In each case, the maximum payment at the earliest possible date of utilization is shown.

All instruments held at December 31, 2014 and for which payments were already contractually agreed were included. Planning data for future, new liabilities were not included. Amounts in foreign currency were each translated at the closing rate at the reporting date. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before December 31, 2014. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period. In accordance with § 2 (4) of the German Act on the Transformation of the Deutsche Bundespost Enterprises into the Legal Structure of Stock Corporation (Stock Corporation Transformation Act - Postumwandlungsgesetz), the Federal Republic is guarantor of all Deutsche Telekom AG's liabilities that were already outstanding as at January 1, 1995. At December 31, 2014, this figure was a nominal EUR 2.0 billion (December 31, 2013: EUR 2.1 billion). The Mandatory Convertible Preferred Stock issued by T-Mobile US in December 2014 (nominal volume of USD 1 billion, interest rate of 5.5 percent, term until 2017) is not included in the table above since T-Mobile US has the contractually agreed right to pay all interest in the form of shares. The repayment in the form of shares is mandatory.

11 TRADE AND OTHER PAYABLES

T 098

millions of €

	Dec. 31, 2014	Dec. 31, 2013
Trade payables	9,631	7,231
Other liabilities	50	28
	9,681	**7,259**

Of the total of trade and other payables, EUR 9,679 million (December 31, 2013: EUR 7,253 million) is due within one year.

12 PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

DEFINED BENEFIT PLANS

The Group's pension obligations are based on direct and indirect pension commitments mainly in Germany, Greece, and Switzerland. In addition, there are further obligations under Article 131 of the Basic Law (Grundgesetz – GG) in Germany.

Deutsche Telekom's pension obligations are as follows:

T 099

millions of €

	Dec. 31, 2014	Dec. 31, 2013
DEFINED BENEFIT LIABILITY	**8,465**	**7,006**
Defined benefit asset	(18)	(14)
NET DEFINED BENEFIT LIABILITY (ASSET)	**8,447**	**6,992**
Of which: provisions for direct commitments	8,023	6,698
Of which: provisions for indirect commitments	423	292
Of which: provisions for obligations in accordance with Article 131 GG	1	2

Defined benefit liabilities are disclosed under non-current liabilities in the consolidated statement of financial position. The defined benefit asset is recognized under other non-current assets in the consolidated statement of financial position.

Calculation of net defined benefit liabilities (assets):

T 100

millions of €

	Dec. 31, 2014	Dec. 31, 2013
Present value of the obligations fully or partially funded by plan assets	7,854	6,487
Plan assets at fair value	(2,498)	(1,973)
DEFINED BENEFIT OBLIGATIONS IN EXCESS OF PLAN ASSETS	**5,356**	**4,514**
Present value of the unfunded obligations	3,086	2,478
DEFINED BENEFIT LIABILITY (ASSET) ACCORDING TO IAS 19.63	**8,442**	**6,992**
Effect of asset ceiling (according to IAS 19.64)	5	–
NET DEFINED BENEFIT LIABILITY (ASSET)	**8,447**	**6,992**

T 101

millions of €

	2014	2013
NET DEFINED BENEFIT LIABILITY (ASSET) AS OF JANUARY 1	**6,992**	**7,295**
Service cost	220	160
Net interest expense (income) on the net defined benefit liability (asset)	225	228
Remeasurement effects	1,581	(48)
Pension benefits paid directly by the employer	(298)	(366)
Employer contributions to plan assets	(266)	(269)
Changes attributable to business combinations/transfers of operation/acquisitions and disposals	(8)	(7)
Administration costs actually incurred (paid from plan assets)	0	0
Exchange rate fluctuations for plans in foreign currency	1	(1)
NET DEFINED BENEFIT LIABILITY (ASSET) AS OF DECEMBER 31	**8,447**	**6,992**

Key assumptions for the measurement of the defined benefit obligations are the discount rate, the salary increase rate, the pension increase rate, and longevity. TABLE 102 shows the assumptions on which the measurement of defined benefit obligations as of December 31 are based. The assumptions made as of December 31 of the respective prior year are used to measure the expected pension expense (defined benefit cost) of a given financial year.

From 2014, the following figures for the plans in Switzerland relate to T-Systems Schweiz AG and T-Systems Data Migration Consulting AG (previously only T-Systems Schweiz AG).

Assumptions for the measurement of defined benefit obligations as of December 31:

T 102

%

		2014	2013	2012
Discount rate	Germany	1.89	3.29	3.26
	Switzerland	1.14	2.34	1.78
	Greece (OTE S.A.)	1.83 [a]/1.09 [b]	3.25 [a]/2.53 [b]	2.86 [a]/2.26 [b]
Salary increase rate	Germany	2.50	2.75	2.75
	Switzerland	1.25	1.50	1.50
	Greece (OTE S.A.)	1.00 [c]	1.00 [d]	1.00 [e]
Pension increase rate	Germany (general)	1.50	1.50	1.50
	Germany (according to articles of association)	1.00	1.00	1.00
	Switzerland	0.30	0.30	0.30
	Greece (OTE S.A.)	n. a.	n. a.	n. a.

[a] The discount rate relates to the plans for staff retirement indemnities and for phone credits (see the plan description, PAGE 223).
[b] The discount rate relates to the plan for youth accounts (see the plan description, PAGE 223).
[c] The following assumptions were made in 2014 concerning the salary increase rate in subsequent years: 2015: –1.00 percent, 2016: 0.00 percent, 2017: 0.00 percent, 2018: 11.00 percent. An increase of 1.00 percent is assumed for the years from 2019 onward.
[d] The following assumptions were made in 2013 concerning the salary increase rate in subsequent years: 2014: 0.97 percent, 2015: 9.69 percent, 2016: 0.00 percent. An increase of 1.00 percent was assumed for the years from 2017 onward.
[e] The following assumptions were made in 2012 concerning the salary increase rate for subsequent years: 2013: 0.97 percent, 2014: 0.97 percent, 2015: 9.69 percent, 2016: 0.00 percent. An increase of 1.00 percent was assumed for the years from 2017 onward.

T 103

Years

		Dec. 31, 2014	Dec. 31, 2013
Duration	Germany	14.5	13.7
	Switzerland	18.6	17.1
	Greece (OTE S.A.)	13.8 [a]/6.3 [b]	13.0 [a]/7.0 [b]

[a] The duration relates to the plans for staff retirement indemnities and for phone credits (see the plan description, PAGE 223).
[b] The duration relates to the plan for youth accounts (see the plan description, PAGE 223).

The following biometric assumptions were essential for the measurement of pension obligations:
Germany: Heubeck 2005G, Switzerland: BVG 2010 Generational, Greece (OTE S.A.): EVK2000.

The aforementioned discount rates were used as of December 31, 2014 when calculating the present value of defined benefit obligations, taking into account future salary increases. These discount rates were set in line with the average weighted duration of the respective obligation.

In the eurozone, the discount rate is determined based on the yields of high-quality European corporate bonds with AA rating, mapped in a yield curve showing the corresponding spot rates. In Switzerland, the discount rate was determined based upon swap yields for bonds with AAA rating. Such swaps that are of different durations are traded in higher volumes than Swiss government bonds. The yield curve derived from these swap yields comprises a credit risk that is too low for accounting purposes. So a further adjustment is made in the form of a risk premium on the yield curve (credit spread), which is derived from the limited volume of Swiss corporate bonds with AA rating.

Development of defined benefit obligations in the reporting year:

T 104

millions of €

	2014	2013
DEFINED BENEFIT OBLIGATIONS AS OF JANUARY 1	8,965	8,973
Current service cost	228	219
Interest cost	290	282
Remeasurement effects	1,783	(33)
Of which: experience-based adjustments	(6)	27
Of which: adjusted financial assumptions	1,789	(57)
Of which: adjusted demographic assumptions	–	(3)
Total benefits actually paid	(328)	(408)
Contributions by plan participants	5	5
Changes attributable to business combinations/ transfers of operation/acquisitions and disposals	(8)	(8)
Past service cost (due to plan amendments)	(3)	(64)
Past service cost (due to curtailments)	(8)	(8)
Settlements	3	13
Taxes to be paid as part of pensions	–	–
Exchange rate fluctuations for plans in foreign currency	13	(6)
DEFINED BENEFIT OBLIGATIONS AS OF DECEMBER 31	10,940	8,965
Of which: active plan participants	5,070	4,080
Of which: plan participants with vested pension rights who left the Group	1,980	1,528
Of which: benefit recipients	3,890	3,357

Taking the plan assets into consideration, the pension obligations were accounted for in full.

Distribution of obligations relating to Deutsche Telekom's most significant plans as of December 31, 2014:

T 105

millions of €

	Germany	Switzerland	Greece (OTE S.A.)	Other plans
Defined benefit obligations	10,082	227	292	339
Plan assets at fair value	(2,078)	(171)	–	(249)
Effect of asset ceiling	–	–	–	5
NET DEFINED BENEFIT LIABILITY (ASSET)	**8,004**	**56**	**292**	**95**

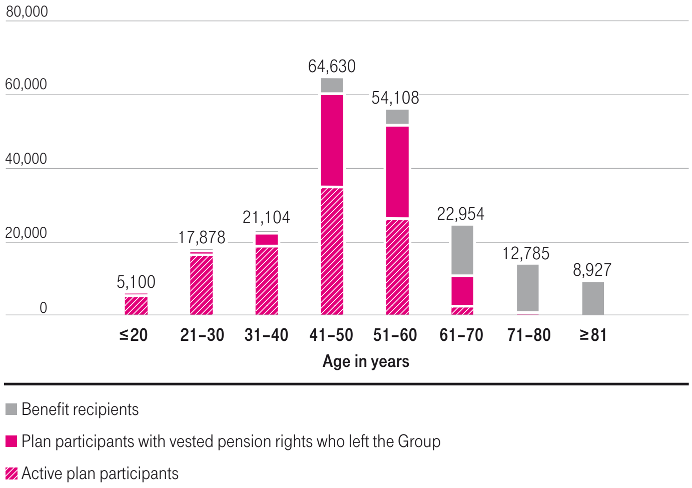
The following analyses in terms of age structure and sensitivity analysis, as well as descriptions of plans and the risks associated with them relate to Germany, Switzerland, and Greece (OTE S.A.).

Age structure:

Deutsche Telekom's most significant plans are subject to the following status-related age structure.

G 57

Age structure of plan participants in the most significant pension plans at Deutsche Telekom[a]



[a] Figures relating to Greece (OTE S.A.) include the staff retirement indemnities plan only.

Sensitivity analysis for the defined benefit obligations:

The following sensitivity analysis describes the effects of possible adjustments in the material actuarial assumptions for measurement on the defined benefit obligations determined as of December 31, 2014. A change in the measurement assumptions to the extent described below, with otherwise unchanged assumptions, would have impacted the defined benefit obligations as of December 31, 2014 as follows:

T 106

millions of €

	Increase (decrease) of the defined benefit obligations as of Dec. 31, 2014		
	Germany	Switzerland	Greece (OTE S.A.)
Increase of discount rate by 100 basis points	(1,239)	(29)	(30)
Decrease of discount rate by 100 basis points	1,530	37	36
Increase of salary increase rate by 50 basis points	7	4	18
Decrease of salary increase rate by 50 basis points	(6)	(4)	(15)
Increase of pension increase rate by 25 basis points	7	6	0
Decrease of pension increase rate by 25 basis points	(6)	(6)	0
Life expectancy increase by 1 year	262	6	1
Life expectancy decrease by 1 year	(271)	(7)	(1)

T 107

millions of €

	Increase (decrease) of the defined benefit obligations as of Dec. 31, 2013		
	Germany	Switzerland	Greece (OTE S.A.)
Increase of discount rate by 100 basis points	(950)	(21)	(25)
Decrease of discount rate by 100 basis points	1,160	26	30
Increase of salary increase rate by 50 basis points	7	3	15
Decrease of salary increase rate by 50 basis points	(6)	(3)	(13)
Increase of pension increase rate by 25 basis points	5	5	0
Decrease of pension increase rate by 25 basis points	(5)	(4)	0
Life expectancy increase by 1 year	185	4	1
Life expectancy decrease by 1 year	(191)	(4)	(1)

Separate sensitivity analyses were carried out for the discount rate, the salary increase rate, and the pension increase rate. For this purpose, further actuarial evaluations were made for both the increase and the decrease of the assumptions. The variations used in the assumptions were selected in such a way that the probability that the respective assumption will not move beyond the analysis range within one year is 60 to 90 percent. It can be assumed that the life expectancy of the plan members will not change significantly within a year. Nevertheless, the effect of a change in life expectancy on the obligations was additionally determined from a risk perspective. Evaluations were carried out based on the assumption that the life expectancy of the plan member aged 65 would increase or decrease by one year (age shift method). The age shift was applied to the remaining plan members accordingly. Variations in the assumed retirement age or turnover rates would only have an immaterial effect, especially in Germany.

Global pension policy and description of the plans:
Deutsche Telekom manages its pension commitments based on the Group-wide Global Pension Policy. It ensures on a worldwide basis that Group minimum standards regarding the granting and management of company pension benefits are complied with, plans are harmonized, and other risks to the core business are avoided or reduced. In addition, the policy provides guidelines for the implementation and management of pension commitments and defines requirements for the launch, adjustment, and closure of corresponding plans. The regulations and provisions laid down in this Group policy take into account the national differences in state pension and other commitments under labor, tax, and social law and the common business practices in the area of pension commitments.

Defined benefit plans based on final salaries in the Group have largely been replaced by plans with contribution-based promises to minimize the risks involved. In addition, a corporate CTA (Deutsche Telekom Trust e. V.) was established in Germany in 2011 to allow for additional funding of pension obligations. A CTA is a legally structured trust agreement to cover unfunded pension commitments with plan assets, and to provide greater protection against insolvency for these obligations.

The worldwide obligations and the existing plan assets at fair value are regularly tested for risk-reducing measures, for example by executing asset liability studies and regular benefit audits.

In **Germany** there are commitments for pension and disability benefits for a majority of employees as well as pension benefits for their surviving dependents. As part of a reorganization of the company pension plan, a capital account plan was introduced across Germany in 1997 for active employees. Furthermore, in subsequent years, commitments acquired through company acquisitions were also transferred to the capital account plan scheme. The capital account plan is an employer-financed, contribution-based benefit promise. The salary-linked contributions granted annually are charged interest in advance for each year of provision up to age 60, calculated using age-based factors, converting the contribution into a guaranteed insured amount. The advance interest rate currently stands at 3.75 percent p. a. (target interest rate for the capital account plan).

Deutsche Telekom reduced the granted interest on the future contributions in its capital account plan from 5 percent p. a. to the current level of 3.75 percent p. a. by changing the plan in the 2013 financial year. This change was not related to the application of IAS 19 (amended) in the 2013 financial year. The option of changing the target interest rate makes it possible to achieve a yield on the contributions to the capital account that is in line with the capital market. As market interest rates had fallen sharply, the return was no longer in line with the market.

The period for providing contributions is initially limited to ten future contribution years. The contribution period will be extended automatically every year by a further year, unless terminated. The insured amounts accumulated over the period of active service are paid out if an insured event arises, primarily in the form of a lump sum. Hence there is only a limited longevity risk for these commitments. Based on the payment guidelines and the structure of the capital account plan, the employer can plan for this, and there is only a small risk inherent in the plan with regard to the volatility of remuneration dynamics.

In addition, in Germany there are various closed legacy commitments, which generally provide for old-age and disability benefits as well as benefits for surviving dependents in the form of life-long pensions. The commitments predominantly comprise the overall pension of the supplementary retirement pensions institution (Versorgungsanstalt der Deutschen Bundespost – VAP) that takes into account the statutory pension. Most of the plan members of these commitments are former employees with vested rights and retirees for whom the amount of benefits has already been determined. So the VAP overall pension scheme continues to apply to former employees who were already retired or who had left with vested claims in 1997.

To the extent that defined benefit plans in Germany grant annuities, the future adjustment for these pensions, except for insignificant exceptions, is bindingly defined in the existing benefit regulations. A change in the assumptions for the general pension trend in Germany therefore only has an immaterial impact on the defined benefit obligations.

As a change in life expectancy mainly impacts on the obligations from legacy pension commitments and, since 1997, commitments have been granted in the form of capital, the risk resulting from the change in life expectancy is expected to decline in significance for the Group over subsequent years.

To cover pension obligations over the long term, Deutsche Telekom has transferred funds to a company CTA and a company special pension fund (Unterstützungskasse).

As part of the company pension scheme (second pillar) in Switzerland for T-Systems Schweiz AG, there is a contribution-based benefit plan financed by employer and employee contributions, which is managed by the legally independent T-Systems pension fund. Following a restructuring of the Swiss companies and harmonization of the pension fund commitments as of January 1, 2014, T-Systems Data Migration Consulting AG has also since been included in the pension fund of T-Systems Schweiz AG. As is often the case in Switzerland, both companies grant higher benefits than legally required. The Swiss Federal Law on Occupational Retirement, Surviving Dependants' and Disability Pension (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge – BVG) sets out minimum requirements for the pay to be insured, the age-based contributions, and a minimum annuity factor for the obligatory portion of the accrued retirement assets to be annuitized. In addition, the Swiss Federal Council defines a minimum interest rate for the obligatory retirement assets (2014: 1.75 percent, 2015: 1.75 percent).

The foundation board (Stiftungsrat) presides over the Swiss pension fund. It ensures the day-to-day running of the pension fund and decides on fundamental aspects, such as the amount and the structure of the pension benefits and the investment strategy for the fund. The foundation board is equally comprised of employer and employee representatives. According to information provided by the pension fund, the average annual yield of the fund in the past amounted to approximately 2.0 to 2.5 percent.

Due to the minimum yield for the obligatory retirement assets, a risk exists for the plans in Switzerland that additional resources would have to be allocated to the pension fund if it were to be underfinanced. The pension fund offers the plan members the option to choose a life-long pension instead of a one-time payment. This option gives rise to longevity and investment risks, since at the time of retirement, assumptions must be made regarding life expectancy and return on assets.

In Greece (OTE S.A.), mandatory staff retirement indemnities are due in cases of premature termination by the employer and, to a lesser extent, upon retirement by the employee. These are paid out as a lump sum and can amount to several times the employee's last monthly pay (including cap), depending on the employee's length of service. Due to a change in the law in 2012, the lump sum is capped at a maximum of 12 monthly salaries. The company also makes a voluntary top-up payment. Payments in the scope made in the 2012 and 2013 financial years as part of restructuring programs were not made in 2014.

OTE S.A. is also obliged to make a one-time payment for the employees' children when they reach the age of 25 (youth accounts). The benefit plan, which had previously been based on the level of the employee's final monthly salary, was changed in November 2011 to a plan with a contribution-based promise financed by contributions by the employee and corresponding limited matching contributions by the employer.

The benefits granted by the staff retirement indemnities and youth accounts plans are paid out as a lump sum, i.e., there is no longevity risk. According to the new collective wage agreement concluded at the end of 2014, the salary increases of around 10 percent originally planned for 2015 have been deferred until 2018.

Employees and retirees are also entitled to phone credits. OTE S.A.'s payment obligation therefore depends on the price of the telephone unit and the level of credit utilization by those entitled to them. The volume of the obligation (credit) is capped. Measured against the total amount of pension benefits paid by OTE S.A., the scope of these obligations is relatively small.

Development of plan assets at fair value in the respective reporting year:

T 108

millions of €

	2014	2013
PLAN ASSETS AT FAIR VALUE AS OF JANUARY 1	1,973	1,680
Changes attributable to business combinations/transfers of operation/acquisitions and disposals	0	(1)
Interest income on plan assets (calculated using the discount rate)	65	54
Amount by which the actual return exceeds (falls short of) the interest income on plan assets (remeasurement)	207	13
Contributions by employer	266	269
Contributions by plan participants	5	5
Benefits actually paid from plan assets	(30)	(42)
Settlements	–	0
Administration costs	0	0
Tax payments	–	–
Exchange rate fluctuations for plans in foreign currency	12	(5)
PLAN ASSETS AT FAIR VALUE AS OF DECEMBER 31	2,498	1,973

Contributions by employer as of December 31, 2014 include a payment of EUR 250 million (December 31, 2013: EUR 250 million) to a corporate CTA in Germany. The contributions by employer are usually allocated at year-end. A large share of actual income from 2014 is attributable to the growth of assets in Germany on the back of rising prices on the bond markets as a consequence of falling capital market returns.

Breakdown of plan assets at fair value by investment category:

T 109

millions of €

	Dec. 31, 2014	Of which: price in an active market	Of which: price without an active market
Equity securities	521	521	0
Debt securities	1,688	1,688	0
Real estate	45	45	0
Derivatives	9	9	0
Investment funds	0	0	0
Asset-backed securities	0	0	0
Structured debt instruments	0	0	0
Cash and cash equivalents	181	181	0
Other	54	12	42
PLAN ASSETS AT FAIR VALUE	2,498	2,456	42

T 110

millions of €

	Dec. 31, 2013	Of which: price in an active market	Of which: price without an active market
Equity securities	419	419	0
Debt securities	1,298	1,298	0
Real estate	44	44	0
Derivatives	5	5	0
Investment funds	0	0	0
Asset-backed securities	0	0	0
Structured debt instruments	0	0	0
Cash and cash equivalents	142	142	0
Other	65	32	33
PLAN ASSETS AT FAIR VALUE	**1,973**	**1,940**	**33**

The investment policy and risk management is set in line with the risk and development characteristics of the pension obligations. On the basis of a systematic, integrated asset/liability management (ALM) analysis, potential results from different investment portfolios, which can cover a large number of asset classes, are compared with the stochastically simulated development of the pension obligations, thereby explicitly considering the relative development of plan assets against the pension obligations. The investment philosophy is mainly characterized by the objective of satisfying future obligations from granted pension commitments on time by systematically setting up and professionally managing a suitable portfolio for the plan assets. The investment strategy is derived from this with direct reference to the characteristics of the underlying pension obligations. This liability-driven investment (LDI) strategy aims to establish a widely diversified investment portfolio that generates a risk profile appropriate to the overall objective, by means of corresponding risk factors and diversification. The management of investments is subject to continuous monitoring to ensure active risk management. Cost-efficient investment management is effected by means of professional portfolio management involving external service providers.

At the reporting date, the plan assets at fair value include shares issued by Deutsche Telekom AG amounting to EUR 736 thousand (December 31, 2013: shares totaling EUR 600 thousand). No other own financial instruments were included in the years shown.

Development of the effect of the asset ceiling:

T 111

millions of €

	2014	2013
EFFECT OF ASSET CEILING AS OF JANUARY 1	**0**	**2**
Interest expense on asset ceiling (recognized in the income statement)	0	0
Changes in asset ceiling ((gains) losses recognized in equity)	5	(2)
Currency gain (loss)	0	0
EFFECT OF ASSET CEILING AS OF DECEMBER 31	**5**	**0**

The defined benefit cost for each period is composed of the following items and reported in the indicated accounts of the income statement:

T 112

millions of €

	Presentation in the income statement	2014	2013	2012
Current service cost	Functional costs[a]	228	219	185
Past service cost (due to plan amendments)	Functional costs[a]	(3)	(64)	16
Past service cost (due to curtailments)	Functional costs[a]	(8)	(8)	(6)
Settlements	Functional costs[a]	3	13	2
SERVICE COST		**220**	**160**	**197**
Interest cost	Other financial income (expense)	290	282	353
Interest income on plan assets (calculated using the discount rate)	Other financial income (expense)	(65)	(54)	(40)
Interest expense on the effect of the asset ceiling	Other financial income (expense)	0	0	0
NET INTEREST EXPENSE (INCOME) ON NET DEFINED BENEFIT LIABILITY (ASSET)		**225**	**228**	**313**
DEFINED BENEFIT COST		**445**	**388**	**510**
Administration costs actually incurred (paid from plan assets)	General and administrative expenses	0	0	0
TOTAL AMOUNTS RECOGNIZED IN PROFIT OR LOSS		**445**	**388**	**510**

[a] Including other operating expenses.

The consolidated statement of comprehensive income contains the following amounts:

T 113

millions of €

	2014	2013	2012
REMEASUREMENT ((GAIN) LOSS RECOGNIZED IN OTHER COMPREHENSIVE INCOME IN THE FINANCIAL YEAR)	**1,581**	**(48)**	**1,822**
Of which: remeasurement due to a change in defined benefit obligations	1,783	(33)	1,868
Of which: remeasurement due to a change in plan assets	(207)	(13)	(45)
Of which: remeasurement due to changes in the effect of asset ceiling (according to IAS 19.64)	5	(2)	(1)

Total benefit payments expected:

T 114

millions of €

	2015	2016	2017	2018	2019
Benefits paid from pension provisions	314	361	385	362	411
Benefits paid from plan assets	29	29	31	32	33
TOTAL BENEFITS EXPECTED	**343**	**390**	**416**	**394**	**444**

Benefits paid directly by the employer for which the assets of the CTA can generally be utilized are usually reimbursed to the employer from the CTA assets soon after payment. Such reimbursements are currently not yet made as this would have a detrimental effect on the build-up of assets within the CTA in its first years.

In Germany, an amount of EUR 250 million will be allocated to the CTA in 2015 to increase the plan assets. EUR 266 million is expected to be allocated to plan assets for 2015 at Group level.

Amounts for the current year and four preceding years of defined benefit obligations, plan assets, defined benefit obligations in excess of plan assets, and experience-based adjustments:

T 115

millions of €

	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010[a]
Defined benefit obligations	10,940	8,965	8,973	6,966	7,017
Plan assets at fair value	(2,498)	(1,973)	(1,680)	(860)	(629)
DEFINED BENEFIT OBLIGATIONS IN EXCESS OF PLAN ASSETS	**8,442**	**6,992**	**7,293**	**6,106**	**6,388**

[a] The figures for the 2010 period presented were adjusted to apply the amended IAS 19 in the opening balances as of January 1, 2011 in shareholders' equity in retained earnings including carryforwards.

T 116

%

Adjustments	2014	2013	2012	2011	2010[a]
Experience-based increase (decrease) of defined benefit obligations	(0.1)	0.3	(0.2)	(0.3)	0.1
Experience-based increase (decrease) of plan assets	8.3	0.7	2.6	(1.2)	1.1

[a] The figures for the 2010 period presented were not adjusted to account for the amended IAS 19, since the standard was applied retrospectively from January 1, 2011.

DEFINED CONTRIBUTION PLANS

The employer's contribution paid to the statutory pension scheme (Deutsche Rentenversicherung) in Germany in the 2014 financial year totaled EUR 0.4 billion (2013: EUR 0.4 billion). Group-wide, EUR 88 million (2013: EUR 103 million, 2012: EUR 99 million) from current contributions for additional defined contribution plans was recognized in the consolidated income statement in 2014.

CIVIL-SERVANT RETIREMENT ARRANGEMENTS AT DEUTSCHE TELEKOM

An expense of EUR 552 million was recognized in the 2014 financial year (2013: EUR 567 million, 2012: EUR 592 million) for the annual contribution to the Civil Service Pension Fund amounting to 33 percent of the pensionable gross emoluments of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence. The present value of future payment obligations was EUR 5.1 billion (December 31, 2013: EUR 5.0 billion) at the reporting date and is shown under other financial obligations (please refer to Note 35 "Other financial obligations," PAGE 247).

13 OTHER PROVISIONS

T 117

millions of €

	Provisions for termination benefits	Other provisions for personnel costs	Provisions for restoration obligations	Provisions for litigation risks	Provisions for sales and procurement support	Miscellaneous other provisions	Total
AT DECEMBER 31, 2012	**78**	**1,871**	**1,035**	**342**	**448**	**968**	**4,742**
Of which: current	65	1,373	44	320	448	635	2,885
Changes in the composition of the Group	(1)	52	151	7	2	(3)	208
Currency translation adjustments	(2)	(22)	(10)	(2)	(7)	(3)	(46)
Addition	361	1,712	136	111	339	386	3,045
Use	(138)	(1,581)	(29)	(117)	(394)	(199)	(2,458)
Reversal	(10)	(86)	(31)	(48)	(21)	(128)	(324)
Interest effect	0	42	(5)	(2)	0	3	38
Other changes	(6)	(7)	0	(2)	0	1	(14)
AT DECEMBER 31, 2013	**282**	**1,981**	**1,247**	**289**	**367**	**1,025**	**5,191**
Of which: current	279	1,434	46	281	367	713	3,120
Changes in the composition of the Group	0	4	0	0	0	4	8
Currency translation adjustments	0	43	37	3	14	26	123
Addition	60	1,881	140	239	430	695	3,445
Use	(152)	(1,677)	(49)	(91)	(347)	(247)	(2,563)
Reversal	(7)	(106)	(57)	(27)	(42)	(115)	(354)
Interest effect	0	49	60	0	0	11	120
Other changes	0	(63)	0	2	0	(19)	(80)
AT DECEMBER 31, 2014	**183**	**2,112**	**1,378**	**415**	**422**	**1,380**	**5,890**
Of which: current	181	1,467	175	408	422	864	3,517

Provisions for termination benefits and other personnel provisions include provisions for staff restructuring. These provisions developed as follows in the financial year:

T 118

millions of €

	Jan. 1, 2014	Addition	Use	Reversal	Other changes	Dec. 31, 2014
Severance and voluntary redundancy models	282	60	(152)	(7)	–	183
Partial retirement	133	301	(215)	–	(43)	176
	415	**361**	**(367)**	**(7)**	**(43)**	**359**
Of which: current	347					272

Other provisions for personnel costs include a variety of individual issues such as provisions for deferred compensation and allowances, as well as for anniversary gifts. The expenses are allocated to functional costs or to other operating expenses based on actual cost generation.

Provisions for restoration obligations include the estimated costs for dismantling and removing an asset, and restoring the site on which it is located. The estimated costs are included in the costs of the relevant asset.

The provisions for litigation risks primarily relate to possible settlements attributable to pending lawsuits.

Provisions for sales and procurement support are recognized for dealer commissions, subsidies for advertising expenses, and reimbursements.

Miscellaneous other provisions include a large number of individual items accounting for marginal amounts such as provisions related to executory contracts, the disposal of businesses and site closures, in particular in prior financial years, as well as warranty and environmental damage provisions.

14 OTHER LIABILITIES

T 119

millions of €

	Dec. 31, 2014	Of which: current	Dec. 31, 2013	Of which: current
Early retirement	1,669	566	2,053	629
Deferred revenue	1,512	1,286	1,733	1,232
Liabilities from straight-line leases	1,801	–	1,434	–
Liabilities from other taxes	1,173	1,167	1,105	1,099
Other deferred revenue	969	490	474	295
Liabilities from severance payments	144	135	106	106
Miscellaneous other liabilities	769	516	788	444
	8,037	**4,160**	**7,693**	**3,805**

The legal basis for early retirement is the Act for the Improvement of the Staff Structure at the Residual Special Asset of the Federal Railways and the Successor Companies of the Former Deutsche Bundespost. For civil servants employed at Deutsche Telekom, the law provides the opportunity under certain conditions to retire early from the age of 55. When the German Act on the Reorganization of the Civil Service Pension Fund (Gesetz zur Neuordnung der Postbeamtenversorgungskasse) came into effect, the provisions for early retirement for civil servants were extended until December 31, 2016. The Board of Management resolved to make use of these provisions for the years 2014 and 2015.

15 SHAREHOLDERS' EQUITY

ISSUED CAPITAL

As of December 31, 2014, the share capital of Deutsche Telekom totaled EUR 11,611 million. The share capital is divided into 4,535,571,247 no par value registered shares.

T 120

	2014	
	thousands	%
Federal Republic of Germany – Berlin, Germany	646,575	14.3
KfW Bankengruppe – Frankfurt/Main, Germany	791,176	17.4
Free float	3,097,820	68.3
Of which: BlackRock, New York, NY, United States [a]	226,636	
	4,535,571	**100.0**

[a] On December 5, 2014, the shareholding in Deutsche Telekom was 4.997 percent. According to the last notification from BlackRock dated December 9, 2014, the shareholding fell below the reporting threshold of 5 percent of the voting rights.

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 that 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.

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.

On the basis of the above authorization by the shareholders' meeting on May 24, 2012 and a corresponding authorization by the shareholders' meeting on May 12, 2011, 110 thousand shares were acquired in June 2011, 206 thousand shares in September 2011, and 268 thousand shares in January 2013. The total volumes amounted to EUR 2,762 thousand in the 2011 financial year, and EUR 2,394 thousand in the 2013 financial year (excluding transaction costs). This increased the number of treasury shares by 316 thousand and 268 thousand, respectively. As part of the Share Matching Plan, a total of 2 thousand shares were transferred free of charge to the depots of eligible participants in the 2012 and 2013 financial years.

Furthermore, a total of 90 thousand shares were reallocated in April, June and December 2014 and transferred free of charge to the depots of eligible participants of the Share Matching Plan.

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 or conversion rights fully expired in the 2013 financial 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 both § 272 (1a) HGB and IFRS.

Voting rights. 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, 2014: around 21 million in total). The "trust" shares, as they are known, (at December 31, 2014: 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, 2014 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.

Authorized capital and contingent capital. Authorized capital and contingent capital comprised the following components as of December 31, 2014:

T 121

	Amount millions of €	No par value shares thousands	Purpose
2013 Authorized capital [a]	1,960	765,604	Capital increase against cash contribution/ contribution in kind (until May 15, 2018)
2014 Contingent capital	1,100	429,688	Servicing convertible bonds and/or bonds with warrants issued on or before May 14, 2019

[a] The Supervisory Board's approval is required.

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

TRANSACTIONS WITH OWNERS

The amounts shown under transactions with owners primarily result from the acquisition of the remaining shares in T-Mobile Czech Republic. TABLE 122 shows the most significant effects included in Deutsche Telekom's consolidated statement of changes in equity (see PAGES 178 and 179) as of December 31, 2014.

T 122

millions of €

	Issued capital and reserves attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Changes in the composition of the Group	**0**	**1**	**1**
Other effects	0	1	1
Transactions with owners	**(506)**	**(324)**	**(830)**
Acquisition of the remaining shares in T-Mobile Czech Republic	(455)	(373)	(828)
Other effects	(51)	49	(2)

For further information, please refer to the section "Changes in the composition of the Group and transactions with owners," PAGE 196 ET SEQ.

NON-CONTROLLING INTERESTS: TOTAL OTHER COMPREHENSIVE INCOME

Total other comprehensive income of non-controlling interests primarily comprises remeasurement effects as part of the acquisition of the OTE group (business combination achieved in stages) totaling EUR 0.8 billion (December 31, 2013: EUR 1.0 billion) which are offset in part by currency translation effects of EUR 0.2 billion (December 31, 2013: EUR 0.7 billion).

NOTES TO THE CONSOLIDATED INCOME STATEMENT

For detailed information on special factors, please refer to the combined management report in the section "Development of business in the Group," PAGE 82 ET SEQ.

16 NET REVENUE

Net revenue breaks down into the following revenue categories:

T 123

millions of €

	2014	2013	2012
Revenue from the rendering of services	54,108	52,863	53,734
Revenue from the sale of goods and merchandise	8,206	6,676	3,859
Revenue from the use of entity assets by others	344	593	576
	62,658	**60,132**	**58,169**

For details of changes in net revenue, please refer to the section "Development of business in the Group" in the combined management report, PAGE 82 ET SEQ.

17 COST OF SALES

Cost of sales incurred in connection with fixed-network and mobile communications relate to all costs arising from the operation and maintenance of the telecommunications network. They include depreciation and amortization of network-related assets, personnel costs for employees assigned to the operation and maintenance of the network, other repair costs, rent and incidental costs for network sites, as well as interconnection and roaming costs. Costs for the purchase of terminal equipment are also shown under this item.

Cost of sales attributable to the Systems Solutions operating segment primarily relate to software development and maintenance, the operation of computing centers and workstations, as well as the construction and operation of customer networks. They include in particular depreciation of technical equipment, personnel costs for information technology, telecommunications development and support services, and costs for upstream services as well as material.

T 124

millions of €

	2014	2013	2012
Cost of sales from fixed-network and mobile communications	32,904	30,287	28,150
Cost of sales from the Systems Solutions operating segment	5,045	5,251	5,314
Other cost of sales	590	717	792
	38,539	**36,255**	**34,256**

Cost of sales increased by EUR 2.3 billion year-on-year, in particular due to the development of business in the United States operating segment. This increase was driven, among other factors, by the inclusion of MetroPCS, with the contributions to earnings only taken into account from the second quarter of 2013, higher expenditure with regard to the equipment sales, and expenses from the decommissioning of the MetroPCS CDMA network. Lower cost of sales as a consequence of declining revenue in the Europe operating segment essentially had an offsetting effect.

The prior-year figures have been adjusted for better comparability following the segment structure changes. For more information, please refer to the explanations in Note 32 "Segment reporting," PAGE 239 ET SEQ.

18 SELLING EXPENSES

Selling expenses comprise all costs of activities that do not directly increase the value of the Group's products and services, but serve to secure sales. In addition to material and personnel costs incurred in the area of sales and depreciation and amortization, these include any sales-specific costs such as allowances for write-downs of customer receivables, receivables written off, freight out, and transport insurance.

T 125

millions of €

	2014	2013	2012
Costs of operational sales	9,527	9,309	9,395
Marketing costs	2,465	2,386	2,373
Order management costs	234	268	254
Costs of accounts receivable management	737	794	1,010
Other selling expenses	935	1,040	1,043
	13,898	**13,797**	**14,075**

Selling expenses were EUR 0.1 billion higher than in the prior year. This increase was mainly attributable to higher marketing costs at T-Mobile US as a result of the inclusion of MetroPCS for the first time for a full year and stronger business with new customers.

19 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise all expenses attributable to the core administrative functions that cannot be allocated directly to the production or selling process. As such, general and administrative expenses include all expenses incurred in conjunction with the activities of administrative functions at units such as Finance, Human Resources, Group Strategy and Organization, Internal Audit as well as Data Privacy, Legal Affairs and Compliance. These generally comprise costs for goods and services purchased, personnel costs, depreciation and amortization, as well as other costs that can be specifically allocated to the functional areas, such as expenses for shareholders' meetings.

T 126

millions of €

	2014	2013	2012
General and administrative expenses incurred by the operating segments	3,319	3,103	3,268
General and administrative expenses incurred by the Group Headquarters & Group Services segment	1,402	1,415	1,587
	4,721	**4,518**	**4,855**

General and administrative expenses were EUR 0.2 billion higher than in the prior year. Higher expenditure in connection with staff increases in the United States operating segment following the business combination with MetroPCS impacted on general and administrative expenses. In addition, they included higher expenses from additions to provisions for litigation risks recognized as part of the accounting treatment of risks.

The prior-year figures have been adjusted for better comparability following the segment structure changes. For more information, please refer to the explanations in Note 32 "Segment reporting," PAGE 239 ET SEQ.

20 OTHER OPERATING INCOME

T 127

millions of €

	2014	2013	2012
Income from reimbursements	451	452	408
Income from the reversal of impairment losses on non-current financial assets in accordance with IFRS 5	24	20	15
Income from the disposal of non-current assets	567	113	1,702
Income from insurance compensation	79	79	55
Income from divestitures	1,716	184	6
Miscellaneous other operating income	394	478	782
	3,231	**1,326**	**2,968**

Other operating income increased by EUR 1.9 billion year-on-year. The EUR 0.4 billion increase in income from the disposal of non-current assets mainly results from a transaction between T-Mobile US and Verizon Communications consummated in April 2014 concerning the acquisition and exchange of A-Block spectrum for around EUR 0.4 billion. Income from divestitures increased year-on-year by EUR 1.5 billion, due to the sale of 70 percent of the shares in the Scout24 group totaling EUR 1.7 billion. The portion of income attributable to the recognition of the shares remaining at Deutsche Telekom at their fair value at the date when control is lost, amounts to EUR 0.5 billion. The prior year had included income from the disposal of the investments in Hellas Sat totaling EUR 0.1 billion and in Cosmo Bulgaria Mobile (Globul) and Germanos Telecom Bulgaria (Germanos), also totaling EUR 0.1 billion. Miscellaneous other operating income includes a large number of smaller items.

21 OTHER OPERATING EXPENSES

T 128

millions of €

	2014	2013	2012
Impairment losses from the year-end impairment test	51	600	360
Impairment loss in connection with the agreed business combination of T-Mobile USA and MetroPCS	–	–	10,589
Other impairment losses	92	238	159
	143	**838**	**11,108**
Losses on the disposal of non-current assets	138	251	177
Losses from divestitures	41	53	–
Miscellaneous other operating expenses	1,162	816	628
	1,341	**1,120**	**805**
	1,484	**1,958**	**11,913**

Other operating expenses decreased year-on-year by EUR 0.5 billion, primarily due to an impairment loss of EUR 0.5 billion recognized in the prior year on the goodwill of the Austria cash-generating unit.

Miscellaneous other operating expenses include expenses of EUR 0.2 billion incurred in connection with existing financial factoring agreements and a large number of individual items accounting for marginal amounts.

Other operating expenses in 2014 included expense of EUR 0.2 billion (2013: EUR 0.5 billion, 2012: EUR 8.2 billion) from impairment losses recognized on intangible assets (excluding goodwill) and property, plant and equipment, as well as from the disposal of non-current assets. These expenses would predominantly have been allocable to the cost of sales.

22 FINANCE COSTS

T 129

millions of €

	2014	2013	2012
Interest income	325	228	306
Interest expense	(2,665)	(2,390)	(2,339)
	(2,340)	**(2,162)**	**(2,033)**
Of which: from financial instruments relating to categories in accordance with IAS 39			
Loans and receivables (LaR)	16	20	51
Held-to-maturity investments (HtM)	–	–	2
Available-for-sale financial assets (AfS)	6	9	48
Financial liabilities measured at amortized cost (FLAC)[a]	(2,290)	(2,160)	(2,036)

[a] Interest expense calculated according to the effective interest method and adjusted for accrued interest from derivatives recognized in the reporting period that were used as hedging instruments against interest rate-based changes in the fair values of financial liabilities measured at amortized cost in the reporting period for hedge accounting in accordance with IAS 39 (2014: interest income of EUR 263 million and interest expense of EUR 107 million, 2013: interest income of EUR 119 million and interest expense of EUR 31 million, 2012: interest income of EUR 156 million and interest expense of EUR 36 million).

EUR 95 million (2013: EUR 51 million, 2012: EUR 27 million) was capitalized as part of acquisition costs in the financial year. The amount was calculated on the basis of an interest rate in the average range between 4.6 and 4.7 percent (2013: between 4.6 and 5.0 percent) applied across the Group.

Interest payments (including capitalized interest) of EUR 3.5 billion (2013: EUR 3.0 billion, 2012: EUR 3.1 billion) were made in the financial year.

Accrued interest payments from derivatives (interest rate swaps) that were designated as hedging instruments in a fair value hedge in accordance with IAS 39 are netted per swap contract and recognized as interest income or interest expense depending on the net amount. Finance costs are assigned to the categories on the basis of the hedged item; only financial liabilities were hedged in the reporting period.

Deutsche Telekom AG benefited from reduced interest rates in the 2014 financial year. The increase in finance costs is mainly attributable to the significant increase in T-Mobile US' self-financing in 2014.

23 SHARE OF PROFIT/LOSS OF ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

T 130

millions of €

	2014	2013	2012
Share of profit (loss) of joint ventures	(152)	(38)	(129)
Share of profit (loss) of associates	(46)	(33)	(25)
	(198)	**(71)**	**(154)**

The share of profit/loss of associates and joint ventures accounted for using the equity method decreased by EUR 0.1 billion in the financial year due to the year-on-year higher proportion of loss from the EE joint venture of EUR –137 million (2013: EUR –44 million, 2012: EUR –118 million). It is included in the share of profit/loss of joint ventures.

24 OTHER FINANCIAL INCOME/EXPENSE

T 131

millions of €

	2014	2013	2012
Income from investments	1	1	16
Gains (losses) from financial instruments	(14)	(278)	251
Interest component from measurement of provisions and liabilities	(346)	(292)	(492)
	(359)	**(569)**	**(225)**

All income/expense components including interest income and expense from financial instruments classified as held for trading in accordance with IAS 39 are reported under other financial income/expense.

Gains/losses from financial instruments comprise currency translation effects including gains/losses from derivatives used as hedges in hedge accounting in foreign currency of EUR –387 million (2013: EUR 174 million, 2012: EUR 86 million) and gains from other derivatives as well as measurements of equity investments of EUR 373 million (2013: EUR –452 million, 2012: EUR 165 million).

25 INCOME TAXES

INCOME TAXES IN THE CONSOLIDATED INCOME STATEMENT

Income taxes are broken down into current taxes paid or payable in the individual countries and into deferred taxes.

The following table provides a breakdown of income taxes in Germany and internationally:

T 132

millions of €

	2014	2013	2012
CURRENT TAXES	**599**	**487**	**596**
Germany	234	56	172
International	365	431	424
DEFERRED TAXES	**507**	**437**	**(2,112)**
Germany	587	(41)	81
International	(80)	478	(2,193)
	1,106	**924**	**(1,516)**

Deutsche Telekom's combined income tax rate for 2014 amounted to 30.7 percent. It consists of corporate income tax at a rate of 15 percent, the solidarity surcharge of 5.5 percent on corporate income tax, and trade tax at an average multiplier of 425 percent (2013: 425 percent, 2012: 425 percent). The combined income tax rate for 2013 and 2012 also amounted to 30.7 percent.

Reconciliation of the effective tax rate. Income taxes of EUR –1,106 million (as expense) in the reporting year (2013: EUR –924 million (as expense), 2012: EUR 1,516 million (as benefit)) are derived as follows from the expected income tax expense/benefit that would have arisen had the statutory income tax rate of the parent company (combined income tax rate) been applied to profit/loss before income taxes:

T 133

millions of €

	2014	2013	2012
PROFIT (LOSS) BEFORE INCOME TAXES	**4,350**	**2,128**	**(6,374)**
Expected income tax expense (benefit) (income tax rate applicable to Deutsche Telekom AG: 2014: 30.7 %, 2013: 30.7 %, 2012: 30.7 %)	1,335	653	(1,957)
ADJUSTMENTS TO EXPECTED TAX EXPENSE (BENEFIT)			
Effect of changes in statutory tax rates	1	48	8
Tax effects from prior years	(78)	(61)	(11)
Tax effects from other income taxes	68	51	45
Non-taxable income	(456)	(36)	(29)
Tax effects from equity investments	(43)	20	39
Non-deductible expenses	85	120	101
Permanent differences	88	(89)	(62)
Goodwill impairment losses	3	166	856
Tax effects from loss carryforwards	57	136	76
Tax effects from additions to and reductions of local taxes	81	66	55
Adjustment of taxes to different foreign tax rates	(37)	(152)	(641)
Other tax effects	2	2	4
INCOME TAX EXPENSE (BENEFIT) ACCORDING TO THE CONSOLIDATED INCOME STATEMENT	**1,106**	**924**	**(1,516)**
Effective income tax rate %	25	43	24

Current income taxes in the consolidated income statement

TABLE 134 provides a breakdown of current income taxes:

T 134

millions of €

	2014	2013	2012
CURRENT INCOME TAXES	**599**	**487**	**596**
Of which: Current tax expense	598	559	594
Prior-period tax expense	1	(72)	2

Deferred taxes in the consolidated income statement

Deferred taxes developed as follows:

T 135

millions of €

	2014	2013	2012
DEFERRED TAX EXPENSE (BENEFIT)	**507**	**437**	**(2,112)**
Of which: From temporary differences	(252)	391	(2,651)
From loss carryforwards	780	34	543
From tax credits	(21)	12	(4)

In the 2014 financial year, a tax expense of EUR 1.1 billion was recorded. The comparatively low tax rate of just 25 percent is a consequence of the low tax burden with regard to the income from the sale of the shares in the Scout24 group. The tax expense in the prior year had totaled EUR 0.9 billion. This lower tax expense primarily resulted from lower profit/loss before income tax. In addition, the tax rate had been higher in the 2013 financial year as a result, in particular, of impairment losses recognized on goodwill in Europe that had no tax effect and thus did not lower the tax expense.

INCOME TAXES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Current income taxes in the consolidated statement of financial position:

T 136

millions of €

	Dec. 31, 2014	Dec. 31, 2013
Recoverable taxes	84	98
Tax liabilities	(276)	(308)
Current taxes recognized in other comprehensive income:		
Hedging instruments	54	54

Deferred taxes in the consolidated statement of financial position:

T 137

millions of €

	Dec. 31, 2014	Dec. 31, 2013
Deferred tax assets	5,169	4,960
Deferred tax liabilities	(7,712)	(6,916)
	(2,543)	**(1,956)**
Of which: recognized in other comprehensive income: Gain (loss) from the remeasurement of defined benefit plans	1,150	680
Revaluation surplus	1	–
Hedging instruments	(161)	(163)
Financial assets available for sale	–	–
RECOGNIZED IN OTHER COMPREHENSIVE INCOME BEFORE NON-CONTROLLING INTERESTS	**990**	**517**
Non-controlling interests	(6)	(13)
	984	**504**

Development of deferred taxes:

T 138

millions of €

	Dec. 31, 2014	Dec. 31, 2013
Deferred taxes recognized in the statement of financial position	(2,543)	(1,956)
Difference to prior year	(587)	(680)
Of which: Recognized in income statement	(507)	(437)
Recognized in other comprehensive income	480	(21)
Recognized in capital reserves	6	47
Acquisitions (disposals) (including assets and disposal groups held for sale)	(40)	(418)
Currency translation adjustments	(526)	149

Development of deferred taxes on loss carryforwards:

T 139

millions of €

	Dec. 31, 2014	Dec. 31, 2013
Deferred taxes on loss carryforwards before allowances	3,288	3,786
Difference to prior year	(498)	647
Of which: Recognition (derecognition)	(786)	452
Acquisitions (disposals) (including assets and disposal groups held for sale)	17	268
Currency translation adjustments	271	(73)

Deferred taxes relate to the following key items in the statement of financial position, loss carryforwards, and tax credits:

T 140

millions of €

	Dec. 31, 2014		Dec. 31, 2013	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
CURRENT ASSETS	**1,529**	**(270)**	**1,147**	**(488)**
Trade and other receivables	551	–	368	(8)
Inventories	130	–	108	–
Other assets	848	(270)	671	(480)
NON-CURRENT ASSETS	**2,828**	**(12,347)**	**2,738**	**(10,807)**
Intangible assets	807	(7,213)	756	(6,097)
Property, plant and equipment	787	(3,620)	683	(3,648)
Other financial assets	1,234	(1,514)	1,299	(1,062)
CURRENT LIABILITIES	**711**	**(847)**	**699**	**(625)**
Financial liabilities	306	(670)	282	(412)
Trade and other payables	48	(4)	37	(17)
Other provisions	120	(35)	136	(61)
Other liabilities	237	(138)	244	(135)
NON-CURRENT LIABILITIES	**5,159**	**(1,303)**	**4,069**	**(1,256)**
Financial liabilities	2,816	(126)	2,438	(344)
Provisions for pensions and other employee benefits	1,531	(1,044)	1,001	(787)
Other provisions	606	(118)	367	(99)
Other liabilities	206	(15)	263	(26)
TAX CREDITS	**296**	**–**	**237**	**–**
LOSS CARRYFORWARDS	**3,288**	**–**	**3,786**	**–**
INTEREST CARRYFORWARDS	**55**	**–**	**43**	**–**
TOTAL	**13,866**	**(14,767)**	**12,719**	**(13,176)**
Of which: non-current	11,599	(14,027)	11,122	(12,664)
Allowance	(1,642)	–	(1,499)	–
Netting	(7,055)	7,055	(6,260)	6,260
RECOGNITION	**5,169**	**(7,712)**	**4,960**	**(6,916)**

The allowances relate primarily to loss carryforwards.

The loss carryforwards amount to:

T 141

millions of €

	Dec. 31, 2014	Dec. 31, 2013
LOSS CARRYFORWARDS FOR CORPORATE INCOME TAX PURPOSES	**8,208**	**9,991**
Expiry within		
1 year	22	21
2 years	77	34
3 years	108	14
4 years	269	114
5 years	125	189
After 5 years	4,277	4,899
Unlimited carryforward period	3,330	4,720

Loss carryforwards and temporary differences for which no deferred taxes were recorded amount to:

T 142

millions of €

	Dec. 31, 2014	Dec. 31, 2013
LOSS CARRYFORWARDS FOR CORPORATE INCOME TAX PURPOSES	**2,420**	**2,369**
Expiry within		
1 year	22	14
2 years	77	29
3 years	108	11
4 years	44	102
5 years	55	14
After 5 years	209	257
Unlimited carryforward period	1,905	1,942
TEMPORARY DIFFERENCES IN CORPORATE INCOME TAX	**424**	**406**

In addition, no deferred taxes are recognized on trade tax loss carryforwards of EUR 100 million (December 31, 2013: EUR 126 million) and on temporary differences for trade tax purposes in the amount of EUR 8 million (December 31, 2013: EUR 19 million). Furthermore, apart from corporate income tax loss carryforwards, no deferred taxes amounting to EUR 796 million (December 31, 2013: EUR 730 million) were recognized for other foreign income tax loss carryforwards and, apart from temporary differences for trade tax purposes, no deferred taxes in the amount of EUR 50 million (December 31, 2013: EUR 0 million) were recognized for other foreign income taxes.

No deferred tax assets were recognized on the aforementioned tax loss carryforwards and temporary differences as it is not probable that taxable profit will be available in the foreseeable future against which these tax loss carryforwards can be utilized.

A positive tax effect in the amount of EUR 17 million (2013: EUR 14 million, 2012: EUR 7 million) attributable to the utilization of tax loss carryforwards on which deferred tax assets had not yet been recognized, was recorded in the reporting year.

No deferred tax liabilities were recognized on temporary differences in connection with equity interests in subsidiaries amounting to EUR 175 million (December 31, 2013: EUR 107 million) as it is unlikely that these differences will be reversed in the near future.

Disclosure of tax effects relating to each component of other comprehensive income:

T 143

millions of €

	2014			2013			2012		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Items not reclassified to the income statement retrospectively									
Gain (loss) from the remeasurement of defined benefit plans	(1,581)	477	(1,104)	48	(16)	32	(1,822)	556	(1,266)
Share of profit (loss) of investments accounted for using the equity method	(29)	0	(29)	(17)	0	(17)	0	0	0
	(1,610)	**477**	**(1,133)**	**31**	**(16)**	**15**	**(1,822)**	**556**	**(1,266)**
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	(4)	0	(4)	0	0	0	4	0	4
Change in other comprehensive income (not recognized in income statement)	1,849	0	1,849	(901)	0	(901)	318	0	318
Available-for-sale financial assets									
Recognition of other comprehensive income in income statement	(1)	0	(1)	0	0	0	(227)	14	(213)
Change in other comprehensive income (not recognized in income statement)	41	1	42	(4)	1	(3)	33	0	33
Gains (losses) from hedging instruments									
Recognition of other comprehensive income in income statement	(267)	82	(185)	178	(55)	123	9	(3)	6
Change in other comprehensive income (not recognized in income statement)	265	(80)	185	(162)	49	(113)	(219)	66	(153)
Share of profit (loss) of investments accounted for using the equity method									
Recognition of other comprehensive income in income statement	0	0	0	0	0	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	0	0	0	(37)	0	(37)	22	0	22
	1,883	**3**	**1,886**	**(926)**	**(5)**	**(931)**	**(60)**	**77**	**17**
OTHER COMPREHENSIVE INCOME	**273**	**480**	**753**	**(895)**	**(21)**	**(916)**	**(1,882)**	**633**	**(1,249)**
Profit (loss)			3,244			1,204			(4,858)
TOTAL COMPREHENSIVE INCOME			**3,997**			**288**			**(6,107)**

26 PROFIT/LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

T 144

millions of €

	2014	2013	2012
T-Mobile US	115	18	–
Hrvatski Telekom	65	79	105
Hellenic Telecommunications Organization (OTE)	48	24	144
Magyar Telekom	47	43	31
Slovak Telekom	36	25	31
T-Mobile Czech Republic	11	91	112
Other	(2)	(6)	72
	320	**274**	**495**

27 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated in accordance with IAS 33 as follows:

T 145

millions of €

		2014	2013	2012
Profit attributable to the owners of the parent (net profit (loss))		2,924	930	(5,353)
Adjustment		–	–	–
ADJUSTED BASIC/DILUTED NET PROFIT (LOSS)		**2,924**	**930**	**(5,353)**
Number of ordinary shares issued	millions	4,497	4,391	4,321
Treasury shares	millions	(21)	(5)	(2)
Shares reserved for outstanding options	millions	–	(16)	(19)
ADJUSTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING (BASIC/DILUTED)	millions	**4,476**	**4,370**	**4,300**
BASIC/DILUTED EARNINGS PER SHARE	€	**0.65**	**0.21**	**(1.24)**

The calculation of basic earnings per share is based on the time-weighted number of all ordinary shares outstanding. Furthermore, the weighted average number of ordinary shares outstanding is determined by deducting the weighted average number of treasury shares held by Deutsche Telekom AG. As part of the issue of new shares in the course of the acquisition of T-Mobile USA (VoiceStream/Powertel), the options and conversion rights existing in the previous years were held in a trust depot for later issue and subsequent trading as registered shares and fully expired in the 2013 financial year. They have since been accounted for as treasury shares and were still included pro rata temporis in the average portfolio for the 2013 financial year. There are currently no diluting shares.

28 DIVIDEND PER SHARE

For the 2014 financial year, the Board of Management proposes a dividend of EUR 0.50 for each no par value share carrying dividend rights. On the basis of this payout volume, total dividends in the amount of EUR 2,257 million would be appropriated to the no par value shares carrying dividend rights at February 10, 2015. The final amount of the total dividend payment depends on the number of no par value shares carrying dividend rights as of the date of the resolution on the appropriation of net income as adopted on the day of the shareholders' meeting.

A dividend of EUR 0.50 for the 2013 financial year for each no par value share carrying dividend rights was paid out in 2014. The shareholders had the choice between payment in cash or, alternatively, the conversion of their dividend entitlement into Deutsche Telekom AG shares (dividend in kind). In June 2014, dividend entitlements of EUR 1.0 billion were thus substituted by shares from authorized capital and thus did not have an effect on cash flows (see Note 15 "Shareholders' equity," PAGES 227 and 228).

29 AVERAGE NUMBER OF EMPLOYEES AND PERSONNEL COSTS

Average number of employees

T 146

		2014	2013	2012
GROUP (TOTAL)		**228,248**	**229,704**	**232,342**
Domestic		116,067	117,995	120,614
International		112,181	111,709	111,728
Non-civil servants		207,855	208,422	209,422
Civil servants (domestic, active service relationship)		20,393	21,282	22,920
Trainees and students on cooperative degree courses		8,098	8,145	8,402
PERSONNEL COSTS	millions of €	**14,683**	**15,144**	**14,726**

The average headcount decreased by 0.6 percent compared with the prior year. This trend is largely attributable to a lower domestic headcount, which was down by 1.6 percent. Staff restructuring measures in the Systems Solutions operating segment and, in particular, the deconsolidation of the Scout24 group in the Group Headquarters & Group Services segment contributed to this trend. In the Germany operating segment, by contrast, the headcount increased for the build-out and upgrade of the networks.

The average international headcount grew by 0.4 percent, due in particular to the higher staff levels in the United States operating segment as a result of the enhanced customer base. The increased headcount in the Europe operating segment following the inclusion of the GTS Central Europe group and as a result of recruitments as part of staff restructuring in Greece also contributed to this trend. Staff restructuring and downsizing in the Europe operating segment due to efficiency enhancement measures in Romania, Croatia, and Hungary as well as the disposal of the stakes in Euronet Communications in the Netherlands, however, had an offsetting effect. The net average headcount in the Europe operating segment thus declined.

Personnel costs decreased year-on-year by 3.0 percent, in particular as a result of lower restructuring expenses. In contrast to the 2013 financial year, no major staff restructuring measures were launched in the Germany operating segment and in our Europe operating segment, in particular in Greece. By contrast, restructuring expenses at the Systems Solutions operating segment increased as part of the realignment of the business model initiated in 2014. Higher domestic personnel costs, primarily due to the collectively agreed salary increase, were partly offset by a lower average headcount. Increased staff levels in the United States operating segment resulted in higher personnel costs.

30 DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Depreciation, amortization and impairment losses included in the functional costs and in other operating expenses break down as follows:

T 147

millions of €

	2014	2013	2012
AMORTIZATION AND IMPAIRMENT OF INTANGIBLE ASSETS	**3,863**	**4,176**	**12,259**
Of which: Goodwill impairment losses	51	605	2,965
Amortization of mobile licenses	889	854	831
Impairment losses on mobile licenses	10	104	5,822
DEPRECIATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT	**6,711**	**6,728**	**9,698**
Of which: Impairment losses recognized on property, plant and equipment	78	117	2,020
	10,574	**10,904**	**21,957**

Impairment losses break down as follows:

T 148

millions of €

	2014	2013	2012
INTANGIBLE ASSETS	**65**	**721**	**9,088**
Of which: Goodwill from the year-end impairment test	51	600	360
Goodwill in connection with the business combination of T-Mobile USA and MetroPCS	–	–	2,605
FCC licenses	10	104	–
Intangible assets (excluding goodwill) in connection with the business combination of T-Mobile USA and MetroPCS	–	–	6,094
PROPERTY, PLANT AND EQUIPMENT	**78**	**117**	**2,020**
Of which: From the year-end impairment test	–	–	–
In connection with the business combination of T-Mobile USA and MetroPCS	–	–	1,890
	143	**838**	**11,108**

Depreciation, amortization and impairment losses decreased by EUR 0.3 billion year-on-year.

This marked decrease was primarily due to an impairment loss of EUR 0.5 billion recognized in the prior year on goodwill of the Austria cash-generating unit.

In the reporting year, impairment losses of EUR 51 million were recognized on goodwill following scheduled impairment testing at the cash-generating units. For further details, please refer to Note 5 “Intangible assets,” PAGE 206 ET SEQ.

Impairment losses on property, plant and equipment related mainly to land and buildings.

In total, depreciation and amortization was EUR 0.4 billion higher than the prior-year figure. This was primarily due to the inclusion of MetroPCS for the first time for a full year and the roll-out of the LTE network as part of T-Mobile US’ network modernization program. The reduction in useful lives with regard to the decommissioning of the CDMA mobile network of MetroPCS (EUR 0.2 billion), which had been taken over in the previous year, also increased depreciation and amortization.

OTHER DISCLOSURES

31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

NET CASH FROM OPERATING ACTIVITIES

Dividend payments received from the EE joint venture, which were EUR 0.1 billion higher than in the prior year, had a positive effect on net cash from operating activities. In the reporting period, financing options were chosen which extended the period of payment for trade accounts payable by involving banks in the process and, when payment is made, are shown in net cash used in/from financing activities. This results in a positive total effect on net cash from operating activities of EUR 0.4 billion. Net cash from operating activities in the previous year had included total cash outflows of EUR 0.2 billion in connection with the AT&T and MetroPCS transactions, and EUR 0.3 billion higher cash outflows for severance and early retirement payments. By contrast, net cash from operating activities was reduced by a EUR 0.4 billion increase in net interest payments. In the previous year, this item had included EUR 0.2 billion higher cash inflows from entering into, canceling or changing the terms and conditions of interest rate derivatives.

T 149

Net cash used in investing activities
millions of €

	2014	2013	2012
Cash capex			
Germany operating segment	(3,807)	(3,411)	(3,418)
United States operating segment	(5,072)	(3,279)	(2,560)
Europe operating segment	(2,101)	(3,661)	(1,739)
Systems Solutions operating segment	(1,171)	(1,066)	(1,171)
Group Headquarters & Group Services	(381)	(411)	(379)
Reconciliation	688	760	835
	(11,844)	**(11,068)**	**(8,432)**
Net cash flows for collateral deposited for hedging transactions	606	(776)	(339)
Allocation under contractual trust agreement on pension commitments	(250)	(250)	(750)
Acquisition/sale of government bonds, net	11	(159)	319
Net change in cash and cash equivalents due to the first-time inclusion of MetroPCS	–	1,641	–
Proceeds from the loss of control of subsidiaries and associates [a]	1,540	650	2,199
Proceeds from the disposal of property, plant and equipment	265	245	187
Cash flows from the bond issued by the EE joint venture	–	–	218
Acquisition of the GTS Central Europe group	(539)	–	–
Other	(550)	(179)	(73)
	(10,761)	**(9,896)**	**(6,671)**

[a] Cash inflows of EUR 1.6 billion from the sale of 70 percent of the shares in the Scout24 group are included in the 2014 financial year. Cash inflows of EUR 0.6 billion from the sale of Globul and Germanos and of EUR 0.2 billion from the sale of Hellas Sat are included in the 2013 financial year. Cash inflows of EUR 1.8 billion from the disposal of cell sites in the United States and EUR 0.4 billion from the sale of Telekom Srbija are included in the 2012 financial year.

Cash capex increased by EUR 0.8 billion to EUR 11.8 billion. In the Germany operating segment, the increase was mainly attributable to the investments as part of the integrated network strategy in the fiber-optic cable roll-out as well as in the IP transformation and the LTE infrastructure. In the 2014 financial year, mobile licenses were acquired for a total of EUR 2.3 billion, primarily in the United States operating segment, in Hungary, the Czech Republic, Poland, and Slovakia. A similar amount of EUR 2.2 billion had been spent on mobile licenses in the previous year, mainly in the Netherlands, Austria, and Romania, as well as in the United States operating segment.

Interest payments (including capitalized interest) of EUR 3.5 billion (2013: EUR 3.0 billion, 2012: EUR 3.1 billion) were made in the financial year. Capitalized interest was reported within cash capex in net cash used in investing activities, together with the associated assets.

T 150

Net cash used in/from financing activities
millions of €

	2014	2013	2012
Issuance of bonds	3,816	9,051	3,076
T-Mobile US capital increase	–	1,313	–
T-Mobile US stock options	17	102	–
Repayment of bonds	(4,677)	(4,748)	(3,597)
Dividends (including to non-controlling interests)	(1,290)	(2,243)	(3,400)
OTE credit line, net	(45)	(704)	(757)
Net cash flows for collateral deposited for hedging transactions	170	(537)	90
Repayment of financial liabilities to Sireo	–	(534)	–
Promissory notes, net	(1,293)	(309)	–
Cash deposits from the EE joint venture, net	3	(195)	280
Repayment of lease liabilities	(164)	(172)	(169)
Repayment of EIB loans	–	(32)	(532)
Deutsche Telekom AG share buy-back	–	(2)	–
Loans taken out with the EIB	400	–	300
Commercial paper, net	1,561	–	(1,657)
Cash inflows from the assignment of OTE stock options	26	–	–
Acquisition of the remaining shares in T-Mobile Czech Republic	(828)	–	–
Repayment of financial liabilities from financed capex and opex	(760)	–	–
OTE share buy-back	(69)	–	–
Other	(301)	32	(235)
	(3,434)	**1,022**	**(6,601)**

NON-CASH TRANSACTIONS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

In June 2014, dividend entitlements of Deutsche Telekom AG shareholders in the amount of EUR 1.0 billion did not have an effect on net cash used in/from financing activities when fulfilled; rather, they were substituted by shares from authorized capital (see Note 15 "Shareholders' equity," PAGES 227 and 228). The dividend entitlements of Deutsche Telekom AG shareholders having an effect on cash flows totaled EUR 1.2 billion. In the previous year, dividend entitlements of Deutsche Telekom AG shareholders amounting to EUR 1.1 billion did not have an impact on cash flows, while dividend entitlements of EUR 1.9 billion did have an effect on cash flows.

In the 2014 financial year, Deutsche Telekom chose financing options totaling EUR 0.6 billion under which the payments for trade payables from operating and investing activities become due at a later point in time by involving banks in the process. These payables are now shown under financial liabilities in the statement of financial position. As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

Consideration for the acquisition of broadcasting rights will be paid by Deutsche Telekom in accordance with the terms of the contract on its conclusion or spread over the term of the contract. Financial liabilities of EUR 0.2 billion were recognized in the 2014 financial year for future consideration for acquired broadcasting rights. As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

32 SEGMENT REPORTING

Deutsche Telekom reports on four operating segments, as well as on the Group Headquarters & Group Services segment. In three operating segments, business activities are assigned by region, whereas one segment allocates its activities by product and/or customer.

The **Germany** operating segment comprises all fixed-network and mobile activities in Germany. In addition, the operating segment provides wholesale telecommunications services for the Group's other operating segments. The **United States** operating segment combines all mobile activities in the U.S. market. The **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. It also includes the International Carrier Sales & Solutions unit, which mainly provides wholesale telecommunications services for the Group's other operating segments. The Europe operating segment also offers ICT services to business customers in individual national companies.

Fixed-network business includes 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. Mobile terminals and other hardware are sold in connection with the services offered. In addition, mobile services are sold to resellers and to companies that buy network services and market them independently to third parties (MVNOs).

The **Systems Solutions** operating segment bundles business with ICT products and solutions for large multinational corporations under the T-Systems brand. It offers its customers information and communication technology from a single source and develops and operates infrastructure and industry solutions for multinational corporations and public institutions. The products and services it offers range from standard products and IP-based high-performance networks through to complete ICT solutions.

The **Group Headquarters & Group Services** segment comprises Service Headquarters and those subsidiaries of Deutsche Telekom AG that are not allocated to the operating segments, and the EE joint venture in the United Kingdom. As of December 31, 2014, the EE joint venture is reported under non-current assets and disposal groups held for sale (see Note 4, PAGES 204 and 205).

The business segments shown are reviewed at regular intervals by the Deutsche Telekom Board of Management in terms of the allocation of resources and their earning performance.

The segments structure was changed as follows in the 2014 financial year:

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

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

Comparative figures have been adjusted retrospectively.

The measurement principles for Deutsche Telekom's segment reporting structure are primarily based on the IFRSs adopted in the consolidated financial statements. Deutsche Telekom evaluates the segments' performance based on revenue and profit or loss from operations (EBIT), among other factors. Revenue generated and goods and services exchanged between segments are calculated on the basis of market prices. Services performed by Telekom IT are charged at cost. Segment assets and liabilities include all assets and liabilities that are carried in the financial statements prepared by the segments and included in the consolidated financial statements. Segment investments include additions to intangible assets and property, plant and equipment. Where entities accounted for using the equity method are directly allocable to a segment, their shares of profit or loss after income taxes and their carrying amounts are reported in this segment's accounts. The performance indicators shown in TABLES 151 to 153 are exclusively presented from the segments' perspective. The effects of intersegment transactions are eliminated and presented in aggregate form in the reconciliation line.

The following tables show the performance indicators used by Deutsche Telekom to evaluate the operating segments' performance as well as additional segment-related indicators:

T 151

millions of €

		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Interest income	Interest expense	Share of profit (loss) of associates and joint ventures accounted for using the equity method	Income taxes
Germany	2014	20,903	1,354	22,257	4,663	6	(277)	2	0
	2013	21,056	1,379	22,435	4,435	20	(367)	1	5
	2012	21,384	1,352	22,736	4,213	38	(501)	1	(6)
United States	2014	22,405	3	22,408	1,405	2	(867)	(41)	(203)
	2013	18,552	4	18,556	1,404	461	(737)	(33)	(418)
	2012	15,365	6	15,371	(7,547)	86	(661)	(26)	2,191
Europe	2014	12,596	376	12,972	1,704	27	(365)	2	(371)
	2013	13,174	530	13,704	972	25	(423)	4	(417)
	2012	13,931	510	14,441	1,453	64	(419)	5	(402)
Systems Solutions	2014	5,988	2,613	8,601	(422)	14	(1)	(9)	(31)
	2013	6,244	2,794	9,038	(294)	15	(1)	4	(29)
	2012	6,411	3,140	9,551	(323)	37	(23)	(14)	19
Group Headquarters & Group Services	2014	766	1,750	2,516	(109)	906	(1,808)	(152)	(492)
	2013	1,106	1,773	2,879	(1,582)	1,145	(1,871)	(47)	(249)
	2012	1,078	1,757	2,835	(1,750)	1,458	(2,057)	(120)	(292)
TOTAL	**2014**	**62,658**	**6,096**	**68,754**	**7,241**	**955**	**(3,318)**	**(198)**	**(1,097)**
	2013	**60,132**	**6,480**	**66,612**	**4,935**	**1,666**	**(3,399)**	**(71)**	**(1,108)**
	2012	**58,169**	**6,765**	**64,934**	**(3,954)**	**1,683**	**(3,661)**	**(154)**	**1,510**
Reconciliation	2014	–	(6,096)	(6,096)	6	(630)	653	–	(9)
	2013	–	(6,480)	(6,480)	(5)	(1,438)	1,009	–	184
	2012	–	(6,765)	(6,765)	(8)	(1,377)	1,322	–	6
GROUP	**2014**	**62,658**	**–**	**62,658**	**7,247**	**325**	**(2,665)**	**(198)**	**(1,106)**
	2013	**60,132**	**–**	**60,132**	**4,930**	**228**	**(2,390)**	**(71)**	**(924)**
	2012	**58,169**	**–**	**58,169**	**(3,962)**	**306**	**(2,339)**	**(154)**	**1,516**

T 152

millions of €

		Segment assets [a]	Segment liabilities	Segment investments	Investments accounted for using the equity method	Depreciation and amortization	Impairment losses	Average number of employees
Germany	**2014**	29,980	23,148	4,144	19	(3,884)	(9)	68,106
	2013	30,738	23,200	3,538	17	(3,959)	(7)	67,765
	2012	31,224	22,972	3,559	16	(4,389)	(4)	68,653
United States	**2014**	49,784	35,724	7,318	197	(2,829)	(10)	37,858
	2013	38,830	26,888	4,676	198	(2,133)	(105)	32,962
	2012	27,436	21,254	4,217	215	(2,265)	(10,601)	30,184
Europe	**2014**	30,923	12,761	2,718	52	(2,567)	(30)	52,829
	2013	29,976	12,695	4,192	59	(2,755)	(644)	56,810
	2012	30,457	12,127	1,961	58	(2,921)	(388)	58,785
Systems Solutions	**2014**	8,788	5,962	1,279	14	(712)	(5)	48,817
	2013	8,428	5,279	1,133	24	(639)	(13)	49,985
	2012	8,766	5,775	3,950	23	(614)	(17)	52,680
Group Headquarters & Group Services	**2014**	81,500	48,100	441	335	(582)	(89)	20,639
	2013	83,596	51,219	573	5,869	(627)	(72)	22,182
	2012	87,690	53,523	279	6,414	(654)	(99)	22,040
TOTAL	**2014**	**200,975**	**125,695**	**15,900**	**617**	**(10,574)**	**(143)**	**228,249**
	2013	**191,568**	**119,281**	**14,112**	**6,167**	**(10,113)**	**(841)**	**229,704**
	2012	**185,573**	**115,651**	**13,966**	**6,726**	**(10,843)**	**(11,109)**	**232,342**
Reconciliation	**2014**	(71,615)	(30,401)	(819)	–	143	–	(1)
	2013	(73,420)	(33,196)	(752)	–	47	3	–
	2012	(77,631)	(38,240)	(3,417)	–	(5)	–	–
GROUP	**2014**	**129,360**	**95,294**	**15,081**	**617**	**(10,431)**	**(143)**	**228,248**
	2013	**118,148**	**86,085**	**13,360**	**6,167**	**(10,066)**	**(838)**	**229,704**
	2012	**107,942**	**77,411**	**10,549**	**6,726**	**(10,848)**	**(11,109)**	**232,342**

[a] Relating to the Group Headquarters & Group Services segment, Deutsche Telekom AG shareholders opted to have part of their dividend entitlement converted into shares, meaning that this dividend in kind had no impact on cash flows (see Note 15 "Shareholders' equity," PAGES 227 and 228).

T 153

millions of €

		Net cash from operating activities	Net cash (used in) from investing activities	Of which: cash capex[a]	Net cash (used in) from financing activities[b]
Germany	2014	8,810	(4,171)	(3,807)	(6,844)
	2013	8,646	(3,444)	(3,411)	(5,691)
	2012	8,489	(3,509)	(3,418)	(7,174)
United States	2014	3,170	(5,417)	(5,072)	1,952
	2013	2,580	(1,232)	(3,279)	2,728
	2012	3,164	(785)	(2,560)	(2,301)
Europe	2014	3,597	(2,196)	(2,101)	662
	2013	3,658	(3,026)	(3,661)	(2,128)
	2012	3,967	(903)	(1,739)	(2,362)
Systems Solutions	2014	687	(840)	(1,171)	424
	2013	999	(531)	(1,066)	138
	2012	268	(448)	(1,171)	363
Group Headquarters & Group Services	2014	2,510	912	(381)	(4,055)
	2013	3,266	3,731	(411)	(5,552)
	2012	3,028	3,665	(379)	(5,135)
TOTAL	**2014**	**18,774**	**(11,712)**	**(12,532)**	**(7,861)**
	2013	**19,149**	**(4,502)**	**(11,828)**	**(10,505)**
	2012	**18,916**	**(1,980)**	**(9,267)**	**(16,609)**
Reconciliation	2014	(5,381)	951	688	4,427
	2013	(6,132)	(5,394)	760	11,527
	2012	(5,339)	(4,691)	835	10,008
GROUP	**2014**	**13,393**	**(10,761)**	**(11,844)**	**(3,434)**
	2013	**13,017**	**(9,896)**	**(11,068)**	**1,022**
	2012	**13,577**	**(6,671)**	**(8,432)**	**(6,601)**

[a] Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment, as shown in the statement of cash flows.
[b] Relating to the Group Headquarters & Group Services segment, Deutsche Telekom AG shareholders opted to have part of their dividend entitlement converted into shares, meaning that this dividend in kind had no impact on cash flows (see Note 15 "Shareholders' equity," PAGES 227 and 228).

Information on geographic areas. The Group's non-current assets and net revenue are shown by region: Germany, Europe (excluding Germany), North America, and Other countries. The North America region comprises the United States and Canada. The Europe (excluding Germany) region covers the entire European Union (excluding Germany) and the other countries in Europe. Other countries include all countries that are not Germany or in Europe (excluding Germany) or North America. Non-current assets are allocated to the regions according to the location of the assets in question. Non-current assets encompass intangible assets; property, plant and equipment; investments accounted for using the equity method; as well as other non-current assets. Net revenue is allocated according to the location of the respective customers' operations.

T 154

millions of €

	Non-current assets			Net revenue		
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	2014	2013	2012
Germany	35,343	35,200	36,433	24,999	25,384	25,775
International	56,766	54,663	49,877	37,659	34,748	32,394
Of which: Europe (excluding Germany)	21,654	27,288	28,066	14,311	15,173	15,966
North America	35,039	27,289	21,696	22,701	18,796	15,593
Other countries	73	86	115	647	779	835
GROUP	**92,109**	**89,863**	**86,310**	**62,658**	**60,132**	**58,169**

Information on products and services. Revenue generated with external customers for groups of comparable products and services developed as follows:

T 155

millions of €

	Net revenue		
	2014	2013	2012
Telecommunications	55,946	53,220	51,150
ICT solutions	6,513	6,713	6,790
Other	199	199	229
	62,658	**60,132**	**58,169**

33 CONTINGENCIES

As part of its ordinary business activities, Deutsche Telekom is involved in various proceedings both in and out of court with government agencies, competitors, and other parties, the outcome of which often cannot be reliably anticipated. As of the reporting date, the Group was exposed to contingent liabilities amounting to EUR 0.3 billion (December 31, 2013: EUR 0.6 billion) and to contingent assets amounting to EUR 0.0 billion (December 31, 2013: EUR 0.0 billion) that, on the basis of the information and estimates available, do not fulfill the requirements for recognition as liabilities or assets in the statement of financial position. Litigation provisions include the costs of legal counsel services and any probable losses. Deutsche Telekom does not believe that any additional costs arising from legal counsel services or the results of proceedings will have a material adverse effect on the results of operations and financial position of the Group. In addition to individual cases that do not have any significant impact on their own, the aforementioned total contingent liabilities include the following items, the sequence of which does not imply an evaluation of their probability of occurrence or potential damage. In the event that in extremely rare cases disclosures required by IAS 37 are not made, Deutsche Telekom comes to the conclusion that these disclosures could seriously undermine the outcome of the relevant proceedings.

CONTINGENT LIABILITIES

Proceedings by Anti-Monopoly Commission in Poland. On November 23, 2011, the Anti-Monopoly Commission in Poland (UOKiK) concluded investigations started in 2010. It decided that T-Mobile Polska (formerly PTC) and other Polish telecommunications companies had fixed prices 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 thus complained in a lawsuit against the decision. 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.

Claims by partnering publishers of telephone directories. Several publishers that had set up joint ventures with DeTeMedien GmbH, a wholly owned subsidiary of Deutsche Telekom AG, to edit and publish subscriber directories, filed claims against DeTeMedien GmbH and/or Deutsche Telekom AG at the end of 2013. The complainants are claiming damages or refund from DeTeMedien GmbH and to a certain extent from Deutsche Telekom AG as joint and several debtor next to DeTeMedien GmbH. The complainants base their claims on allegedly excessive charges for the provision of subscriber data in the joint ventures. In 2014, further partnering publishers made claims for compensation or refund against DeTeMedien GmbH. At the end of 2014, several plaintiffs further quantified the amounts claimed. Thus the claimed amounts currently total around EUR 470 million plus interest. Hearings were held regarding two actions filed against DeTeMedien GmbH at the Frankfurt/Main Regional Court on July 16, 2014 which the Court rejected in rulings on October 22, 2014. The decisions are not final and legally binding yet. The complainants have filed an appeal with the Frankfurt/Main Higher Regional Court against the rulings. We expect decisions in the numerous other cases in 2015. Deutsche Telekom has recognized appropriate provisions for risks in 2014 in the statement of financial position.

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.

Likewise, on the basis of the information and estimates available, the following issues do not fulfill the requirements for recognition as liabilities in the statement of financial position. As, however, the Group is unable to estimate the amount of the contingent liabilities or group of contingent liabilities in each case due to the uncertainties described below, they have not been included in the aforementioned total contingent liabilities.

Anti-trust and consumer protection proceedings. Like many other companies, our Group is subject to the regulations of anti-trust law. In some countries, Deutsche Telekom and its subsidiaries, joint ventures, and associates are subject to various proceedings under anti-trust or competition law, which may also lead to civil follow-on claims. Looking at each of the proceedings individually, none has a material impact. Deutsche Telekom believes the respective allegations are unfounded. The outcome of the proceedings cannot be foreseen at this point in time.

European Commission proceedings against Slovak Telekom and Deutsche Telekom. The European Commission announced its finding on October 15, 2014 that Slovak Telekom had abused its market power on the Slovak broadband market and as a result imposed fines on Slovak Telekom and Deutsche Telekom. The European Commission is of the opinion that Slovak Telekom refused unbundled access to its local loop and had margins squeezed for alternative providers. The fines amount to EUR 38.8 million for Slovak Telekom and Deutsche Telekom and a further EUR 31.1 million for Deutsche Telekom because a fine had already been imposed on Deutsche Telekom in 2003 for a margin squeeze in Germany. 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. For this reason, Deutsche Telekom and Slovak Telekom challenged the European Commission's decision before the Court of the European Union on December 29, 2014. The fines are included in other liabilities as of December 31, 2014.

Toll Collect arbitration proceedings. The principal members of the Toll Collect consortium are Daimler Financial Services AG and Deutsche Telekom AG. 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 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. Further hearings took place in spring and fall 2014. In connection with the hearing in spring 2014, the proceedings and the share of the risk borne by Deutsche Telekom were reexamined and, as a result, appropriate provisions for risk were recognized in the statement of financial position. Deutsche Telekom believes that a claim arising from the joint and several liability is unlikely to be made in excess of Deutsche Telekom's share of the risk.

- **Bank loans guarantee.** Deutsche Telekom guarantees to third parties bank loans of up to a maximum amount of EUR 100 million granted to Toll Collect GmbH. These guarantees for bank loans will expire on October 15, 2015.
- **Equity maintenance undertaking.** The consortium partners have the obligation, on a joint and several basis, to provide Toll Collect GmbH with additional equity in order to ensure a minimum equity ratio of 15 percent (in the single-entity financial statements prepared in accordance with German GAAP) (equity maintenance undertaking). This obligation ends when the operating agreement expires on August 31, 2018, or earlier if the operating agreement is terminated prematurely. The amount of a potential settlement attributable to the equity maintenance undertaking cannot be estimated because of uncertainties.

In June 2006, the Federal Republic of Germany began to partially offset its monthly advance payments for operating fees to Toll Collect GmbH of EUR 8 million against the contractual penalty claims that are already subject of the aforementioned arbitration proceedings. As a result, it may become necessary for the consortium members to provide Toll Collect GmbH with further liquidity.

The risks and obligations of Compagnie Financière et Industrielle des Autoroutes S.A., Sèvres Cedex (Cofiroute, which holds a 10-percent stake in Toll Collect) are limited to EUR 70 million. Deutsche Telekom AG and Daimler Financial Services AG have the obligation, on a joint and several basis, to indemnify Cofiroute against further claims.

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 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. The Frankfurt/Main Higher Regional Court therefore believes there is no basis for holding Deutsche Telekom AG liable. In its decision on October 21, 2014, the Federal Court of Justice revoked this ruling, determined that there was a mistake in the prospectus, and referred the case back to the Frankfurt/Main Higher Regional Court. A decision on possible liability for damages was not made. We continue to hold the opinion that there are compelling reasons why Deutsche Telekom AG should not be liable for damages.

Claims relating to charges for shared use of cable ducts. With an action filed in spring 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 quantified 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. In the appeal proceedings, KDG also quantified its claims for 2013 through an extension of claim and is now seeking a refund of charges allegedly paid in excess of approximately EUR 407 million as well as alleged net interest received of around EUR 34 million, plus interest in each case. On December 9, 2014, the Frankfurt/Main Higher Regional Court rejected the appeal and disallowed a further appeal. KDG has filed a complaint against the non-allowance of appeal with the Federal Court of Justice. 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. For charges allegedly paid in excess for the shared use of cable ducts from 2009 up to and including 2012, Unitymedia Hessen GmbH & Co. KG is 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.

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.

Patents and licenses. Like many other large telecommunications and Internet providers, Deutsche Telekom is exposed to a growing number of intellectual property rights 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, for example relating to the sale of a product or the use of a technology.

Tax risks. In many countries, Deutsche Telekom is subject to the applicable legal tax regulations. Risks that affect tax expense and benefit as well as tax receivables and liabilities can arise from changes in local taxation laws or jurisdiction and different interpretations of existing regulations.

34 LEASES

DEUTSCHE TELEKOM AS LESSEE

Finance leases. When a lease transfers substantially all risks and rewards to Deutsche Telekom as lessee, Deutsche Telekom initially recognizes the leased assets in the statement of financial position at the lower of fair value or present value of the future minimum lease payments. Most of the leased assets carried in the statement of financial position as part of finance leases relate to long-term rental and lease agreements for office buildings and cell towers or mobile communications facilities. The average lease term is 18 years. The agreements include extension and purchase options. TABLE 156 shows the net carrying amounts of leased assets capitalized in connection with a finance lease as of the reporting date:

T 156

millions of €

	Dec. 31, 2014	Of which: sale and leaseback transactions	Dec. 31, 2013	Of which: sale and leaseback transactions
Land and buildings	599	347	680	394
Technical equipment and machinery	455	0	362	0
Other	8	0	8	0
NET CARRYING AMOUNTS OF LEASED ASSETS CAPITALIZED	**1,062**	**347**	**1,050**	**394**

At the inception of the lease term, Deutsche Telekom recognizes a lease liability equal to the carrying amount of the leased asset. In subsequent periods, the liability decreases by the amount of lease payments made to the lessors using the effective interest method. The interest component of the lease payments is recognized in the income statement.

TABLE 157 provides a breakdown of these amounts:

T 157

millions of €

	Minimum lease payments		Interest component		Present values	
	Total	Of which: sale and leaseback	Total	Of which: sale and leaseback	Total	Of which: sale and leaseback
DEC. 31, 2014						
MATURITY						
Within 1 year	278	108	98	49	180	59
In 1 to 3 years	509	206	178	82	331	124
In 3 to 5 years	372	183	133	60	239	123
After 5 years	1,028	393	317	165	711	228
	2,187	**890**	**726**	**356**	**1,461**	**534**
DEC. 31, 2013						
MATURITY						
Within 1 year	260	109	98	52	162	57
In 1 to 3 years	475	209	183	90	292	119
In 3 to 5 years	398	198	140	70	258	128
After 5 years	1,079	472	345	189	734	283
	2,212	**988**	**766**	**401**	**1,446**	**587**

Operating leases. Beneficial ownership of a lease is attributed to the lessor if this is the party to which all the substantial risks and rewards incidental to ownership of the asset are transferred. The lessor recognizes the leased asset in its statement of financial position. Deutsche Telekom recognizes the lease payments made during the term of the operating lease in profit or loss. Deutsche Telekom's obligations arising from operating leases are mainly related to long-term rental or lease agreements for cell towers, network infrastructure, and real estate.

Some leases include extension options and provide for stepped rents. Most of these leases relate to cell towers in the United States.

The operating lease expenses recognized in profit or loss amounted to EUR 3.3 billion in the 2014 financial year (2013: EUR 3.2 billion, 2012: EUR 2.8 billion). TABLE 158 provides a breakdown of future obligations arising from operating leases:

T 158

millions of €

	Dec. 31, 2014	Dec. 31, 2013
MATURITY		
Within 1 year	2,918	2,684
In 1 to 3 years	4,856	4,490
In 3 to 5 years	3,971	3,770
After 5 years	7,164	6,496
	18,909	**17,440**

DEUTSCHE TELEKOM AS LESSOR

Finance leases. Deutsche Telekom is a lessor in connection with finance leases. Essentially, these relate to the leasing of routers and other hardware, which Deutsche Telekom provides to its customers for data and telephone network solutions. Deutsche Telekom recognizes a receivable in the amount of the net investment in the lease. The lease payments made by the lessees are split into an interest component and a principal component using the effective interest method. The lease receivable is reduced by the principal received. The interest component of the payments is recognized as finance income in the income statement. TABLE 159 shows how the amount of the net investment in a finance lease is determined:

T 159

millions of €

	Dec. 31, 2014	Dec. 31, 2013
Minimum lease payments	242	208
Unguaranteed residual value	2	10
Gross investment	244	218
Unearned finance income	(17)	(15)
NET INVESTMENT (PRESENT VALUE OF THE MINIMUM LEASE PAYMENTS)	**227**	**203**

TABLE 160 presents the gross investment amounts and the present value of payable minimum lease payments:

T 160

millions of €

	Dec. 31, 2014		Dec. 31, 2013	
	Gross investment	Present value of minimum lease payments	Gross investment	Present value of minimum lease payments
MATURITY				
Within 1 year	98	90	104	79
In 1 to 3 years	113	103	92	91
In 3 to 5 years	31	33	12	23
After 5 years	2	1	10	10
	244	**227**	**218**	**203**

Operating leases. If Deutsche Telekom is a lessor in connection with operating leases, it continues to recognize the leased assets in its statement of financial position. The lease payments received are recognized in profit or loss. The leases mainly relate to the rental of cell towers and building space and have an average term of 15 years. TABLE 161 presents the future minimum lease payments arising from non-cancelable operating leases:

T 161

millions of €

	Dec. 31, 2014	Dec. 31, 2013
MATURITY		
Within 1 year	314	275
In 1 to 3 years	380	382
In 3 to 5 years	289	302
After 5 years	507	603
	1,490	**1,562**

35 OTHER FINANCIAL OBLIGATIONS

TABLE 162 provides an overview of Deutsche Telekom's other financial obligations:

T 162

millions of €

	Dec. 31, 2014			
	Total	Due within 1 year	Due >1 year ≤ 5 years	Due > 5 years
Purchase commitments regarding property, plant and equipment	2,103	1,683	403	17
Purchase commitments regarding intangible assets	1,036	887	149	0
Firm purchase commitments for inventories	5,287	2,699	2,588	0
Other purchase commitments and similar obligations	8,717	4,759	3,126	832
Payment obligations to the Civil Service Pension Fund	5,137	545	1,970	2,622
Miscellaneous other obligations	1,025	274	751	0
	23,305	**10,847**	**8,987**	**3,471**

36 SHARE-BASED PAYMENT

SHARE MATCHING PLAN

In the 2011 financial year, specific executives were contractually obliged to invest a minimum of 10 percent and a maximum of 33.3 percent of their variable short-term remuneration component, which is based on the achievement of targets set for each person for the financial year (Variable I), in Deutsche Telekom AG shares. Deutsche Telekom AG will award one additional share for every share acquired as part of this executive's aforementioned personal investment (Share Matching Plan). These shares will be allotted to the beneficiaries of this plan on expiration of the four-year lock-up period.

For the compensation system of Board of Management members who also participate in the Share Matching Plan, please refer to Note 40, PAGE 261 ET SEQ.

SHARE-BASED PAYMENT AT T-MOBILE US

In the 2013 financial year, T-Mobile US' Board of Directors and stockholders approved the 2013 Omnibus Incentive Plan, which authorized the issuance of up to 63 million shares of common stock of T-Mobile US. Under the incentive plan, the company may grant stock options, stock appreciation rights, restricted stock, restricted stock units, and performance awards to employees, consultants, advisors, and non-employee directors. 37 million T-Mobile US shares were available as of December 31, 2014 for the future issuance as part of these programs.

In 2013, T-Mobile US granted restricted stock units (RSUs) to eligible employees. RSUs entitle the grantee to receive shares of T-Mobile US common stock at the end of a vesting period of up to three-and-a-half years.

In 2013, T-Mobile US also granted performance stock units (PSUs) to eligible key executives of the company. PSUs entitle the holder to receive shares of T-Mobile US common stock at the end of a vesting period of up to two-and-a-half years if a specific performance goal has been achieved. The number of shares ultimately received is dependent on specified performance of the company's operating free cash flow as well as its total shareholder return against a defined peer group.

The plan resulted in the following development:

T 163

	Number of shares	Weighted average fair value at grant date USD
Non-vested as of January 1, 2014	**22,949,165**	**22.14**
Granted	5,199,290	28.52
Vested	(6,296,107)	21.21
Forfeited	(1,900,259)	21.53
Non-vested as of December 31, 2014	**19,952,089**	**24.15**

The program is measured at fair value on the grant date and recognized as expense, net of expected forfeitures, following a graded vesting schedule over the related service period. The fair value of stock awards for the RSUs is based on the closing price of T-Mobile US' common stock on the date of grant. The fair value of stock awards for the PSUs was determined using the Monte Carlo model. Stock-based compensation expense was EUR 159 million as of December 31, 2014 (December 31, 2013: EUR 112 million).

Prior to the business combination, MetroPCS had established various stock option plans (predecessor plans). The MetroPCS stock options were adjusted in connection with the business combination. Following approval of T-Mobile US' 2013 Omnibus Incentive Plan, no new awards may be granted under the predecessor plans.

The plan resulted in the following development of the T-Mobile US stock options:

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	Number of shares	Weighted average exercise price USD	Weighted average remaining contractual life Years
Stock options outstanding/ exercisable at January 1, 2014	**6,333,020**	**24.64**	
Exercised	(1,496,365)	17.95	
Forfeited	(487,743)	42.41	
Stock options outstanding/ exercisable at December 31, 2014	**4,348,912**	**24.96**	**3.7**

The exercise of stock options generated cash inflows of EUR 17 million (USD 27 million) in the 2014 financial year (2013: EUR 102 million (USD 137 million)).

37 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2014	Amounts recognized in the statement of financial position according to IAS 39			
			Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss
ASSETS						
Cash and cash equivalents	LaR	7,523	7,523			
Trade receivables	LaR	10,262	10,262			
Originated loans and receivables	LaR/n. a.	3,224	2,997			
Of which: collateral paid	LaR	527	527			
Other non-derivative financial assets						
Held-to-maturity investments	HtM	10	10			
Available-for-sale financial assets[a]	AfS	683		122	561	
Derivative financial assets[b]						
Derivatives without a hedging relationship	FAHfT	835				835
Of which: termination rights embedded in bonds issued and conversion rights	FAHfT	183				183
Derivatives with a hedging relationship	n. a.	508			286	222
LIABILITIES AND SHAREHOLDERS' EQUITY[c]						
Trade payables	FLAC	9,631	9,631			
Bonds and other securitized liabilities	FLAC	44,219	44,219			
Liabilities to banks	FLAC	3,676	3,676			
Liabilities to non-banks from promissory notes	FLAC	946	946			
Other interest-bearing liabilities	FLAC	1,775	1,775			
Of which: collateral received	FLAC	486	486			
Other non-interest-bearing liabilities	FLAC	2,055	2,055			
Finance lease liabilities	n. a.	1,461				
Derivative financial liabilities[b]						
Derivatives without a hedging relationship	FLHfT	664				664
Derivatives with a hedging relationship	n. a.	431			423	8
Of which: aggregated by category in accordance with IAS 39						
Loans and receivables	LaR	20,782	20,782			
Held-to-maturity investments	HtM	10	10			
Available-for-sale financial assets[a]	AfS	683		122	561	
Financial assets held for trading	FAHfT	835				835
Financial liabilities measured at amortized cost	FLAC	62,302	62,302			
Financial liabilities held for trading	FLHfT	664				664

[a] For details, please refer to Note 8 "Other financial assets," PAGE 214.
[b] For details, please refer to TABLE 171 on derivatives in this Note, PAGE 257.
[c] For financial guarantees and loan commitments existing at the reporting date, please refer to the additional information provided in this Note, PAGE 256.
[d] The exemption provisions under IFRS 7.29 a) were applied for information on specific fair values.

Trade receivables include receivables amounting to EUR 1.6 billion (December 31, 2013: EUR 1.0 billion) due in more than one year. The fair value generally equates to the carrying amount.

				Amounts recognized in the statement of financial position according to IAS 39					
Amounts recognized in the statement of financial position according to IAS 17	Fair value Dec. 31, 2014[d]	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2013	Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss	Amounts recognized in the statement of financial position according to IAS 17	Fair value Dec. 31, 2013[d]
	–	LaR	7,970	7,970					–
	–	LaR	7,580	7,580					–
227	3,256	LaR/n. a.	2,672	2,469				203	–
	–	LaR	941	941					–
	–	HtM	12	12					–
	561	AfS	652		280	372			372
	835	FAHfT	596				596		596
	183	FAHfT	158				158		158
	508	n. a.	175			113	62		175
	–	FLAC	7,231	7,231					–
	49,402	FLAC	40,535	40,535					44,631
	3,788	FLAC	4,105	4,105					4,219
	1,106	FLAC	1,072	1,072					1,230
	1,836	FLAC	891	891					881
	–	FLAC	40	40					–
	–	FLAC	1,967	1,967					–
1,461	1,869	n. a.	1,446					1,446	1,768
	664	FLHfT	581				581		581
	431	n. a.	1,002			726	276		1,002
	3,029	LaR	18,019	18,019					–
	–	HtM	12	12					–
	561	AfS	652		280	372			372
	835	FAHfT	596				596		596
	56,132	FLAC	55,801	55,801					50,961
	664	FLHfT	581				581		581

Financial instruments not measured at fair value, the fair values of which are disclosed nevertheless

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millions of €

	Dec. 31, 2014				Dec. 31, 2013			
	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable[a]	Total	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable	Total
ASSETS								
Originated loans and receivables		3,256		**3,256**				**–**
LIABILITIES AND SHAREHOLDERS' EQUITY								
Financial liabilities measured at amortized cost (FLAC)	41,121	14,828	183	**56,132**	38,026	12,935		**50,961**
Of which: bonds and other securitized liabilities	41,121	8,098	183	**49,402**	38,026	6,605		**44,631**
Of which: liabilities to banks		3,788		**3,788**		4,219		**4,219**
Of which: liabilities to non-banks from promissory notes		1,106		**1,106**		1,230		**1,230**
Of which: other interest-bearing liabilities		1,836		**1,836**		881		**881**
Finance lease liabilities		1,869		**1,869**		1,768		**1,768**

[a] Separation of embedded derivatives; the fair value of the entire instrument must be categorized as Level 1.

Financial instruments measured at fair value

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millions of €

	Dec. 31, 2014				Dec. 31, 2013			
	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable	Total	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable	Total
ASSETS								
Available-for-sale financial assets (AfS)	348	5	208	**561**	365	7		**372**
Financial assets held for trading (FAHfT)		652	183	**835**		596		**596**
Derivative financial assets with a hedging relationship		508		**508**		175		**175**
LIABILITIES AND SHAREHOLDERS' EQUITY								
Financial liabilities held for trading (FLHfT)		664		**664**		581		**581**
Derivative financial liabilities with a hedging relationship		431		**431**		1,002		**1,002**

Of the available-for-sale financial assets (AfS) presented under other non-derivative financial assets, the instruments presented in Level 1 and Level 2 constitute separate classes. In Level 1, EUR 348 million (December 31, 2013: EUR 365 million) is recognized, the majority of which relates to listed government bonds, the fair values of which are the price quotations at the reporting date.

The available-for-sale financial assets assigned to Level 3 that are carried under other non-derivative financial assets are equity investments measured using the best information available at the reporting date. As a rule, we consider executed transactions involving shares in those companies to have the greatest relevance. Executed transactions involving shares in comparable companies are also considered. The closeness of the transaction in question to the reporting date and the question of whether the transaction was at arm's length are relevant for the decision on which information will ultimately be used for the measurement. In the case of investments with a carrying amount of EUR 192 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why in our view the share prices agreed in the transactions were to be used without adjustment for the measurement as of December 31, 2014. In the case of investments with a carrying amount of EUR 16 million, no arm's length transactions involving shares in these companies took place sufficiently close to the reporting date. For this reason, these were measured on the basis of arm's length transactions involving shares in comparable companies that were executed sufficiently close to the reporting date. Here, multiples to the reference variables of net revenue (ranging between 0.52 and 3.5) and EBIT (ranging between 6.6 and 39.75) were used, usually the respective median. If the value of the respective 2/3-quantile (1/3-quantile) had been used as a multiple with no change in the reference variables, the fair value of the investments at the reporting date would have been EUR 5 million higher (EUR 6 million lower). If the reference variables had been 10 percent higher (lower) with no change in the multiples, the fair value of the investments at the reporting date would have been EUR 1 million higher (EUR 1 million lower). In the reporting period, net expense of EUR 54 million was recognized in other financial income/expense for unrealized losses for the investments in the portfolio at the reporting date. For practical reasons, the investments are not remeasured annually unless the periodic individual analysis of the financial position and results of operations of the companies indicates significant changes in the fair values. In the prior year, the investments had been carried at cost. Please refer to TABLE 168 for the development of the carrying amounts in the reporting period.

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

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

Since there are no market prices available for the derivative financial instruments in the portfolio assigned to Level 2 due to the fact that they are not listed on the market, the fair values are calculated using standard financial valuation models, based entirely on observable inputs. The fair value of derivatives is the value that Deutsche Telekom would receive or have to pay if the financial instrument were transferred at the reporting date. Interest rates of contractual partners relevant as of the reporting date are used in this respect. The middle rates applicable as of the reporting date are used as exchange rates. In the case of interest-bearing derivatives, a distinction is made between the clean price and the dirty price. In contrast to the clean price, the dirty price also includes the interest accrued. The fair values carried correspond to the full fair value or the dirty price.

Financial assets held for trading (FAHfT) assigned to Level 3 relate to options embedded in bonds issued by T-Mobile US with a carrying amount of EUR 183 million when translated into euros. The options, which can be exercised by T-Mobile US at any time, allow early redemption of the bonds at a fixed exercise price. Observable market prices are available routinely and also at the reporting date for the bonds as entire instruments, but not for the options embedded therein. Although major adjustments in the observable input parameters had not been required for option measurement purposes in prior periods, at the reporting date the historical interest rate volatilities with matching maturities of bonds issued by T-Mobile US and comparable issuers differed substantially from the market interest rate volatilities with matching maturities observable at the reporting date. We believe that these historical interest rate volatilities have greater relevance at the reporting date than the current market interest rate volatilities. For this reason, the historical interest rate volatilities were used for the measurement at the reporting date, which is why unobservable input parameters were included in the measurement for the first time. Since the interest rate volatilities used are classified as unobservable and in view of the fact that observable market prices exist for the entire instruments, the spreads with matching maturities to be paid by T-Mobile US over and above the risk-free interest rates must also be categorized as Level 3 rather than as Level 2 input factors. The historical interest rate volatilities used for the measurement at the reporting date were between 18 and 22 percent, while the spreads calculated on the basis of current market prices of bonds issued by T-Mobile US are between 3.7 and 4.2 percent. If 10 percent higher (lower) interest rate volatilities had been used for the measurement at the reporting date, with unchanged spreads the fair value of the options from T-Mobile US' perspective would have been EUR 131 million higher (EUR 112 million lower) when translated into euros. If spreads of 100 basis points higher (lower) had been used for the measurement at the reporting date, with unchanged interest rate volatilities the fair value of the options from T-Mobile US' perspective would have been EUR 99 million lower (EUR 163 million higher) when translated into euros. In the reporting period, net income of EUR 75 million when translated into euros was recognized under the Level 3 measurement in other financial income/expense for unrealized gains for the options in the portfolio at the reporting date. The last assignment to Level 2 was carried out as of September 30, 2014. Please refer to TABLE 168 for the development of the carrying amounts in the reporting period.

Financial assets held for trading assigned to Level 3 with a carrying amount of less than EUR 1 million relate to stock options embedded in the Mandatory Convertible Preferred Stock issued by T-Mobile US in December 2014 (see Note 10 "Financial Liabilities," PAGE 215 ET SEQ.). The Mandatory Convertible Preferred Stock will be converted into a variable number of shares of T-Mobile US on the maturity date in 2017 and, in accordance with IFRS, accounted for as debt capital rather than equity. The entire instrument is split into a debt instrument (bond) measured at amortized cost and an embedded derivative measured at fair value through profit or loss. In addition to conversion on the maturity date, this derivative also includes the early conversion rights granted to investors. An observable market price exists at the reporting date for the Mandatory Convertible Preferred Stock as an entire instrument, but not for the options embedded therein. Due to the closeness to the issue date, the change in the spread of bonds issued by T-Mobile US and comparable issuers in the meantime was used to measure the bond component at the reporting date. The resulting difference compared to the market price of the entire instrument at the reporting date constitutes the fair value of the derivative. The market price of the entire instrument and its individual components is largely dependent on T-Mobile US' share price performance and the market interest rates. If the market price for the entire instrument had been 10 percent higher (lower) at the reporting date as a consequence of a change in T-Mobile US' share price, with otherwise unchanged parameters the fair value of the options from T-Mobile US' perspective would have been EUR 86 million lower (higher) when translated into euros. If a spread of 100 basis points higher (lower) had been used for the measurement at the reporting date, with otherwise unchanged parameters the fair value of the options from T-Mobile US' perspective would have been EUR 23 million lower (EUR 24 million higher) when translated into euros. In the reporting period, a net expense of EUR 35 million when translated into euros was recognized in other financial income/expense for unrealized losses for the options in the portfolio at the reporting date. Please refer to TABLE 168 for the development of the carrying amount in the reporting period. The change in the market price between the issue date and the reporting date is largely attributable to the rise in T-Mobile US' share price.

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Development of the carrying amounts of the financial assets assigned to Level 3
millions of €

	Available-for-sale financial assets (AfS)	Financial assets held for trading (FAHfT): Early redemption options embedded in bonds	Financial assets held for trading (FAHfT): Conversion options embedded in Mandatory Convertible Preferred Stock
Carrying amount as of January 1, 2014	**0**	**0**	**0**
Additions (including first-time categorization as Level 3)	237	104	35
Value decreases recognized in profit/loss	(54)	0	(35)
Value increases recognized in profit/loss	0	75	0
Value decreases recognized directly in equity	(16)	0	0
Value increases recognized directly in equity	60	0	0
Disposals	(19)	0	0
Currency translation effects recognized directly in equity	0	4	0
CARRYING AMOUNT AS OF DECEMBER 31, 2014	**208**	**183**	**0**

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Net gain/loss by measurement category
millions of €

	Recognized in profit or loss from interest, dividends	Recognized in profit or loss from subsequent measurement			Recognized directly in equity from subsequent measurement	Recognized in profit or loss from derecognition	Net gain (loss)
		At fair value	Currency translation	Impairments/ allowances	At fair value		2014
Loans and receivables (LaR)	16		1,865	(602)			**1,279**
Held-to-maturity investments (HtM)							**–**
Available-for-sale financial assets (AfS)	7			(132)	41	20	**(64)**
Financial instruments held for trading (FAHfT and FLHfT)	n. a.	435					**435**
Financial liabilities measured at amortized cost (FLAC)	(2,446)		(2,255)			29	**(4,672)**
	(2,423)	**435**	**(390)**	**(734)**	**41**	**49**	**(3,022)**

millions of €

	Recognized in profit or loss from interest, dividends	Recognized in profit or loss from subsequent measurement			Recognized directly in equity from subsequent measurement	Recognized in profit or loss from derecognition	Net gain (loss)
		At fair value	Currency translation	Impairments/ allowances	At fair value		2013
Loans and receivables (LaR)	20		(1,051)	(573)			**(1,604)**
Held-to-maturity investments (HtM)							**–**
Available-for-sale financial assets (AfS)	11			(29)	(4)	30	**8**
Financial instruments held for trading (FAHfT and FLHfT)	n. a.	(451)					**(451)**
Financial liabilities measured at amortized cost (FLAC)	(2,248)		1,220				**(1,028)**
	(2,217)	**(451)**	**169**	**(602)**	**(4)**	**30**	**(3,075)**

Interest from financial instruments is recognized in finance costs, dividends in other financial income/expense (please also refer to Note 22 "Finance costs," PAGE 231, and Note 24 "Other financial income/expense," PAGE 231). Deutsche Telekom recognizes the other components of net gain/loss in other financial income/expense, except for allowances on trade receivables (please also refer to Note 2 "Trade and other receivables," PAGES 203 and 204) that are classified as loans and receivables, which are reported under selling expenses. The net gain from the subsequent measurement for financial instruments held for trading (EUR 435 million) also includes interest and currency translation effects. The net currency translation gains on financial assets classified as loans and receivables (EUR 1,865 million) are primarily attributable to the Group-internal transfer of foreign-currency loans taken out by Deutsche Telekom's financing company, Deutsche Telekom International Finance B.V., on the capital market. These were offset by corresponding currency translation losses on capital market liabilities of EUR 2,255 million. These include currency translation gains from derivatives that Deutsche Telekom used as hedges for hedge accounting in foreign currency (EUR 331 million; 2013: currency translation loss of EUR 98 million). Finance costs from financial liabilities measured at amortized cost (net expense of EUR 2,446 million) primarily consist of interest expense on bonds and other (securitized) financial liabilities. The item also includes interest expenses from interest added back and interest income from interest discounted from trade payables. However, it does not include the interest expense and interest income from interest rate derivatives Deutsche Telekom used in the reporting period to hedge the fair value risk of financial liabilities (please also refer to Note 22 "Finance costs," PAGE 231).

Principles of risk management. Deutsche Telekom is exposed in particular to risks from movements in exchange rates, interest rates, and market prices that affect its assets, liabilities, and forecast transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities. Selected derivative and non-derivative hedging instruments (hedging transactions) are used for this purpose, depending on the risk assessment. 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. To reduce the credit risk, hedging instruments are generally only concluded with leading financial institutions whose credit rating is at least BBB+/Baa1. In addition, the credit risk of financial instruments with a positive fair value is minimized by way of limit management, which sets individualized relative and absolute figures for risk exposure depending on the counterparty's rating, share price development, and credit default swap level.

The fundamentals of Deutsche Telekom's financial policy are established 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. Certain transactions require the prior approval of the Board of Management, which is also regularly briefed on the severity and amount of the current risk exposure. Treasury regards effective management of the market risk as one of its main tasks. The department performs simulation calculations using different worst-case and market scenarios so that it can estimate the effects of different conditions on the market.

Currency risks. Deutsche Telekom is exposed to currency risks from its investing, financing, and operating activities. Risks from foreign currencies are hedged to the extent that they influence the Group's cash flows. 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.

Foreign-currency risks in the area of investment result, for example, from the acquisition and disposal of investments in foreign companies. Deutsche Telekom hedges these risks. If the risk position exceeds EUR 100 million, the Board of Management must make a special decision on how the risk shall be hedged. If the risk position is below EUR 100 million, Group Treasury performs the currency hedging itself. At the reporting date, Deutsche Telekom was not exposed to any significant risks from foreign-currency transactions in the field of investments.

Foreign-currency risks in the financing area are caused by financial liabilities in foreign currency and loans in foreign currency that are extended to Group entities for financing purposes. Treasury hedges these risks in full. Cross-currency swaps and currency derivatives are used to convert financial obligations and intragroup loans denominated in foreign currencies into the Group entities' functional currencies.

At the reporting date, the foreign-currency liabilities for which currency risks were hedged mainly consisted of bonds and medium-term notes in Australian dollars, pounds sterling, Japanese yen, Norwegian kroner, Swiss francs, and U.S. dollars. On account of these hedging activities, Deutsche Telekom was not exposed to any significant currency risks in the area of financing at the reporting date.

The Group entities predominantly execute their operating activities in their respective functional currencies. Payments made in a currency other than the respective functional currency result in foreign-currency risks in the Group. These relate in particular to payments for the procurement of network equipment and mobile handsets as well as payments to international telecommunications companies for the provision of access services. Deutsche Telekom uses currency derivatives and, in individual cases, currency options for hedging purposes. On account of these hedging activities, Deutsche Telekom was not exposed to any significant exchange rate risks from its operating activities at the reporting date.

For the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. In addition to currency risks, Deutsche Telekom is exposed to interest rate risks and price risks in its investments. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the reporting date. It is assumed that the balance at the reporting date is representative for the year as a whole.

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which Deutsche Telekom has contracted financial instruments.

The currency sensitivity analyses are based on the following assumptions: Major non-derivative monetary financial instruments (liquid assets, receivables, interest-bearing securities and/or debt instruments held, interest-bearing liabilities, finance lease liabilities, non-interest-bearing liabilities) are either directly denominated in the functional currency or are transferred to the functional currency through the use of derivatives. Exchange rate fluctuations therefore have no effects on profit or loss, or shareholders' equity.

Non-interest-bearing securities or equity instruments held are of a non-monetary nature and therefore are not exposed to a currency risk as defined by IFRS 7.

Interest income and interest expense from financial instruments are also either recorded directly in the functional currency or transferred to the functional currency using derivatives. For this reason, there can be no effects on the variables considered in this connection.

In the case of fair value hedges designed to hedge currency risks, the changes in the fair values of the hedged item and the hedging transaction attributable to exchange rate movements balance out almost completely in the income statement in the same period. As a consequence, these financial instruments are not exposed to currency risks with an effect on profit or loss, or shareholders' equity, either.

In the case of net investment hedges designed to hedge currency risks, the changes in the fair values of the hedged item and the hedging instrument attributable to exchange rate movements balance out completely in shareholders' equity in the same period. As a consequence, these financial instruments are not exposed to currency risks with an effect on profit or loss, or shareholders' equity, either.

Cross-currency swaps are always assigned to non-derivative hedged items, so these instruments do not have any currency effects, either.

Deutsche Telekom is therefore only exposed to currency risks from specific currency derivatives. Some of these are currency derivatives that are part of an effective cash flow hedge for hedging payment fluctuations resulting from exchange rate movements in accordance with IAS 39. Exchange rate fluctuations of the currencies on which these transactions are based affect the hedging reserve in shareholders' equity and the fair value of these hedging instruments. Others are currency derivatives that are neither part of one of the hedges defined in IAS 39 nor part of a natural hedge. These derivatives are used to hedge planned transactions. Exchange rate fluctuations of the currencies on which such financial instruments are based affect other financial income or expense (net gain/loss from remeasurement of financial assets and liabilities to fair value).

If the euro had gained (lost) 10 percent against the U.S. dollar and the pound sterling at December 31, 2014, the hedging reserve in shareholders' equity and the fair values of the hedging instruments before taxes would have been EUR 21 million higher (lower) (December 31, 2013: EUR 56 million higher (lower)). The hypothetical effect of EUR 21 million on profit or loss primarily results from the currency sensitivities EUR/USD: EUR 35 million and EUR/GBP: EUR –14 million.

If the euro had gained (lost) 10 percent against all currencies at December 31, 2014, other financial income and the fair value of the hedging instruments before taxes would have been EUR 115 million higher (lower) (December 31, 2013: EUR 64 million higher (lower)). The hypothetical effect of EUR 115 million on profit or loss primarily results from the currency sensitivities EUR/PLN: EUR 68 million, EUR/CZK: EUR 29 million and EUR/HUF: EUR 12 million.

Interest rate risks. Deutsche Telekom is exposed to interest rate risks, mainly in the euro zone and in 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.

Due to the derivative hedging instruments, an average of 60 percent (2013: 64 percent) of net debt in 2014 denominated in euros and 93 percent (2013: 76 percent) of net debt denominated in U.S. dollars had a fixed rate of interest. The average value is representative for the year as a whole. Since T-Mobile US as a self-financing company is responsible for the "net exposure in USD" and a higher fixed portion for high-yield issuers is quite usual in the market and appropriate, no interest rate management measures for the U.S. dollar were resolved or implemented in 2014.

Interest rate risks are presented by way of sensitivity analyses in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components, and, if appropriate, shareholders' equity. The interest rate sensitivity analyses are based on the following assumptions: Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7.

In the case of fair value hedges designed for hedging interest rate risks, the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements balance out almost completely in the income statement in the same period. This means that interest-rate-based changes in the measurement of the hedged item and the hedging instrument do not affect income and are therefore not subject to interest rate risk.

In the case of interest rate derivatives in fair value hedges, however, changes in market interest rates affect the amount of interest payments. As a consequence, they have an effect on interest income and are therefore included in the calculation of income-related sensitivities.

Changes in the market interest rate regarding financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserve in shareholders' equity and are therefore taken into consideration in the equity-related sensitivity calculations.

Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of income-related sensitivities.

Changes in the market interest rate regarding interest rate derivatives (interest rate swaps, cross-currency swaps) that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense and are therefore taken into consideration in the income-related sensitivity calculations. Currency derivatives are not exposed to interest rate risks and therefore do not affect the interest rate sensitivities.

If the market interest rates had been 100 basis points higher at December 31, 2014, profit or loss before taxes would have been EUR 301 million (December 31, 2013: EUR 176 million) lower. If the market interest rates had been 100 basis points lower at December 31, 2014, profit or loss before taxes would have been EUR 366 million (December 31, 2013: EUR 176 million) higher. This simulation includes the effects from the financial instruments assigned to Level 3 described above. The hypothetical effect of EUR –301 million/EUR +366 million on income results from the potential effects of EUR –289 million/EUR +354 million from interest rate derivatives and EUR –12 million/EUR +12 million from non-derivative, variable-interest financial liabilities. Potential effects from interest rate derivatives are partially balanced out by the contrasting performance of non-derivative financial instruments, which cannot, however, be shown as a result of applicable accounting standards. If the market interest rates had been 100 basis points higher (lower) at December 31, 2014, the hedging reserve would have been EUR 97 million (December 31, 2013: EUR 184 million) higher (lower).

Other price risks. As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indexes.

Aside from the value-creating factors in the financial instruments assigned to Level 3 described above, there were no other price risks as of December 31, 2014, as was also the case at December 31, 2013.

Credit risks. Deutsche Telekom is exposed to a credit risk from its operating activities and certain financing activities. As a rule, transactions with regard to financing activities 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. Credit risks are taken into account through individual and collective allowances.

The solvency of the business with corporate customers, especially international carriers, is monitored separately. In terms of the overall risk exposure from the credit risk, however, the receivables from these counterparties are not so extensive as to justify extraordinary concentrations of risk.

T 170

millions of €

	Dec. 31, 2014			
	Trade receivables	Trade payables	Derivative financial assets	Derivative financial liabilities
Gross amounts subject to enforceable master netting arrangements or similar agreements	301	347	1,160	1,095
Amounts set off in the statement of financial position in accordance with IAS 32.42	(102)	(102)	–	–
Net amounts presented in the statement of financial position	**199**	**245**	**1,160**	**1,095**
Amounts subject to enforceable master netting arrangements or similar agreements and not meeting all offsetting requirements in accordance with IAS 32.42	**(11)**	**(11)**	**(1,108)**	**(1,091)**
Of which: amounts related to recognized financial instruments	(11)	(11)	(624)	(624)
Of which: amounts related to financial collateral (including cash collateral)	–	–	(484)	(467)
NET AMOUNTS	**188**	**234**	**52**	**4**

millions of €

	Dec. 31, 2013			
	Trade receivables	Trade payables	Derivative financial assets	Derivative financial liabilities
Gross amounts subject to enforceable master netting arrangements or similar agreements	410	362	613	1,583
Amounts set off in the statement of financial position in accordance with IAS 32.42	(177)	(177)	–	–
Net amounts presented in the statement of financial position	**233**	**185**	**613**	**1,583**
Amounts subject to enforceable master netting arrangements or similar agreements and not meeting all offsetting requirements in accordance with IAS 32.42	**(18)**	**(18)**	**(610)**	**(1,514)**
Of which: amounts related to recognized financial instruments	(18)	(18)	(574)	(574)
Of which: amounts related to financial collateral (including cash collateral)	–	–	(36)	(940)
NET AMOUNTS	**215**	**167**	**3**	**69**

Offsetting is applied in particular to receivables and liabilities at Deutsche Telekom AG and Telekom Deutschland GmbH for the routing of international calls via the fixed network and for roaming fees in the mobile network.

In line with the contractual provisions, in the event of insolvency all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. The net amounts are normally recalculated every bank working day and offset against each other. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, the counterparty provided Deutsche Telekom with cash pursuant to the collateral contracts mentioned in Note 1 "Cash and cash equivalents." The credit risk was thus further reduced.

When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom provided cash collateral to counterparties pursuant to collateral agreements. The net amounts are normally recalculated every bank working day and offset against each other. The cash collateral paid (please also refer to Note 8 "Other financial assets," PAGE 214) is offset by corresponding negative net derivative positions of EUR 467 million at the reporting date, which is why it was not exposed to any credit risks in this amount as of the reporting date. The collateral paid is reported under originated loans and receivables within other financial assets. On account of its close connection to the corresponding derivatives, the collateral paid constitutes a separate class of financial assets. Likewise, the collateral received, which is reported as other interest-bearing liabilities under financial liabilities, constitutes a separate class of financial liabilities on account of its close connection to the corresponding derivatives.

In accordance with the terms of bonds issued by a Deutsche Telekom subsidiary, this subsidiary has the right to terminate the bonds prematurely under specific conditions. The rights of termination constitute embedded derivatives and are accounted for separately as derivative financial assets. The conversion rights contained in Mandatory Convertible Preferred Stock issued by a subsidiary of Deutsche Telekom constitute an embedded derivative and are recognized separately as a derivative. Since these rights of termination and conversion rights are not exposed to a credit risk, they constitute a separate class of financial instruments.

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

In addition, Deutsche Telekom is exposed to a credit risk through the granting of financial guarantees. Guarantees amounting to a nominal total of EUR 50 million had been pledged as of the reporting date (December 31, 2013: EUR 70 million), which also represent the maximum exposure to credit risk.

There were no indications as of the reporting date that Deutsche Telekom will incur a loss from a financial guarantee.

Risks from financing and loan commitments. Deutsche Telekom again granted the EE joint venture an irrevocable loan commitment of a maximum of GBP 225 million at arm's length market conditions in the reporting period which has not yet been utilized. The credit facility can be utilized at any time and will expire on November 16, 2015. The credit facility will be extended each time by a further twelve months, unless terminated three months prior to the end of the term. The nominal amount of GBP 225 million is the maximum default risk associated with this loan commitment.

No significant agreements reducing the maximum default risk of financing and loan commitments exist. There were no indications as of the reporting date that Deutsche Telekom will incur a loss.

Liquidity risks. Please also refer to Note 10 "Financial liabilities," PAGE 215 ET SEQ.

HEDGE ACCOUNTING

Fair value hedges. To hedge the fair value risk of fixed-interest liabilities, Deutsche Telekom primarily used interest rate swaps and forward interest rate swaps (pay variable, receive fixed) denominated in EUR, GBP, NOK, and USD. Fixed-income bonds/MTNs denominated in EUR, GBP, NOK, and USD were designated as hedged items. The changes in the fair values of the hedged items resulting from changes in the Euribor, GBP Libor, NOK OIBOR, or USD Libor swap rate are offset against the changes in the value of the interest rate swaps. In addition, a cross-currency swap totaling AUD 125 million has been designated as fair value hedge, which converts a fixed-interest MTN into a variable interest-bearing security. The aim of this hedging is to transform the fixed-income bonds into variable-interest debt, thus hedging the fair value of the financial liabilities. Credit risks are not part of the hedging.

The effectiveness of the hedging relationship is tested prospectively and retrospectively at each reporting date using statistical methods in the form of a regression analysis. All hedging relationships were sufficiently effective as of the reporting date.

In the reporting period, new fair value hedges with a total nominal volume of EUR 3.5 billion were designated for reducing the fair value risk.

As the list of the fair values of derivatives shows (see TABLE 171, PAGE 257), Deutsche Telekom had interest rate derivatives with a net fair value of EUR 0.2 billion (December 31, 2013: EUR –0.2 billion) designated as fair value hedges at December 31, 2014. The remeasurement of the hedged items results in losses of EUR 0.4 billion being recorded in other financial income/expense in the 2014 financial year (2013: gains of EUR 0.4 billion); the changes in the fair values of the hedging transactions result in gains of EUR 0.4 billion (2013: losses of EUR 0.4 billion) being recorded in other financial income/expense.

Cash flow hedges – interest rate risks. Deutsche Telekom entered into payer interest rate swaps and forward payer interest rate swaps (pay fixed, receive variable) to hedge the cash flow risk of variable-interest debt. The interest payments to be made in the hedging period are the hedged items and are recognized in profit or loss in the same period. The changes in the cash flows of the hedged items resulting from changes in the Euribor and Libor rates are offset against the changes in the cash flows of the interest rate swaps. The aim of this hedging is to transform the variable-interest bonds into fixed-income debt, thus hedging the cash flows of the financial liabilities. The terms of the hedging relationships will end in the years 2015 through 2018. Credit risks are not part of the hedging.

The effectiveness of the hedging relationship is tested prospectively and retrospectively using statistical methods in the form of a regression analysis.

Ineffectiveness of EUR 19 million (income) was recognized in profit or loss under other financial income/expense in the reporting year (2013: expense of EUR 21 million).

All designated hedging relationships were sufficiently effective as of the reporting date.

As the list of the fair values of derivatives shows (see TABLE 171), Deutsche Telekom had interest rate derivatives with a fair value of EUR −0.3 billion (December 31, 2013: EUR −0.3 billion) amounting to a nominal total of EUR 3.1 billion (December 31, 2013: EUR 5.0 billion) designated as hedging instruments for the hedging of interest rate risks as part of cash flow hedges at December 31, 2014.

The recognition directly in equity of the change in the fair value of the hedging instruments resulted in losses (before taxes) of EUR 97 million (2013: gains of EUR 36 million) in shareholders' equity in the 2014 financial year. Losses amounting to EUR 77 million (2013: losses of EUR 124 million) recognized directly in equity were reclassified to other financial income/expense in the income statement in the 2014 financial year.

Cash flow hedges – currency risks. Deutsche Telekom entered into currency derivative and cross-currency swap agreements to hedge cash flows not denominated in a functional currency. The payments in foreign currency to be made in the hedging period are the hedged items and are recognized in profit or loss in the same period. The terms of the hedging relationships will end in the years 2015 through 2033. The effectiveness of the hedging relationship is tested prospectively and retrospectively using statistical methods in the form of a regression analysis. All designated hedging relationships were sufficiently effective as of the reporting date.

No new cash flow hedges of this kind were designated in the reporting period.

In the 2014 financial year, gains (before taxes) totaling EUR 362 million (2013: losses of EUR 199 million) resulting from the change in the fair values of currency derivatives were taken directly to equity (hedging reserve). These changes constitute the effective portion of the hedging relationship. In the 2014 financial year, gains totaling EUR 338 million recognized directly in equity were reclassified to other financial income/expense and gains totaling EUR 6 million were reclassified to profit/loss from operations (2013: losses of EUR 70 million were reclassified to other financial income/expense and gains of EUR 16 million to profit/loss from operations). There was no material ineffectiveness of these hedges recorded as of the reporting date.

As the list of the fair values of derivatives shows (see TABLE 171), Deutsche Telekom had currency forwards of a net fair value of EUR −5 million (December 31, 2013: EUR +21 million), that are the result of foreign currency purchases totaling EUR 0.2 billion and foreign currency sales totaling EUR 0.4 billion (December 31, 2013: foreign currency purchases of EUR 0.3 billion and foreign currency sales of EUR 0.8 billion), as well as cross-currency swaps of a net fair value of EUR 0.1 billion (December 31, 2013: EUR −0.3 billion) and a total volume of EUR 4.8 billion (December 31, 2013: EUR 4.8 billion) designated as hedging instruments for cash flow hedges as of December 31, 2014.

Hedging of a net investment. The hedge of the net investment in T-Mobile US against fluctuations in the U.S. dollar spot rate designated in 2012 did not generate any effects in 2014. The level of gains/losses recognized directly in equity (total other comprehensive income) remained unchanged at EUR −0.4 billion (before taxes).

Derivatives. TABLE 171 shows the fair values of the various derivatives carried. A distinction is made depending on whether these are part of an effective hedging relationship as set out in IAS 39 (fair value hedge, cash flow hedge, net investment hedge) or not. Other derivatives can also be embedded, i.e., a component of a composite instrument that contains a non-derivative host contract.

T 171

millions of €

	Net carrying amounts Dec. 31, 2014	Net carrying amounts Dec. 31, 2013
ASSETS		
Interest rate swaps		
Held for trading	53	54
In connection with fair value hedges	222	62
In connection with cash flow hedges	–	–
Currency forwards/currency swaps		
Held for trading	67	26
In connection with cash flow hedges	4	24
Cross-currency swaps		
Held for trading	531	358
In connection with fair value hedges	–	–
In connection with cash flow hedges	282	89
Other derivatives in connection with cash flow hedges	–	–
Other derivatives without a hedging relationship	1	–
Embedded derivatives	183	158
LIABILITIES AND SHAREHOLDERS' EQUITY		
Interest rate swaps		
Held for trading	235	226
In connection with fair value hedges	–	264
In connection with cash flow hedges	252	336
Currency forwards/currency swaps		
Held for trading	229	39
In connection with cash flow hedges	9	3
In connection with net investment hedges	–	–
Cross-currency swaps		
Held for trading	185	316
In connection with fair value hedges	8	12
In connection with cash flow hedges	162	387
Other derivatives in connection with cash flow hedges	–	–
Other derivatives without a hedging relationship	15	–
Embedded derivatives	–	–

Transfer of financial assets

Factoring transactions with substantially all risks and rewards being transferred. Deutsche Telekom entered into a factoring agreement under which a bank is required to purchase current trade receivables in a monthly revolving nominal volume of EUR 300 million in total. The agreement runs until 2015, giving Deutsche Telekom the freedom to decide whether receivables will be sold and in which revolving nominal volume. The assessment of the risk associated with the sold receivables is based on the credit risk and the risk of late payments (late-payment risk). The maximum credit risk-related loss to be borne by Deutsche Telekom is limited to the variable purchase price discount retained by the bank on the sale of receivables and refunded in the amount of the unused portion. The remaining credit risk-related losses represent substantially all the risks and rewards of ownership of the receivables and are borne by the respective bank. The late-payment risk continues to be borne in full by Deutsche Telekom. The maximum exposure to loss resulting from credit risk and late-payment risk relating to the receivables sold and derecognized as of December 31, 2014 (nominal volume EUR 167 million) is EUR 6 million. At the derecognition date, the fair value of the expected refund of the variable purchase price discount less the fair value of the expected loss from the late-payment risk was capitalized under other financial assets and the remaining difference was expensed. As of December 31, 2014, the carrying amount of the other financial asset representing Deutsche Telekom's entire continuing involvement was EUR 2 million, the fair value of which was EUR 2 million. Deutsche Telekom expensed EUR 51 million, including credit-risk discounts less bonuses to cover monthly bad debt losses, in the 2014 financial year from its continuing involvement including program fees (interest and bank margin), and has expensed a total amount of EUR 300 million since the beginning of the transaction. Deutsche Telekom presents the purchase price payments it receives from the buyers in cash generated from operations. The banks have the right to sell overdue receivables back to Deutsche Telekom. However, this does not affect the allocation of the credit risk-related losses in any way because the purchase price equals the actual proceeds from collection or disposal. The buy-back does not entail any liquidity risks for Deutsche Telekom whatsoever, as payment of the purchase price to the banks is only due after the proceeds from collection or disposal have been received. As in previous years, the volume of receivables sold was not subject to major fluctuations during the financial year. As of December 31, 2014, a total provision of EUR 3 million was recognized for the receivables management to be performed by Deutsche Telekom. A factoring agreement that was still active in the prior period was completed and settled as of the reporting date.

Factoring transactions involving the splitting of significant risks and rewards as well as the transfer of control. Factoring agreements were entered into under which banks are required to purchase current trade receivables. The factoring agreements have a maximum program volume of EUR 402 million when translated into euros. If more receivables are purchased, payment of the purchase price is regularly deferred until the maximum program volume falls again accordingly. The term of the agreements ends between 2015 and 2017, giving Deutsche Telekom the freedom to decide whether receivables will be sold and in which volume. The assessment of the risk associated with the sold receivables is based on the credit risk and the risk of late payments (late-payment risk). The purchase price corresponds to the nominal amount. The maximum credit risk from the various tranches to be borne by Deutsche Telekom amounts to EUR 140 million. The other credit risk-related losses are borne by the banks. The existing loan insurance policy reimburses losses relating to certain receivables to a maximum amount of EUR 150 million and thus reduces the exposure to loss. The late-payment risk continues to be borne in full by Deutsche Telekom. The maximum exposure to loss resulting from credit risk and late-payment risk relating to the receivables sold as of December 31, 2014 (nominal volume EUR 407 million when translated into euros), excluding loan insurance coverage, is EUR 154 million. Substantially all the risks and rewards of ownership of the receivables were neither transferred nor retained (allocation of the material risks between Deutsche Telekom and the bank). Control of the receivables sold was transferred to the banks because these have the practical ability to resell them. All receivables sold as of December 31, 2014 have been derecognized. At the derecognition date, the fair value of the expected losses was expensed as financial liabilities. As of December 31, 2014, the carrying amount of the financial liability representing Deutsche Telekom's entire continuing involvement was EUR 8 million and its fair value was EUR 8 million. Deutsche Telekom expensed EUR 19 million, including credit-risk discounts and loss allocations to cover monthly credit risks, in the financial year from its continuing involvement including program fees (interest and bank margin), and has expensed a total amount of EUR 36 million since the beginning of the transaction. Deutsche Telekom presents the purchase price payments it receives from the buyers in cash generated from operations. The bank has the right to sell all receivables back to Deutsche Telekom at the nominal amount. This would not affect the allocation of the credit risk-related losses, as the latter would be passed back to the bank in line with the agreed risk allocation. The cash outflows caused by the buy-backs would occur in the short term, i.e., in 2015. The volume of receivables sold was not subject to major fluctuations since the beginning of the transaction. The carrying amount of the provision recognized by Deutsche Telekom as of December 31, 2014 for the receivables management to be performed is less than EUR 1 million.

Factoring transactions involving the splitting of significant risks and rewards with control remaining at Deutsche Telekom. Deutsche Telekom has entered into three factoring agreements under which it sells trade receivables on a revolving basis. The receivables are sold on a daily basis and settled on a monthly basis. The receivables sold entail both charges already due and charges from sales of handsets payable over a period of up to two years. The debtors are consumers as well as business customers. In none of the transactions is Deutsche Telekom exposed to risks other than the credit risk and late-payment risk resulting from the sold receivables agreed in the respective agreement. The term of the agreements ends between 2016 and 2020.

One factoring agreement has a maximum program volume of EUR 519 million when translated into euros. If more receivables are purchased, the purchase price is deferred until the maximum program volume accordingly falls again. Under this agreement, subsidiaries of Deutsche Telekom sell receivables to a structured entity that is also a subsidiary of Deutsche Telekom and was established for the sole purpose of this factoring agreement. The structured entity has no assets and liabilities other than those resulting from the purchase and sale of the receivables under the factoring agreement. It resells the receivables to another structured entity. Deutsche Telekom does not consolidate this other structured entity because it has no ability to direct this entity's relevant activities. This other structured entity sells the ownership interests in the receivables to banks on a pro-rata basis. The required funding is provided to the structured entity consolidated by Deutsche Telekom in the context of Deutsche Telekom's general Group financing. The structured entity not consolidated by Deutsche Telekom is financed by the external buyers of the receivables. All purchases of receivables are performed automatically and without a selection process, provided the eligibility criteria for purchase set out in the receivables purchase agreement are met.

A second factoring agreement has a maximum program volume of EUR 150 million. If more receivables are purchased, the purchase price is deferred until the maximum program volume accordingly falls again. There is no structured entity consolidated by Deutsche Telekom with this structure. Rather, the receivables are sold directly to a structured entity that is not consolidated by Deutsche Telekom due to the lack of ability to direct the entity's relevant activities. This structured entity holds the receivables and allocates the rewards and risks resulting from these to Deutsche Telekom and a bank on the basis of contractual arrangements. The structured entity is financed through the issue of commercial paper to third parties outside the Group or, alternatively, through a credit facility provided by a bank. In one receivables portfolio, purchases of receivables are performed automatically and without a selection process, provided the eligibility criteria for purchase set out in the receivables purchase agreement are met. In another receivables portfolio, the structured entity has the freedom to decide whether and which receivables will be purchased, though purchase of the agreed minimum volume is imperative.

None of the structured entities has business activities other than the purchase or sale of trade receivables.

Under the third factoring agreement with a maximum volume of receivables of EUR 150 million, Deutsche Telekom sells the receivables directly to the purchaser outside the Group without using a structured entity as an intermediary. Deutsche Telekom has the freedom to decide whether receivables can be sold and in which volume. The existing loan insurance policy reimburses losses relating to certain receivables to a maximum amount of EUR 50 million and thus reduces the exposure to loss.

The nominal volume of the receivables sold by Deutsche Telekom under the three factoring agreements and not yet settled by the debtors was EUR 862 million as of the reporting date when translated into euros. The assessment of the risk associated with the sold receivables is based on the credit risk and the risk of late payments (late-payment risk). The maximum credit risk to be borne by Deutsche Telekom amounts to EUR 292 million as of the reporting date when translated into euros and is fully attributable to transactions involving structured entities. The other credit risk-related losses are borne by the buyers. The late-payment risk continues to be borne in full by Deutsche Telekom. The maximum exposure to loss for Deutsche Telekom resulting from credit risk and late-payment risk relating to the receivables sold at the reporting date is EUR 297 million when translated into euros and is largely attributable to transactions involving structured entities. Substantially all the risks and rewards of ownership of the receivables were neither transferred nor retained (allocation of the material risks and rewards between Deutsche Telekom and the buyers). Deutsche Telekom continues to perform servicing for the receivables sold. Under the factoring agreements in which structured entities are engaged, buyers have the right to transfer the servicing to third parties for no specific reason. Although Deutsche Telekom is not authorized to use the receivables sold other than in its capacity as servicer, it retains control over the receivables sold because the buyers and the structured entities do not have the practical ability to resell the purchased receivables. At the time the receivables are sold, the fair value of the expected losses is expensed and reported as a component of the associated liability. Deutsche Telekom continues to recognize the trade receivables sold to the extent of its continuing involvement, i.e., in the maximum amount with which it is still liable for the credit risk and late-payment risk inherent in the receivables sold, and recognizes a corresponding associated liability presented in liabilities to banks. The receivables and the associated liability are subsequently derecognized in the extent to which Deutsche Telekom's continuing involvement is reduced (particularly when payment is made by the customer). The carrying amount of the receivables is subsequently reduced by the extent to which the actual losses to be borne by Deutsche Telekom resulting from the credit risk and the late-payment risk exceed the losses initially expected. This amount is recognized as an expense. Deutsche Telekom's continuing involvement as of December 31, 2014 amounted to EUR 297 million when translated into euros, and the carrying amount of the associated liability was EUR 300 million when translated into euros. Deutsche Telekom presents the purchase price payments received from the buyers under cash generated from operations where these relate to the derecognized portion of the receivables, and under net cash from/used in financing activities where they relate to the portion of the receivables that is still recognized. Under the factoring agreements in which structured entities are engaged, Deutsche Telekom is required to buy back overdue receivables, as well as receivables where impairment is imminent, at their nominal value. Such buy-backs would not affect the allocation of the credit risk-related losses in any way, as the latter would be passed back to the buyers in line with the agreed risk allocation. The cash outflows caused by the buy-backs would occur in the short term, i.e., in 2015. The volume of receivables sold was not subject to major fluctuations since the beginning of the respective transaction.

38 CAPITAL MANAGEMENT

Disclosures on capital management. The overriding aim of Deutsche Telekom's capital management is to strike a balance between the contrasting expectations of the four stakeholders:

- Shareholders
- Providers of debt capital
- Employees
- "Entrepreneurs within the enterprise"

For further information, please refer to the section "Comparison of our stakeholders' expectations with actual figures," PAGE 84, and the section "Management of the Group," PAGE 72 ET SEQ., in the combined management report.

An important key performance indicator for the capital market communication with investors, analysts, and rating agencies is relative debt, i.e., net debt to adjusted EBITDA. This ratio stood at 2.4 at December 31, 2014 (December 31, 2013: 2.2). The target corridor for relative debt is between 2.0 and 2.5. Net debt is a non-GAAP figure not governed by International Financial Reporting Standards and its definition and calculation may vary from one company to another. A further essential key performance indicator is the equity ratio, i.e., the ratio of shareholders' equity to total assets as shown in the consolidated statement of financial position. The equity ratio was 26.3 percent as of December 31, 2014 (December 31, 2013: 27.1 percent). The target corridor is between 25 and 35 percent. In addition, Deutsche Telekom maintains a liquidity reserve covering all maturities of the next 24 months.

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Calculation of net debt; shareholders' equity
millions of €

	Dec. 31, 2014	Dec. 31, 2013
Financial liabilities (current)	10,558	7,891
Financial liabilities (non-current)	44,669	43,708
FINANCIAL LIABILITIES	**55,227**	**51,599**
Accrued interest	(1,097)	(1,091)
Other	(1,038)	(881)
GROSS DEBT	**53,092**	**49,627**
Cash and cash equivalents	7,523	7,970
Available-for-sale/held-for-trading financial assets	289	310
Derivative financial assets	1,343	771
Other financial assets	1,437	1,483
NET DEBT	**42,500**	**39,093**
SHAREHOLDERS' EQUITY	**34,066**	**32,063**

39 RELATED-PARTY DISCLOSURES

Federal Republic of Germany and other related parties. The Federal Republic of Germany is both a direct and an indirect shareholder (via KfW Bankengruppe) and holds approximately 31.7 percent (December 31, 2013: 31.9 percent) of the share capital of Deutsche Telekom AG. The Federal Republic usually represents a solid majority at the shareholders' meeting due to its high attendance rate, giving the Federal Republic control over Deutsche Telekom. Therefore, the Federal Republic and the companies controlled by the Federal Republic, or companies over which the Federal Republic can exercise a significant influence are classified as related parties of Deutsche Telekom. Charges for services provided to the Federal Republic and its departments and agencies, and the individual companies are based on Deutsche Telekom's commercial pricing policies. Deutsche Telekom participates in the spectrum auctions of the Federal Network Agency. The acquisition of mobile communications spectrum through licenses may result in build-out requirements stipulated by the Agency.

The Federal Posts and Telecommunications Agency (Federal Agency) has been assigned certain tasks by law that affect cross-company issues at Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG. The Federal Agency's responsibilities include the continuation of the Civil Service Health Insurance Fund (Postbeamtenkrankenkasse), the recreation service (Erholungswerk), the supplementary retirement pensions institution (Versorgungsanstalt der Deutschen Bundespost), and the welfare service (Betreuungswerk) for Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG. The coordination and administrative tasks are performed on the basis of agency agreements. Up to and including the 2012 reporting year, Deutsche Telekom maintained a joint pension fund, Bundes-Pensions-Service für Post und Telekommunikation e. V., Bonn (Federal Pension Service for Post and Telecommunications – BPS-PT), together with Deutsche Post AG and Deutsche Postbank AG for civil servant pension plans. The German Act on the Reorganization of the Civil Service Pension Fund (Gesetz zur Neuordnung der Postbeamtenversorgungskasse – PVKNeuG) transferred the functions of BPS-PT relating to civil servant pensions (organized within the Civil Service Pension Fund) to the existing Federal Agency effective January 1, 2013. The civil servant pension functions are therefore performed by the Civil Service Pension Fund as an integral part of the Federal Agency. This joint Civil Service Pension Fund works for the funds of all three companies and also handles the financial administration of the pension plan for the Federal Republic on a trust basis. For the 2014 financial year, Deutsche Telekom made payments in the amount of EUR 58 million (2013: EUR 58 million, 2012: EUR 61 million). Furthermore, payments are made to the Civil Service Pension Fund according to the provisions of the Act on the Reorganization of the Civil Service Pension Fund (please also refer to Note 12 "Provisions for pensions and other employee benefits," PAGE 219 ET SEQ.).

The Federal Republic and the companies controlled by the Federal Republic, or companies over which the Federal Republic can exercise a significant influence are customers or suppliers of Deutsche Telekom and as such have mutual contractual relationships with Deutsche Telekom.

In connection with the option granted to all shareholders in 2014, KfW Bankengruppe requested its dividend entitlement for shares held in Deutsche Telekom AG for the 2013 financial year be paid out partly in cash and partly in shares from authorized capital. As a result, it received 32,559 thousand shares in June 2014. The stake of KfW Bankengruppe in Deutsche Telekom AG as of December 31, 2014 totaled 17.4 percent. Otherwise, Deutsche Telekom did not execute any individually material transactions in the 2014 financial year at off-market terms and conditions or, as described, outside of its normal business activities.

Joint ventures. In the 2014 financial year, Deutsche Telekom generated revenue and other operating income totaling EUR 283 million (2013: EUR 294 million, 2012: EUR 315 million) from the EE joint venture established on April 1, 2010, and revenue of EUR 65 million (2013: EUR 62 million, 2012: EUR 61 million) from Toll Collect.

Net funds of EUR 0.2 billion that had been originally invested by the EE joint venture were repaid to the company by Deutsche Telekom in the reporting year. Subsequently, the EE joint venture again invested a net EUR 0.2 billion with Deutsche Telekom.

At the end of the year, there were receivables vis-à-vis the EE joint venture in the amount of EUR 175 million (December 31, 2013: EUR 94 million, December 31, 2012: EUR 96 million), liabilities of EUR 257 million (December 31, 2013: EUR 241 million, December 31, 2012: EUR 453 million), and loan commitments of EUR 0.3 billion (December 31, 2013: EUR 0.3 billion, December 31, 2012: EUR 0.3 billion). Loan guarantees and guarantee statements of EUR 0.6 billion (December 31, 2013: EUR 0.6 billion, December 31, 2012: EUR 0.6 billion) given by the Company to third parties existed.

As of December 31, 2014, there were receivables vis-à-vis Toll Collect in the amount of EUR 11 million (December 31, 2013: EUR 13 million, December 31, 2012: EUR 12 million), liabilities of EUR 12 million (December 31, 2013: EUR 12 million, December 31, 2012: EUR 12 million), an equity maintenance undertaking, and loan guarantees granted to banks. For further details, please refer to Note 33 "Contingencies," PAGE 243 ET SEQ.

There are otherwise no material revenue, receivables or liabilities from or to joint ventures.

Related individuals.[1] In the reporting period, expenses for short-term benefits payable to members of the Board of Management and the Supervisory Board amounted to EUR 13.5 million (2013: EUR 14.9 million) and expenses for long-term benefits amounted to EUR 2.5 million (2013: EUR 2.9 million). Service cost of EUR 2.4 million (2013: EUR 3.3 million) was recorded for Board of Management benefits. In addition, expenses for share-based payment for Board of Management members were incurred in the amount of EUR 862 thousand (2013: EUR 157 thousand). EUR 2.9 million (2013: EUR 0 million) was paid for termination benefits and recognized as an expense.

Compensation of the Board of Management and the Supervisory Board totaled EUR 22.2 million in the reporting year (2013: EUR 21.3 million).

For further details, please refer to Note 40 "Compensation of the Board of Management and the Supervisory Board."

Employees elected to the Supervisory Board of Deutsche Telekom continue to be entitled to a regular salary as part of their employment contract. The amount of the salary is the adequate compensation for their job or activity within the Company. Besides this, no major transactions took place with related individuals.

40 COMPENSATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

COMPENSATION OF THE BOARD OF MANAGEMENT

The following disclosures on Board of Management compensation are in accordance with § 314 of the German Commercial Code (Handelsgesetzbuch – HGB) and German Accounting Standard No. 17 (GAS 17).

Changes in the composition of the Board of Management and contract extensions. On January 1, 2014, Timotheus Höttges succeeded René Obermann as Chairman of the Board of Management of Deutsche Telekom AG. Also at the start of the year, Thomas Dannenfeldt took over the post of Chief Financial Officer from Timotheus Höttges. The Supervisory Board had approved both changes on May 15, 2013. Prof. Marion Schick, Member of the Board of Management responsible for Human Resources and Labor Director, left the Group with effect from April 30, 2014 for health reasons. Dr. Thomas Kremer had been acting as deputy for Prof. Marion Schick since January 2014, and since her departure he has been interim Member of the Board of Management responsible for Human Resources in addition to fulfilling his own duties as Member of the Board of Management responsible for Data Privacy, Legal Affairs and Compliance.

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. 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.

[1] The prior-year figures also include the then Member of the Board of Management René Obermann.

The fixed annual 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.

In the event of temporary incapacity for work caused by illness, accident, or any other reason for which the respective Board of Management member is not responsible, the fixed basic remuneration continues to be paid for a maximum of three months following the end of the month in which the Board of Management member's permanent incapacity for work is established.

Variable performance-based remuneration

The variable remuneration of the members of the Board of Management is divided into Variables I and II. Variable I contains both short-term and long-term components consisting of the realization of budget figures for specific performance indicators, the implementation of the strategy and adherence to the Group's Guiding Principles. Variable II is oriented solely toward the long term. This ensures that the variable remuneration is oriented toward the sustained development of the Company and that there is a predominantly long-term incentive effect.

Variable I. The annual variable remuneration of Board of Management members is based on the achievement of targets set by the Supervisory Board of Deutsche Telekom AG for each member of the Board of Management at the beginning of the financial year. The set of targets is composed of corporate targets (50 percent) related to revenue, EBITDA adjusted for special factors and free cash flow, as well as personal targets for the individual members of the Board of Management. The personal targets consist of targets oriented toward the sustained success of the Company concerning the implementation of the strategy (30 percent) and adherence to the Guiding Principles, which accounts for 20 percent. The agreement on targets and the level of target achievement for the respective financial year are determined by the plenary session of the Supervisory Board. Levels of target achievement exceeding 100 percent are rewarded on a straight-line basis, capped at 150 percent of the award amount. Any higher levels of target achievement will not be taken into consideration. To further ensure the long-term incentive effect and orientation toward the sustained development of the Company, a third of the variable remuneration set by the plenary session of the Supervisory Board must be invested in shares of Deutsche Telekom AG; these shares must be held by the respective Board member for a period of at least four years.

Variable II. The exclusively long-term-oriented Variable II is measured based on the fulfillment of four equally weighted performance parameters (adjusted operational return on capital employed (ROCE), adjusted earnings per share, customer satisfaction, and employee satisfaction). Each parameter determines a quarter of the award amount. Levels of target achievement exceeding 100 percent are rewarded on a straight-line basis, capped at 150 percent of the award amount. The assessment period is four years, with the assessment being based on average target achievement across the four years planned at the time the tranche was determined. The award amount is decoupled from other remuneration components and is set for each member of the Board of Management individually.

In the 2014 financial year, the following absolute nominal amounts were pledged to the Board of Management members for their participation in the 2014 tranche of Variable II in the event of 100-percent target achievement.

T 173

€

	2014 tranche	2013 tranche
Reinhard Clemens	650,000	650,000
Niek Jan van Damme	640,083	550,000
Thomas Dannenfeldt (since January 1, 2014)	550,000	0
Timotheus Höttges	1,092,000	760,500
Dr. Thomas Kremer	550,000	550,000
Claudia Nemat	675,000	675,000
Prof. Marion Schick (until April 30, 2014)	0 [a]	550,000

[a] Prof. Marion Schick did not receive any further tranche of Variable II for the 2014 financial year due to her departure.

Information on the Share Matching Plan. In the 2014 financial year, the Board of Management members, as described, are contractually obliged to invest a third of Variable I in shares of Deutsche Telekom AG. Deutsche Telekom AG will grant one additional share for every share purchased as part of the Board of Management member's aforementioned personal investment (Share Matching Plan) that will be allotted to the beneficiaries of this plan on expiration of the four-year lock-up period.

GAS 17 and IFRS 2 require disclosure not only of the total expense related to share-based payment from matching shares in the 2014 financial year and the fair value of the matched shares at their grant date, but also of the number of entitlements to matching shares and their development in the current financial year.

The fair value of the matching shares at grant date shown in TABLE 174 does not represent a component of remuneration for the Board of Management members in 2014. It is an imputed value of the entitlements to matching shares determined on the basis of relevant accounting policies. Here, the fair value equates to the share price at grant date less an expected dividend markdown. TABLE 174 is based on expected target achievement for the 2014 financial year and thus on the estimated amount of the personal investment to be made by the respective Board of Management member to establish his or her entitlements to matching shares. The final number of entitlements to matching shares identified for the 2014 financial year may be higher or lower than the amounts estimated here.

The total share-based payment expense for matching shares to be recognized for the financial years 2010 through 2013 and 2014, pursuant to IFRS 2, is included in the two last columns of TABLE 174.

T 174

	Number of entitlements granted to matching shares since 2010 at the beginning of the financial year	Number of new entitlements to matching shares granted in 2014	Number of shares transferred in 2014 as part of the Share Matching Plan	Fair value of the matching shares at grant date €	Cumulative total share-based payment expense in 2014 for matching shares for the years 2010 through 2014 €	Cumulative total share-based payment expense in 2013 for matching shares for the years 2010 through 2013 €
Reinhard Clemens	113,192	18,003	22,001	186,512	186,836	166,907
Niek Jan van Damme	103,500	17,403	18,914	180,295	169,408	153,160
Thomas Dannenfeldt (since January 1, 2014)	0	15,233	0	157,817	54,916	0
Timotheus Höttges	138,639	30,245	25,741	313,339	222,952	202,328
Dr. Thomas Kremer	29,791	15,233	0	157,817	57,619	38,270
Claudia Nemat	54,821	18,695	0	193,685	97,441	79,415
Prof. Marion Schick (until April 30, 2014)	44,532	0	22,862	0	72,535	56,276

By December 31, 2014, Deutsche Telekom had acquired 363,857 shares for the purpose of awarding matching shares to Board of Management members as part of the Share Matching Plan. In 2014, matching shares were transferred to individual members of the Board of Management for the first time. A total of 89,518 shares were transferred to Board of Management members in 2014 including 22,862 shares transferred to Prof. Marion Schick in accordance with the provisions of the termination agreement. Prof. Marion Schick has no further entitlements to matching shares.

Arrangements in the event of termination of a position on the Board of Management. Service contracts for members of the Board of Management concluded since the 2009 financial year include a severance cap in case of premature termination without good cause allowing a compensation payment that, in line with the recommendations of the German Corporate Governance Code, is limited to a maximum of two years' remuneration (severance cap) and may not exceed the remuneration due for the remaining term of the service contract.

The service contracts for members of the Board of Management at Deutsche Telekom AG do not include any benefits in the event of the termination of a position on the Board of Management as a result of a change of control.

Board of Management member service contracts generally stipulate a post-contractual prohibition of competition. Pursuant to these provisions, members of the Board of Management are prohibited from rendering services to or on behalf of a competitor for the duration of one year following their departure. As compensation for this restricted period, they receive either a payment of 50 percent of the last fixed annual remuneration and 50 percent of the most recent Variable I on the basis of 100-percent target achievement, or 100 percent of the last fixed annual remuneration.

Company pension plan

Company pension plan (existing entitlement). The members of the Board of Management are entitled to a company pension. Benefits from the company pension plan are in direct relation to the beneficiary's annual salary. The Board of Management members receive company pension benefits based on a fixed percentage of their last fixed annual salary for each year of service rendered prior to their date of retirement. The pension payments may be in the form of a life-long retirement pension upon reaching the age of 62 or in the form of an early retirement pension upon reaching the age of 60. Opting for the early retirement pension scheme is connected with actuarial deductions, however. The company pension is calculated by multiplying a basic percentage rate of 5 percent by the number of years of service as a member of the Board of Management. After ten years of service, the maximum pension level of 50 percent of the last fixed annual remuneration will be attained.

The pension payments to be made increase dynamically, at a rate of 1 percent. In addition, the pension agreements include arrangements for pensions for surviving dependents in the form of entitlements for widows and orphans. In specifically provided exceptional cases, entitlement to a widow's pension is excluded. The standard criteria for eligibility in the pension arrangements are in line with market conditions. In the event of a permanent incapacity for work (invalidity), the respective period of service through the scheduled end of the current period of appointment serves as the basis for the period of service eligible for calculating the pension.

Company pension plan (new entitlement). A plan with a contribution-based promise in the form of a one-time capital payment upon retirement is set up for all Board of Management members with a new entitlement to a company pension. A contribution is paid into the Board member's pension account for each year of service at an interest rate corresponding to market levels. Annual additions to the pension account have no effect on cash or cash equivalents. The cash outflow is only effective upon the Board member's retirement. As a rule, the date of retirement is the beneficiary's 62nd birthday. For pension agreements signed before December 31, 2011, Board of Management members can also opt to draw early retirement benefits from their 60th birthday, subject to corresponding actuarial deductions. The amount to be provided annually is individualized and decoupled from other remuneration components. The exact definition of the contribution is based on a comparison with peer companies that are suitable for benchmarking and also offer plans with contribution-based promises.

In addition, the pension agreements include arrangements for pensions for surviving dependents in the form of entitlements for widows and orphans. In the event of a permanent incapacity for work (invalidity), the beneficiary is also entitled to the pension fund.

Service cost and defined benefit obligations for each member of the Board of Management are shown in TABLE 175:

T 175

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	Service cost 2014	Defined benefit obligation (DBO) Dec. 31, 2014	Service cost 2013	Defined benefit obligation (DBO) Dec. 31, 2013
Reinhard Clemens	599,763	5,427,515	605,603	3,536,455
Niek Jan van Damme	288,661	2,129,080	305,199	1,584,901
Thomas Dannenfeldt (since January 1, 2014)	246,151	293,973	0	0
Timotheus Höttges	818,212	8,695,342	582,852	5,607,988
Dr. Thomas Kremer	243,743	703,470	253,723	401,430
Claudia Nemat	247,026	1,069,351	275,014	605,675
Prof. Marion Schick (until April 30, 2014)	0	0	245,791	494,551

An annual contribution of EUR 290,000 was allocated to Niek Jan van Damme in accordance with the provisions of the new company pension plan. The respective amounts for Thomas Dannenfeldt, Dr. Thomas Kremer, Claudia Nemat, and Prof. Marion Schick total EUR 250,000 for each year of service. As of December 31, 2014, Prof. Marion Schick had no Board of Management pension entitlement because at the time of her departure from the Company, the legal vesting requirements had not been fulfilled.

The pension expense resulting from the company pension plan is shown as service cost.

Board of Management compensation for the 2014 financial year. In reliance on legal requirements and other guidelines, a total of EUR 13.9 million (2013: EUR 15.6 million) is reported in TABLE 176 as total compensation for the 2014 financial year for the members of the Board of Management.

The Board of Management compensation comprises the fixed annual remuneration as well as other benefits, non-cash benefits and remuneration in kind, short-term variable remuneration (Variable I), a special bonus for extraordinary performance if applicable, fully earned tranches of long-term variable remuneration (Variable II), and the fair value of the matching shares. This was calculated on the basis of the estimated amount of Variable I at the grant date and the resulting number of entitlements to matching shares.

The fixed annual remuneration and other remuneration are totally unrelated to performance.

Total compensation. The compensation of the Board of Management is shown in detail in TABLE 176:

T 176

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		Non-performance-based compensation		Performance-based compensation			Total compensation
		Fixed annual remuneration	Other remuneration	Short-term variable remuneration	Long-term variable performance-based remuneration (Variable II)	Long-term variable performance-based remuneration (fair value of matching shares)	
Reinhard Clemens	2014	840,000	17,350	714,350	429,000	186,512	**2,187,212**
	2013	840,000	22,366	755,950	390,000	174,153	**2,182,469**
Niek Jan van Damme	2014	850,000	26,758	708,760	363,000	180,295	**2,128,813**
	2013	794,355	24,555	647,900	330,000	147,360	**1,944,170**
Thomas Dannenfeldt (since January 1, 2014)	2014	700,000	22,433	641,300	–	157,817	**1,521,550**
	2013	–	–	–	–	–	**–**
Timotheus Höttges	2014	1,450,000	22,359	1,307,124	429,000	313,339	**3,521,822**
	2013	1,037,500	23,972	953,667	390,000	203,759	**2,608,898**
Dr. Thomas Kremer	2014[a]	700,000	60,983	856,650	234,438	157,817	**2,009,888**
	2013	700,000	60,508	627,000	130,625	147,360	**1,665,493**
Claudia Nemat	2014	900,000	65,900	764,775	361,969	193,685	**2,286,329**
	2013	900,000	49,602	722,925	227,813	180,851	**2,081,191**
Prof. Marion Schick (until April 30, 2014)	2014	233,333	5,743	–	–	–	**239,076**
	2013[b]	700,000	23,272	568,150	137,500	147,360	**1,576,282**
	2014	**5,673,333**	**221,526**	**4,992,959**	**1,817,407**	**1,189,465**	**13,894,690**
	2013[c]	**4,971,855**	**204,275**	**4,275,592**	**1,605,938**	**1,000,843**	**12,058,503**

[a] The Supervisory Board resolved to give Dr. Thomas Kremer a special bonus for extraordinary performance for 2014. The amount of EUR 856,650 therefore includes a figure of EUR 250,000. With this payment, the Supervisory Board rewards the extraordinary performance of Dr. Thomas Kremer who, as a result of the departure of Prof. Marion Schick for health reasons, assumed responsibility for the Board department for Human Resources for the full 2014 financial year in addition to his own duties in the area of Data Privacy, Legal Affairs and Compliance.

[b] On account of Prof. Marion Schick's departure for health reasons during 2014, the Supervisory Board exercised its right to reduce her entitlement to variable remuneration components. The fixed short-term variable remuneration for Prof. Marion Schick in the line for the previous year was therefore reduced by EUR 40,471 at the payment date. Of the long-term variable remuneration, EUR 4,800 less was paid than shown in the line for the previous year.

[c] Remuneration relating to Board of Management members who left the Company in the course of 2013 is no longer included in the table.

The amounts shown in the “Long-term variable performance-based remuneration (Variable II)” column had been pledged to the eligible Board of Management members in the 2011 financial year. As they joined the Company after the commencement of the current plan tranche of Variable II, pro-rata pledges were granted to Claudia Nemat in 2011 and to Dr. Thomas Kremer in 2012.

The details of René Obermann’s termination agreement were disclosed as part of the prior-year publication requirements. In this context, the payment of a fixed annual salary as compensation for the period of prohibition of competition was announced for 2014. However, due to agreed provisions for the allowance of other remuneration of René Obermann, Deutsche Telekom was not required to pay him any compensation in 2014.

The service contract between the Company and the Board of Management member Prof. Marion Schick was ended by mutual agreement effective midnight April 30, 2014. The termination agreement between Prof. Marion Schick and the Company contains the components described below. The Company will pay Prof. Marion Schick a final settlement of EUR 2.7 million for early termination of her service contract. Prof. Marion Schick had been transferred 22,862 shares of Deutsche Telekom AG as part of the Share Matching Plan but has no other entitlements to matching shares. Prof. Marion Schick will lose her Board of Management pension entitlement because the legal vesting requirements are not fulfilled. In connection with the prohibition of competition, Prof. Marion Schick will receive compensation of EUR 234,375 for the period May to September. These payments are disclosed as part of the disclosures for former Board of Management members and Board of Management members who left the Company during the reporting period. On account of Prof. Marion Schick’s ongoing illness, no more variable remuneration entitlements arose for 2014.

No member of the Board of Management received benefits or corresponding commitments from a third party for his or her activity as a Board of Management member during the past financial year.

Former members of the Board of Management and those who left in the reporting year. A total of EUR 9.2 million (2013: EUR 7.3 million) was granted for payments to and entitlements for former members of the Board of Management and those who left in the reporting year as well as any surviving dependents.

Provisions (measured in accordance with IAS 19) totaling EUR 196.9 million (December 31, 2013: EUR 139.1 million) were recognized for current pensions and vested rights to pensions for this group of persons and their surviving dependents.

Other. The Company has not granted any advances or loans to current or former Board of Management members, nor were any other financial obligations to the benefit of this group of people entered into.

COMPENSATION OF THE SUPERVISORY BOARD

The compensation received by the members of the Supervisory Board is specified under § 13 of the Articles of Incorporation of Deutsche Telekom AG. Under the new compensation system that came into effect on January 1, 2013, members of the Supervisory Board receive fixed annual compensation of EUR 70,000.00.

The Chairman of the Supervisory Board receives a further EUR 70,000.00 and the Deputy Chairman EUR 35,000.00. Members of the Supervisory Board also receive compensation as follows for activities on Supervisory Board committees:

(a) The Chairman of the Audit Committee receives EUR 80,000.00, ordinary members of the Audit Committee EUR 40,000.00.
(b) The Chairman of the General Committee receives EUR 35,000.00, ordinary members of the General Committee EUR 25,000.00.
(c) The Chairman of any other committee receives EUR 30,000.00, ordinary members of any other committee EUR 20,000.00.

Chairmanship and membership of the Nomination Committee and the Mediation Committee are not remunerated. Members of the Supervisory Board receive an attendance fee amounting to EUR 1,000.00 for each meeting of the Supervisory Board or its committees that they have attended. The Company reimburses value-added tax payable on remuneration and expenses. Under the old compensation system in place until December 31, 2012, members of the Supervisory Board are entitled to variable, performance-related remuneration for the 2012 financial year depending on the development of net profit per no par value share. The performance-related annual remuneration with long-term incentive effect amounts to EUR 1,000.00 for every EUR 0.02 by which the net profit per no par value share in the second financial year following the financial year (reference year) exceeds the net profit per no par value share in the financial year preceding the financial year in question. The performance-related annual remuneration as a long-term incentive is limited to a maximum of EUR 40,000.00.

Since the aforementioned condition for the payment of the performance-based variable remuneration was met as of December 31, 2014, the performance-related remuneration for the 2012 financial year is paid out.

The total compensation of the members of the Supervisory Board in 2014 amounted to EUR 3,160,791.65 (plus VAT).

For former members of the Supervisory Board, the performance-based variable remuneration for the 2012 financial year totaled EUR 226,562.50 (plus VAT).

The Company has not granted any advances or loans to current or former Supervisory Board members, nor were any other financial obligations to the benefit of this group of people entered into.

The compensation of the individual members of the Supervisory Board for 2014 is as follows:

T 177

€

Member of the Supervisory Board	Fixed remuneration	Meeting attendance fee	Performance-related remuneration for 2012	Total
Baldauf, Sari	90,000.00	9,000.00	4,250.00	103,250.00
Bednarski, Josef	103,333.33	13,000.00	–	116,333.33
Dr. Bernotat, Wulf	103,333.33	12,000.00	40,000.00	155,333.33
Dr. Beus, Hans Bernhard (until February 5, 2014)	22,500.00	2,000.00	40,000.00	64,500.00
Brandl, Monika	90,000.00	10,000.00	40,000.00	140,000.00
Geismann, Johannes (since February 6, 2014)	123,750.00	24,000.00	–	147,750.00
Dr. von Grünberg, Hubertus	100,000.00	11,000.00	40,000.00	151,000.00
Hanas, Klaus-Dieter	70,000.00	7,000.00	14,875.00	91,875.00
Hauke, Sylvia [a]	103,333.33	11,000.00	25,500.00	139,833.33
Hinrichs, Lars	90,000.00	11,000.00	–	101,000.00
Kallmeier, Hans-Jürgen [b]	130,000.00	15,000.00	40,000.00	185,000.00
Kollmann, Dagmar P.	130,000.00	20,000.00	40,000.00	190,000.00
Kreusel, Petra Steffi [c]	110,000.00	13,000.00	–	123,000.00
Prof. Lehner, Ulrich (Chairman)	215,000.00	31,000.00	40,000.00	286,000.00
Litzenberger, Waltraud	155,000.00	25,000.00	40,000.00	220,000.00
Schröder, Lothar (Deputy Chairman) [d]	193,333.33	26,000.00	40,000.00	259,333.33
Dr. Schröder, Ulrich	113,333.33	12,000.00	38,250.00	163,583.33
Sommer, Michael	90,000.00	7,000.00	25,500.00	122,500.00
Spoo, Sibylle	70,000.00	7,000.00	25,500.00	102,500.00
Streibich, Karl-Heinz	90,000.00	11,000.00	–	101,000.00
Dr. h. c. Walter, Bernhard (until January 11, 2015) †	150,000.00	7,000.00	40,000.00	197,000.00
	2,342,916.65	**284,000.00**	**533,875.00**	**3,160,791.65**

[a] In addition to remuneration for her activities as a member of the Supervisory Board of Deutsche Telekom AG, Sylvia Hauke also received other remuneration amounting to EUR 14,000.00 (including meeting attendance fees) in the 2014 financial year (for her mandate as member of the supervisory board of Telekom Deutschland GmbH).
[b] In addition to remuneration for his activities as a member of the Supervisory Board of Deutsche Telekom AG, Hans-Jürgen Kallmeier also received other remuneration amounting to EUR 16,000.00 (including meeting attendance fees) in the 2014 financial year (for his mandate as member of the supervisory board of T-Systems International GmbH).
[c] In addition to remuneration for her activities as a member of the Supervisory Board of Deutsche Telekom AG, Petra Steffi Kreusel also received other remuneration amounting to EUR 15,500.00 (including meeting attendance fees) in the 2014 financial year (for her mandate as member of the supervisory board of T-Systems International GmbH).
[d] In addition to remuneration for his activities as a member of the Supervisory Board of Deutsche Telekom AG, Lothar Schröder also received other remuneration amounting to EUR 29,000.00 (including meeting attendance fees) in the 2014 financial year (EUR 20,000.00 for his mandate as member of the supervisory board of Telekom Deutschland GmbH and EUR 9,000.00 as Chairman of the Data Privacy Advisory Council).

41 DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH § 161 AktG

In accordance with § 161 AktG, the Board of Management and the Supervisory Board of Deutsche Telekom AG have submitted the mandatory declaration of conformity and made it available to shareholders on Deutsche Telekom AG's website. The full text of the Declaration of Conformity can be found on the Deutsche Telekom website (www.telekom.com) under Investor Relations in the Corporate Governance section.

42 EVENTS AFTER THE REPORTING PERIOD

Acquisition of spectrum licenses. The U.S. telecommunications regulator (FCC) carried out the auction for a total of 65 MHz of spectrum in the 1.6, 1.7, and 2.1 GHz bands (AWS-3). T-Mobile US participated in the auction, which ended on January 29, 2015. The licenses acquired by T-Mobile US have a total value of USD 1.8 billion. Subject to approval by the relevant authorities, T-Mobile US expects to receive the AWS spectrum licenses in the second quarter of 2015.

Agreement on the sale of our EE joint venture. On February 5, 2015, Deutsche Telekom and the French telecommunications operator Orange reached an agreement with the British telecommunications operator BT on the sale of the EE joint venture. Upon closing of the transaction at an agreed purchase price of GBP 12.5 billion, Deutsche Telekom will become the largest shareholder in BT with a stake of approximately 12 percent. Depending on BT's share price and other factors at closing, Deutsche Telekom may receive a cash payment in addition to the 12 percent stake in BT. The transaction has yet to be approved by BT's shareholders and the responsible authorities. Closing is expected before the end of March 2016. The EE joint venture, which is part of the Group Headquarters & Group Services segment, was reported under non-current assets and disposal groups held for sale as of December 31, 2014.

43 AUDITOR'S FEES AND SERVICES IN ACCORDANCE WITH § 314 HGB

TABLE 178 provides a breakdown of the auditor's professional fees recognized as expenses in the 2014 financial year:

T 178

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
millions of €

	2014
Auditing services	12
Other assurance services	6
Tax advisory services	0
Other non-audit services	2
	20

Professional fees for auditing services include in particular fees for the statutory auditing of annual and consolidated financial statements, the review of the interim financial statements, auditing activities in connection with the documentation of the internal control system for financial reporting, and the auditing of information systems and processes, as well as fees for other auditing services.

Professional fees for other assurance services primarily relate to the commissioning of a review of regulatory issues for the Federal Network Agency.

Other non-audit services mainly relate to services in connection with fundamental business issues for the Company's compliance with requirements stipulated by the Federal Network Agency and other authorities. The services provided by consulting companies cundus AG and strategy& (formerly Booz & Company), which have been members of the PricewaterhouseCoopers network since April 2014, are also reported.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which is combined with the management report of Deutsche Telekom AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Bonn, February 10, 2015

Deutsche Telekom AG
Board of Management

Timotheus Höttges	Reinhard Clemens	Niek Jan van Damme
Thomas Dannenfeldt	Dr. Thomas Kremer	Claudia Nemat

INDEPENDENT AUDITOR'S REPORT

To Deutsche Telekom AG, Bonn

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Deutsche Telekom AG, Bonn, and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements, for the financial year from January 1 to December 31, 2014.

Board of Management's responsibility for the consolidated financial statements
The Board of Management of Deutsche Telekom AG, Bonn, is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Board of Management is also responsible for the internal controls as the Board of Management deems to be necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Audit opinion
According to § 322 (3) sentence 1 HGB we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2014 as well as the results of operations for the financial year then ended, in accordance with these requirements.

Report on the Group management report
We have audited the accompanying Group management report of Deutsche Telekom AG, Bonn, which is combined with the management report of the Company, for the financial year from January 1 to December 31, 2014. The Board of Management of Deutsche Telekom AG is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a (1) HGB. We conducted our audit in accordance with § 317 (2) HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 (3) sentence 1 HGB we state that our audit of the combined management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, February 10, 2015

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