INTERIM GROUP REPORT
JANUARY 1 TO SEPTEMBER 30, 2014

LIFE IS FOR SHARING.

SELECTED FINANCIAL DATA OF THE GROUP.

millions of €

		Q3 2014	Q3 2013	Change %	Q1–Q3 2014	Q1–Q3 2013	Change %	FY 2013
REVENUE AND EARNINGS								
Net revenue		15,648	15,525	0.8 %	45,656	44,467	2.7 %	60,132
Of which: domestic	%				40.5	42.7		42.2
Of which: international	%				59.5	57.3		57.8
Profit from operations (EBIT)		1,358	1,896	(28.4) %	6,276	5,113	22.7 %	4,930
Net profit (loss)		506	588	(13.9) %	3,034	1,682	80.4 %	930
Net profit (loss) (adjusted for special factors)		800	823	(2.8) %	2,023	2,400	(15.7) %	2,755
EBITDA		4,007	4,468	(10.3) %	14,062	12,579	11.8 %	15,834
EBITDA (adjusted for special factors)		4,575	4,659	(1.8) %	13,125	13,364	(1.8) %	17,424
EBITDA margin (adjusted for special factors)	%	29.2	30.0		28.7	30.0		28.9
Earnings per share basic/diluted	€	0.11	0.14	(21.4) %	0.68	0.39	74.4 %	0.21
STATEMENT OF FINANCIAL POSITION								
Total assets					125,009	115,301	8.4 %	118,148
Shareholders' equity					33,977	32,015	6.1 %	32,063
Equity ratio	%				27.2	27.8		27.1
Net debt					41,809	39,726	5.2 %	39,093
CASH FLOWS								
Net cash from operating activities		3,570	3,640	(1.9) %	9,719	9,623	1.0 %	13,017
Cash capex		(2,584)	(2,378)	(8.7) %	(8,727)	(7,600)	(14.8) %	(11,068)
Free cash flow (before dividend payments, spectrum investment) [a]		1,125	1,427	(21.2) %	3,157	3,574	(11.7) %	4,606
Net cash used in investing activities		(2,188)	(2,139)	(2.3) %	(7,224)	(5,691)	(26.9) %	(9,896)
Net cash (used in) from financing activities		1,265	(1,090)	n.a.	(3,485)	(2,210)	(57.7) %	1,022

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

NUMBER OF FIXED-NETWORK AND MOBILE CUSTOMERS.

millions

	Sept. 30, 2014	Dec. 31, 2013	Change Sept. 30, 2014/ Dec. 31, 2013 %	Sept. 30, 2013	Change Sept. 30, 2014/ Sept. 30, 2013 %
Mobile customers	149.1	142.5	4.6 %	140.3	6.3 %
Fixed-network lines [a]	30.0	30.8	(2.6) %	31.1	(3.5) %
Broadband lines [a, b]	17.2	17.1	0.6 %	17.1	0.6 %

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

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

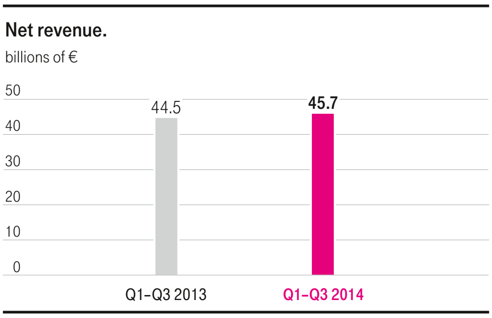
CONTENTS.

TO OUR SHAREHOLDERS.

DEVELOPMENTS IN THE GROUP.

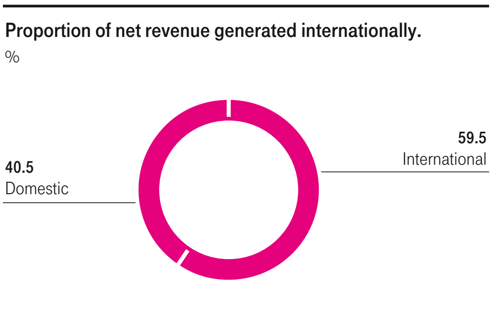
NET REVENUE.

- Net revenue increased substantially by 2.7 percent. The United States operating segment in particular contributed to this revenue trend as a result of the inclusion of MetroPCS since May of last year and continued strong customer additions.
- In our Europe operating segment, the substantial price changes, in some cases imposed by regulatory authorities back in 2013, and intense competition had a negative effect on our revenue.
- The contribution to revenue made by our Systems Solutions segment decreased as a result of the realignment of the business model to generate sustainable growth.
- Adjusted for effects of changes in the composition of the Group and negative exchange rate effects, net revenue increased by EUR 0.9 billion year-on-year.



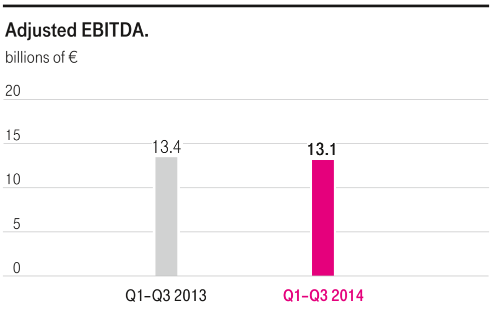
PROPORTION OF NET REVENUE GENERATED INTERNATIONALLY.

- The proportion of net revenue generated internationally increased to 59.5 percent, compared with 57.3 percent in the first three quarters of 2013.
- The proportion of net revenue generated by our United States operating segment increased substantially by 4.5 percentage points, such that it made the largest contribution to net revenue
- By contrast, the proportions contributed by our Germany, Europe, and Systems Solutions operating segments as well as the Group Headquarters & Group Services segment shrank.



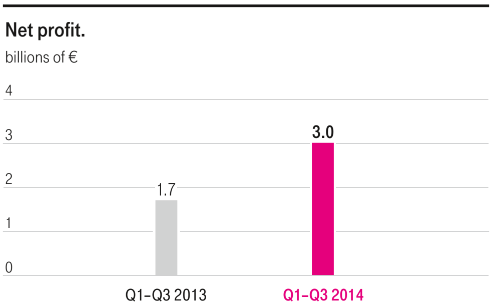
ADJUSTED EBITDA.

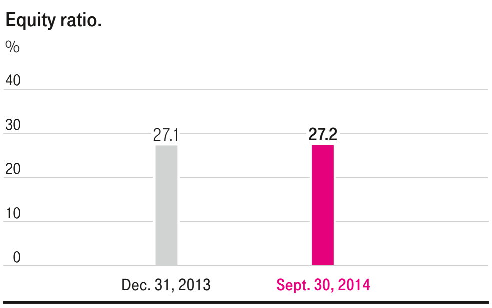
- Adjusted EBITDA decreased by 1.8 percent.
- The inclusion of MetroPCS' operations since May 2013 in particular had a positive effect on adjusted EBITDA.
- Adjusted EBITDA was reduced by higher costs incurred for our integrated network build-out in Germany, higher market investments in the United States, and operational EBITDA decreases in some European countries. The negative effects were partially offset by our comprehensive cost management.
- The adjusted EBITDA margin decreased from 30.0 percent to 28.7 percent in the reporting period. The operating segments with the strongest margins are still Germany with 41.2 percent and Europe with 34.5 percent.



NET PROFIT.

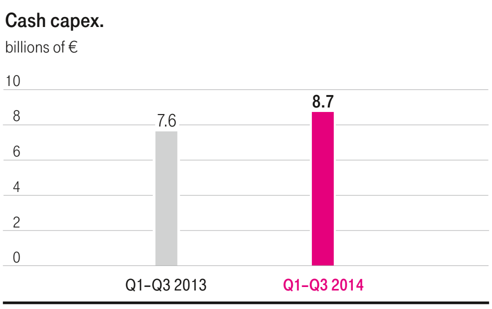
- Net profit increased substantially to EUR 3.0 billion.
- The increase was in particular due to income from divestitures in connection with the disposal of the Scout24 group totaling EUR 1.7 billion. Income of some EUR 0.4 billion from a transaction consummated in April 2014 between T-Mobile US and Verizon Communications for the acquisition and exchange of A-Block spectrum also had a positive effect.
- This effect was offset by a EUR 0.3 billion increase in depreciation, amortization and impairment losses compared with the prior-year period, attributable to the inclusion of MetroPCS since May of last year and the roll-out of the LTE network as part of T-Mobile US' network modernization program.





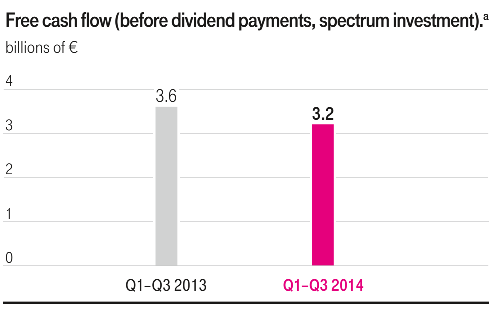
EQUITY RATIO.

- Total assets increased to EUR 125.0 billion compared with the end of 2013. Shareholders' equity increased by EUR 1.9 billion compared with December 31, 2013 to EUR 34.0 billion.
- This increase was attributable to a profit (EUR 3.3 billion) and to currency translation effects, which were recognized directly in equity (EUR 1.5 billion).
- Dividend payments to Deutsche Telekom AG shareholders for the 2013 financial year (EUR 2.2 billion), had a decreasing effect. The capital increase carried out to grant our shareholders the option of converting their dividend entitlements into shares, increased shareholders' equity by EUR 1.0 billion. The cash dividend paid out to our shareholders amounted to EUR 1.2 billion.
- The acquisition of the remaining shares in T-Mobile Czech Republic (EUR 0.8 billion), actuarial losses (EUR 0.7 billion after taxes) recognized directly in equity, and the dividend payments to non-controlling interests (EUR 0.1 billion) also reduced shareholders' equity.



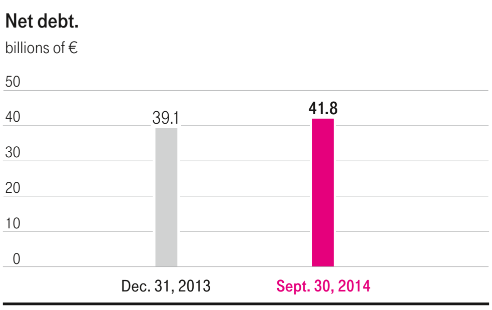
CASH CAPEX.

- Cash capex (including spectrum investment) increased to EUR 8.7 billion.
- The year-on-year increase was mainly due to the acquisition of spectrum totaling EUR 2.0 billion, primarily in the United States, the Czech Republic, Slovakia, and Poland. Spectrum acquired in the prior-year period totaled EUR 1.2 billion.
- Adjusted for the effects of spectrum acquisition, cash capex was up on the prior-year level by EUR 0.3 billion.



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

- Free cash flow decreased year-on-year by EUR 0.4 billion.
- This trend is attributable to the increase of EUR 0.3 billion in cash capex (before spectrum investment). Net cash from operating activities remained almost stable.
- A EUR 0.1 billion year-on-year increase in dividend payments received from the EE joint venture and a positive effect from factoring agreements concluded in the reporting period amounting to EUR 0.4 billion increased net cash from operating activities. Net cash from operating activities was reduced by EUR 0.5 billion higher net interest payments. The prior-year figure had also included proceeds from the conclusion and settlement of interest rate derivatives in the amount of EUR 0.2 billion.



NET DEBT.

- Net debt increased by EUR 2.7 billion compared with the end of 2013.
- Among other effects, the acquisition of mobile spectrum (EUR 2.0 billion), dividend payments – including to non-controlling interests – (EUR 1.3 billion), the acquisition of the remaining shares in T-Mobile Czech Republic (EUR 0.8 billion), the acquisition of the GTS Central Europe group (EUR 0.5 billion), and exchange rate effects (EUR 1.3 billion) in particular increased net debt.
- Free cash flow (EUR 3.2 billion) as well as the sale of 70 percent of the shares in the Scout24 group (EUR 1.6 billion) in particular reduced net debt.

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

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

DEUTSCHE TELEKOM AT A GLANCE.

Developments over the first nine months of 2014 were predominantly stable. The trends that became apparent in the first half-year remained largely unchanged. Net revenue of the Group increased by 2.7 percent driven by the United States operating segment, which alone grew by 18.0 percent. Revenue trends in Europe improved slightly in the third quarter, but there was nevertheless a clear decrease in revenue over the first nine months due in particular to regulation-induced price changes and intense competition. The Germany operating segment recorded slight declines in revenue once again.

Adjusted EBITDA decreased slightly in the first nine months. While the United States operating segment grew slightly despite continued strong customer growth and the costs that this entails, revenue in the Europe operating segment remained under pressure. In Germany, adjusted EBITDA continued to decrease slightly, with the margin remaining high.

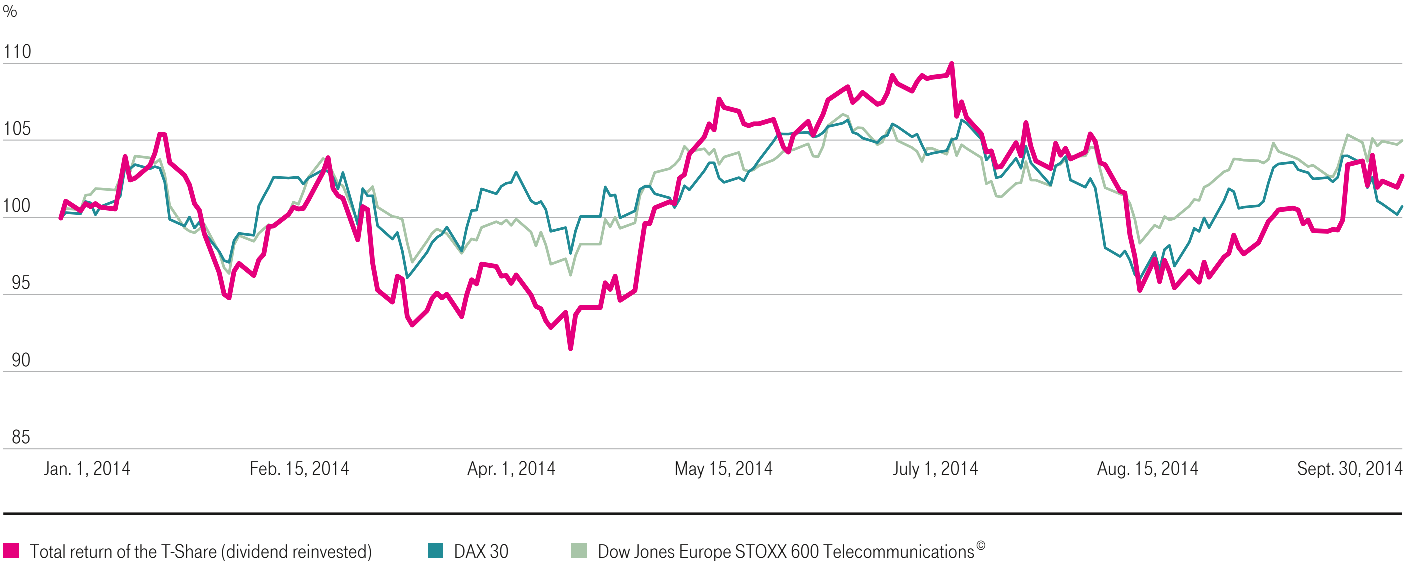
Cash capex totaled EUR 8.7 billion, well above the prior-year figure, driven by factors including higher cash outflows for the acquisition of spectrum. Excluding these investments in spectrum, however, at around EUR 6.8 billion, the figure was around 5 percent higher than in the prior year. Accordingly, free cash flow of EUR 3.2 billion was EUR 0.4 billion lower than the prior-year figure.

Net profit increased considerably year-on-year from EUR 1.7 billion to EUR 3.0 billion. The increase was in particular due to income from divestitures in connection with the disposal of the Scout24 group.

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

THE T-SHARE.

Total return of the T-Share in the first three quarters of 2014.



T-Share performance.

		Q1–Q3 2014	Q1–Q3 2013	FY 2013
XETRA CLOSING PRICES				
Share price on the last trading day	€	12.00	10.72	12.43
Year high	€	13.15	10.81	12.60
Year low	€	11.05	8.01	8.01
WEIGHTING OF THE T-SHARE IN MAJOR STOCK INDEXES				
DAX 30	%	4.8	4.4	4.6
Dow Jones Euro STOXX 50©	%	1.8	1.8	1.2
Dow Jones Europe STOXX 600 Telecommunications©	%	11.9	11.1	11.7
Market capitalization	billions of €	54.4	47.7	55.3
Number of shares issued	millions	4,536	4,451	4,451

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

	Since the beginning of the year	1 year	3 years	5 years
Total return of the T-Share (dividend reinvested)	2.9	16.5	65.1	81.3
DAX 30	0.8	10.2	72.2	66.9
Dow Jones Europe STOXX 600 Telecommunications©	5.3	14.5	43.5	55.6

Strong upwards movement in the stock markets in the first half of 2014 was followed by a drastic adjustment in July. Growing geopolitical tensions and the threat of tougher sanctions in connection with the crisis in Ukraine in particular had a negative impact on share price performance. Share prices recovered as the quarter continued; overall, however, the DAX 30 increased by just 0.8 percent since the start of the year. While the Dow Jones Euro STOXX 50© and the Nikkei in Japan remained at around the half-year level with gains of 7.9 percent and 0.5 percent respectively, only the Dow Jones increased on the gains it made in the first half of the year, closing the first nine months with a total performance up 4.9 percent.

The European telecommunications sector proved somewhat friendlier than the DAX 30 and the Dow Jones. As of September 30, 2014, the Dow Jones Europe STOXX 600 Telecommunications© index was around 5.3 percent higher than at the start of the year. The expectation of further consolidation on the European telecommunications market continues to be the main driver of the positive share price performance.

In this environment, the T-Share price fell slightly: Since the start of the year it has advanced by almost 3 percent – on a total return basis. Although the half-year figures published on August 8 were in line with market expectations, media reports at the start of August that Sprint had abandoned its plans for a merger with T-Mobile US put pressure on the share price.

HIGHLIGHTS IN THE THIRD QUARTER OF 2014.

EMPLOYEES.

Magyar Telekom reaches agreement with trade unions. At the end of July 2014, Magyar Telekom reached an agreement with trade unions on staff cuts and wage increases for 2015-2016. Under the terms of the agreement, our subsidiary will cut a maximum of 1,700 jobs. 40 percent are expected to leave the company between October 1, 2014 and March 1, 2015, while the remaining 60 percent are expected to leave effective January 1, 2016. Total severance expenses related to the 2-year headcount reduction program will be approximately EUR 39 million.

OFFER TO TAKE OVER T-MOBILE US.

On July 31, 2014, the French mobile provider Iliad announced in a press release that a provisional offer had been made to the T-Mobile Board of Directors to takeover 56.6 percent of the company. On October 13, 2014, Iliad issued a further press release to the effect that the takeover plans would no longer be pursued.

EXPANSION OF BRAND PRESENCE.

Romanian subsidiaries to operate under the Telekom brand. Our Romanian subsidiaries Romtelecom and Cosmote Romania have been operating under the Telekom brand since September 2014 and, as such, have been renamed Telekom Romania and Telekom Romania Mobile. Their official trademark is now the well-known T-Logo with the associated brand slogan “Life is for sharing.” This is another step towards expanding our market presence in Europe and, in keeping with our strategy, to offer the best customer experience through technology leadership.

PARTNERSHIPS.

We agreed an extensive partnership with **salesforce.com** at the start of July 2014. Under the terms of the agreement, the U.S. market leader for business cloud solutions will use T-Systems data center services in Germany. Joint sales of the Salesforce1 cloud solution will start in 2015. The customer relationship management software helps medium-sized companies to better analyze the behavior of their customers in the digital world and to tailor products and services to the needs of the market.

T-Systems and IT group **Cisco** have announced a strategic partnership to set up a secure cloud in Europe. The partners plan to make T-Systems one of the co-founders of Intercloud, the world’s largest cloud network. The European platform will be operated and marketed by T-Systems. The Intercloud technology will allow us to offer cloud services to meet every need, for medium-sized companies and corporate customers alike, all from a single source and in line with German security requirements.

The **tolino** e-reader has now also been available in Belgium since mid-July 2014. Our international partner Standaard Boekhandel sells the tolino in its stores and via its online shops. Standaard Boekhandel plans to use the tolino as a platform to establish itself in the Belgian e-reader market. The tolino partnership, which has enjoyed success in Germany, is thus now also offering international partners the opportunity to roll out the successful tolino e-reader in their home markets.

INVESTMENTS IN NETWORKS AND SPECTRUM.

In our **Germany** operating segment, we are making good progress in the implementation of our integrated network strategy. At the end of the third quarter, our LTE network covered 79 percent of the population, i.e., some 64.5 million people, almost 9.8 million more than at the end of 2013. In addition, as of September 30, 2014, we had already migrated more than 3.7 million fixed-network lines to IP technology. Fiber-optic coverage reached 40.2 percent at the end of the quarter, i.e., around 16.5 million households.

We also continue to work consistently on implementing our strategy in our Europe operating segment. We have now also offered LTE technology for mobile communications in Poland since the middle of this year. This means we are represented with LTE in all our European mobile markets, except Albania. We have now migrated 34.9 percent of our fixed networks to IP at our various national companies at September 30, 2014, which corresponds to around 3.2 million lines.

T-Mobile US' network build-out is continuing at an accelerated pace. The company's 4G/LTE network now covers 244 million people and it is rapidly deploying Wideband LTE while at the same time rolling out its 700 MHz A-Block spectrum and 4G/LTE on 1,900 PCS spectrum. In addition, T-Mobile US was first to launch VoLTE (voice over LTE) and first to achieve nationwide VoLTE coverage, covering more than 200 million people. The improvements to increase speed, capacity, and coverage across T-Mobile US' network footprint are rapid and ongoing. Prior to the closing of the business combination with MetroPCS, T-Mobile USA developed integration plans which included the decommissioning of the MetroPCS Code Division Multiple Access (CDMA) network and certain other redundant network cell sites. In July 2014, T-Mobile US began decommissioning the MetroPCS CDMA network and redundant network cell sites. The network shutdowns will facilitate the realization of the network synergies associated with the business combination of T-Mobile USA and MetroPCS.

T-Systems boosts Germany's standing as a center of IT. In Biere near Magdeburg, we opened the biggest, most modern data center in Germany at the start of July 2014. This new data center will allow us to meet the steep increase in demand for secure cloud services based in Germany. T-Systems will bundle its IT production at eleven international sites by 2018. The data center in Biere will be an important hub in T-Systems' global infrastructure of data centers.

NEW RATE PLANS AND PRODUCTS.

At the start of September, the green light was given for Deutsche Telekom's first integrated consumer offering at the Internationale Funkausstellung (IFA) trade fair in Berlin. We now offer our customers in Germany attractive packages with smart combinations of mobile and fixed-network services under the name MagentaEINS. At the same time, MagentaEINS is the gateway to a new product world. Purely mobile products are brought together under the name MagentaMobil and purely fixed-network products under MagentaZuhause. Above and beyond this, MagentaEntertainment, MagentaWohnen and MagentaService will feature additional packages and products for custom combinations of the different elements.

At the IFA trade fair, we also became one of the world's first providers to announce the launch of a new hybrid router. When customers surf the net at home, the new Speedport Hybrid router will automatically combine fixed-network and mobile bandwidths. This combination of DSL and LTE standards will enable fast Internet access even in areas where coverage is less good. Hybrid will be launched in a number of federal states in fall of this year. The hybrid connection will be available across the entire country starting spring 2015.

We are one of the first providers to launch a globally-applicable encryption solution for smartphones on the market. In contrast to other solutions, the Mobile Encryption app for Android and iOS devices works in all phone networks, and even without a SIM card via WiFi or a satellite link. Encrypted communication is possible even in countries that block Internet phone calls.

NEW CORPORATE CUSTOMER AGREEMENTS.

Our T-Systems subsidiary Satellic N.V., in which STRABAG AG holds a minority stake of 24 percent, has won the contract to set up and operate a satellite-based toll collection system for trucks in Belgium. A contractual agreement between Satellic and Viapass, the relevant authority in Belgium, was signed on July 25, 2014 with a term of at least 12 years, initially envisaging that Satellic will establish the new toll collection system in the next 18 months.

AWARDS.

We once again took first place in the major 2014 network test carried out by trade journal "connect." The testers examined the fixed networks of various providers in Germany, taking some 1.6 million measurements to assess the quality and performance of DSL and broadband cable lines. Their conclusion: Deutsche Telekom once again leads the field of providers and gives a convincing performance in all areas tested. The test results confirm the success of our efforts to offer our customers the best network experience.

We also performed well in the international arena in the third quarter: In the Top Marka Ranking, which determines the reach of print and electronic media, T-Mobile Polska took first place for the second time in a row in the Telecommunications category. In September, T-Mobile Czech Republic was named a Superbrand in Prague for its unusual marketing campaigns and successful advertising. Futurezone – the leading Austrian technology portal – named T-Mobile Austria the fastest Austrian provider in the "Mobile browsing" category. T-Mobile Austria also proved itself, achieving a strong second place overall.

Analyst company Experton evaluated big data providers in Germany for the second time. The analysis of 121 IT companies found that T-Systems is among the top three providers in the categories Big Data Operations, Big Data Security Analytics, and Big Data Consulting & Solutions. Our progress from last year's good position to the leading position in this year's Experton study is partly the result of our new focus, which aims to strengthen new business models in growth areas like big data, cloud computing or cyber security, so as to make ourselves fit for the future in the highly-competitive IT market.

In August, we took first place in the oekom industry ranking for our ecological and social performance. In the "oekom Industry Report Telecommunications," we performed particularly well in the areas of climate protection, customer focus, electronic-waste prevention, and a sustainable supply chain. oekom GmbH analyzed a total of 108 companies from the telecommunications sector for their sustainability performance and their development over time in addition to many other aspects.

INTERIM GROUP MANAGEMENT REPORT.

GROUP STRUCTURE, STRATEGY, AND MANAGEMENT.

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

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

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

For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, page 48.

THE ECONOMIC ENVIRONMENT.

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

GLOBAL ECONOMIC DEVELOPMENT.

Global economic growth was rather inhibited in the first three quarters of 2014. The anticipated increase in the expansion of global trade failed to materialize in the third quarter of 2014.

In our core markets, the majority of economies recorded positive trends again in the first nine months of 2014 in terms of overall economic production, albeit at an increasingly moderate rate of expansion. However, there has been no improvement in the labor market owing to the slow pace of economic recovery in most countries of our Europe operating segment; the increase in the number of people in employment slowed down and in some places, unemployment increased again slightly.

In Germany, the economy grew moderately in the first nine months of 2014. The German labor market remained robust and at the end of September 2014, unemployment stood at 6.5 percent.

The U.S. economy also recorded robust growth again in the third quarter, thanks to the further recovery on the labor market and the ongoing positive underlying momentum of private consumption.

Across the euro zone and the other countries of the European Union, there continued to be great variation in economic development. The economies in the United Kingdom, Slovakia, Hungary, Poland, and the Czech Republic recorded very positive growth rates. In the Netherlands, Austria, and Romania, the rate of expansion was rather more moderate. As of the third quarter of 2014, the forecasts in Greece indicate a positive growth rate for the first time since 2009. Croatia recorded a further decline in GDP due to its cautious reforms and lack of competitiveness. This trend was further amplified by weak tourism figures and trade revenues in the summer months.

GDP growth rates in our core countries.
%

	Q1 2014 compared with Q1 2013	Q2 2014 compared with Q2 2013	Q3 2014 compared with Q3 2013
Germany	2.2	1.3	1.3
United States	1.9	2.6	2.3
Greece	(1.0)	(0.4)	0.2
Romania	3.7	1.5	1.8
Poland	3.5	3.3	3.0
Hungary	3.3	3.7	3.1
Czech Republic	2.6	2.5	2.7
Croatia	(0.6)	(0.8)	(0.5)
Netherlands	0.1	1.1	1.2
Slovakia	2.1	2.3	2.4
Austria	0.8	0.9	1.0
United Kingdom	2.9	3.2	3.2

Source: Oxford Economics, October 2014.

OUTLOOK.

We expect the expansion of the global economy to accelerate slightly towards the end of 2014 and in the course of 2015, in particular as a result of growing momentum in the emerging economies. The still expansive monetary policy and declining fiscal policy restrictions could support this trend.

OVERALL ECONOMIC RISKS.

Global economic risks increased once again in the third quarter of 2014. A heightening of geopolitical tensions in the Middle east or Ukraine, for example, may amplify the negative effects on the global economy and the nervousness of the capital markets further. Declining growth forecasts for the full year 2014 are also giving rise to worries that the recovery of the euro zone may be stagnating. The impending banking crisis in Portugal also shows that the sovereign debt and banking crisis in Europe is far from over. The low growth potential in highly developed countries also weighs on the prospects for emerging countries. Growing imbalances such as the downward real estate price trend in China, could have an additional negative impact on global economic development.

TELECOMMUNICATIONS MARKET.

The consolidation trend in the ICT industry also continued in the third quarter. The merger of the two largest Dutch cable companies, UPC, which belongs to Liberty Global, and Ziggo, was approved by the EU Commission subject to conditions on October 10, 2014. This will create a new, strong, integrated communications provider on the Dutch telecommunications market.

On August 20, 2014, the German federal government adopted the Digital Agenda 2014–2017. This describes the federal government's strategy to make the most of the opportunities of digitization for all areas of the economy and society. The Digital Agenda covers implementation measures in seven action areas, such as "digital infrastructures." One of the objectives – as already set out in the coalition agreement – is to achieve Germany-wide broadband coverage with at least 50 Mbit/s by 2018. For this purpose, the federal government plans to create the necessary framework conditions, including the provision of additional frequencies for broadband mobile communications, funding for regions where profitable roll-out is not possible, and the support of regulation that promotes investment and innovation. These measures are expected to positively impact the network build-out and coverage with high bandwidths.

REGULATION.

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

Federal Network Agency issues final ruling on vectoring. The Federal Network Agency had essentially already given the green light to the use of vectoring transmission technology in August 2013, although some regulations were subject to the provision of a certain wholesale offer (bitstream access). This offer, as well as other contractual regulations, had to be defined by the Federal Network Agency in a further administrative procedure. We were informed of an interim decision in early June 2014 that allowed us to implement vectoring in Germany. The Federal Network Agency issued its final ruling on July 29, 2014, after completion of the European notification. We began marketing VDSL lines with vectoring technology on September 1, 2014. This enables customers in roll-out areas to surf the Internet with download speeds of up to 100 Mbit/s and upload speeds of up to 40 Mbit/s.

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

Federal Network Agency plans to cut interconnection rates in Germany. On April 28 and May 2, 2014, Telekom Deutschland GmbH submitted rate applications to the Federal Network Agency for mobile- and fixed-termination rates. On July 11, 2014, the Federal Network Agency published a draft ruling reducing fixed-network termination rates by 20 percent to 0.24 eurocents/minute as of December 1, 2014. On September 3, 2014, the Federal Network Agency also published the draft ruling to set new mobile termination rates. From December 1, 2014 to November 30, 2015, the rates are to fall to 1.72 euro-cents/minute, from December 1, 2015 to November 30, 2016 to 1.66 eurocents/minute. Both drafts have already been put out for consultation at national level and will now also be put out at EU-level.

Additional special taxes affecting our international subsidiaries. In addition to the special taxes already in place, e.g., in Greece, Hungary and Romania, the Croatian government decided to triple frequency usage charges with effect from May 23, 2014. A public consultation is also currently underway concerning a change in right-of-way fees in Croatia, which could put additional pressure on Hrvatski Telekom.

ASSIGNMENT OF FREQUENCIES.
Below we describe the most important current developments regarding the assignment of frequencies:

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

- In Greece, the regulatory authority EETT allocated frequencies in the 0.8 GHz (digital dividend) and 2.6 GHz ranges on October 13, 2014 in the form of a simultaneous multi-round auction. Apart from our Greek subsidiary Cosmote, only the two other mobile operators, Vodafone and WIND, took part in the auction. Cosmote achieved its targets set and secured a competitive frequency allocation.

- In Hungary, the three-stage process to assign frequencies in the 0.8, 0.9, 1.8, and 2.6 GHz ranges was completed. Magyar Telekom successfully took part in the tender process and was able to secure the frequency resources it desired.

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

- In Albania, AMC applied to extend its GSM license with frequencies in the 0.9 and 1.8 GHz ranges, which expired in August 2014. Since all the requirements have been met, the application is expected to be approved; however the process is still ongoing. The Albanian regulatory authority AKEP plans to tender further mobile frequencies in the 0.9 and 1.8 GHz ranges before the end of 2014. A consultation on the tender of frequencies in the 2.6 GHz range is being prepared.

- In Poland, the regulator UKE began the tender process for frequencies from the 0.8 and 2.6 GHz ranges on October 14, 2014. It is based largely on the conditions of award already known from the planning for the last auction. The frequencies shall be tendered in a simultaneous multi-round auction. Frequencies are expected to be awarded in December 2014.

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

- On November 13, 2014, the U.S. communications regulator (FCC) will hold an auction for a total of 65 MHz of spectrum in the 1.6, 1.7, and 2.1 GHz bands. The FCC has set a reserve price of approximately USD 10.5 billion for the entire auction. T-Mobile US will participate in the auction.

DEVELOPMENT OF BUSINESS IN THE GROUP.

RESULTS OF OPERATIONS OF THE GROUP.

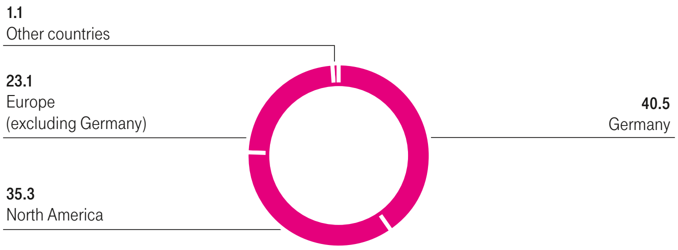
NET REVENUE.
In the first nine months of the 2014 financial year, we generated net revenue of EUR 45.7 billion, clearly up EUR 1.2 billion or 2.7 percent on the same period in the prior year. Our United States operating segment in particular contributed to this trend thanks to the revenue generated by MetroPCS, which was only taken into account from the second quarter of the prior year due to its first-time inclusion as of May 1, 2013, and continued strong customer growth. In our Europe operating segment, the substantial price changes, in some cases imposed by regulatory authorities back in 2013, and intense competition had a negative effect. Our Germany operating segment held its own, particularly in the mobile market, in the prevailing competitive environment, but recorded a slight decline in revenue overall. This was primarily due to the line losses in fixed-network business. The initiated realignment of T-Systems' business model had a negative impact on revenue in our Systems Solutions operating segment, as did the general downward trend in prices for IT and communications services.

Adjusted for the effects of changes in the composition of the Group of EUR 0.9 billion in total, as well as negative exchange rate effects of around EUR 0.5 billion, especially from the translation of U.S. dollars into euros, revenue was up EUR 0.9 billion or 2.0 percent against the prior-year level. For details on the revenue trends in our Germany, United States, Europe, and Systems Solutions operating segments as well as in the Group Headquarters & Group Services segment, please refer to the section "Development of business in the operating segments," page 17 et seq.

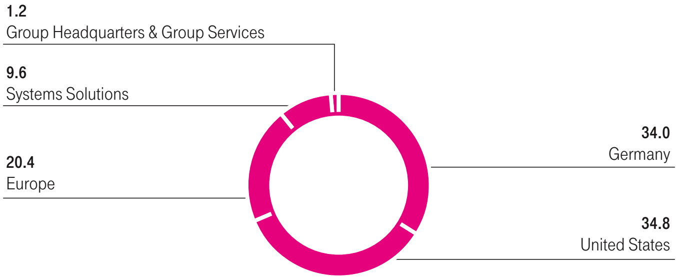
Contribution of the segments to net revenue.
millions of €

	Q1 2014	Q2 2014	Q3 2014	Q3 2013	Change %	Q1–Q3 2014	Q1–Q3 2013	Change %	FY 2013
NET REVENUE	**14,894**	**15,114**	**15,648**	**15,525**	**0.8 %**	**45,656**	**44,467**	**2.7 %**	**60,132**
Germany	5,483	5,464	5,587	5,670	(1.5) %	16,534	16,801	(1.6) %	22,435
United States	5,074	5,270	5,554	5,108	8.7 %	15,898	13,474	18.0 %	18,556
Europe	3,125	3,163	3,317	3,440	(3.6) %	9,605	10,218	(6.0) %	13,704
Systems Solutions	2,052	2,187	2,068	2,174	(4.9) %	6,307	6,570	(4.0) %	9,038
Group Headquarters & Group Services	622	610	596	635	(6.1) %	1,828	2,087	(12.4) %	2,879
Intersegment revenue	(1,462)	(1,580)	(1,474)	(1,502)	1.9 %	(4,516)	(4,683)	3.6 %	(6,480)

Breakdown of revenue by region.
%



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



[a] For more information on net revenue, please refer to the disclosures under segment reporting in the interim consolidated financial statements, page 48.

Our United States operating segment made the largest contribution to net revenue, contributing 34.8 percent. This was a substantial increase of 4.5 percentage points compared with the prior-year period, due in part to the inclusion of MetroPCS and ongoing strong new customer growth. By contrast, the proportions contributed by our Germany, Europe, and Systems Solutions operating segments as well as the Group Headquarters & Group Services segment shrank. The proportion of net revenue generated internationally continued to increase, rising from 57.3 percent in the prior-year period to 59.5 percent.

EBITDA, ADJUSTED EBITDA.

Our **EBITDA** increased year-on-year by EUR 1.5 billion to EUR 14.1 billion. Positive special factors amounting to EUR 0.9 billion were included in EBITDA in the first nine months of 2014. They were mainly attributable to income from the divestiture of the Scout24 group of EUR 1.7 billion. Income of some EUR 0.4 billion from a transaction consummated in April 2014 between T-Mobile US and Verizon Communications for the acquisition and exchange of A-Block spectrum also had a positive effect. Expenses of around EUR 0.1 billion arising from the decommissioning of the MetroPCS CDMA network in our United States operating segment and the fine imposed as part of the European Commission proceedings against Slovak Telekom and Deutsche Telekom, by contrast, had a decreasing effect. For further information on the decision to impose a fine, please refer to the section “Risks and opportunities,” pages 33 and 34. Expenses incurred in connection with staff-related measures and non-staff-related restructuring expenses decreased by EUR 0.2 billion compared with the prior-year level to EUR 0.7 billion.

Excluding special factors, **adjusted EBITDA** decreased slightly year-on-year to EUR 13.1 billion in the first nine months of 2014. Exchange rate effects of EUR 0.1 billion, especially from the translation of U.S. dollars into euros, had a negative effect on the development of adjusted EBITDA. For detailed information on the development of EBITDA/adjusted EBITDA in our segments, please refer to the section “Development of business in the operating segments,” page 17 et seq.

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

	Q1 2014	Q2 2014	Q3 2014	Q3 2013	Change %	Q1–Q3 2014	Q1–Q3 2013	Change %	FY 2013
EBITDA (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	**4,121**	**4,429**	**4,575**	**4,659**	**(1.8)%**	**13,125**	**13,364**	**(1.8)%**	**17,424**
Germany	2,230	2,256	2,324	2,375	(2.1)%	6,810	6,909	(1.4)%	8,936
United States	844	1,083	1,014	1,082	(6.3)%	2,941	2,900	1.4%	3,874
Europe	1,027	1,098	1,184	1,169	1.3%	3,309	3,383	(2.2)%	4,550
Systems Solutions	138	288	197	197	0.0%	623	575	8.3%	774
Group Headquarters & Group Services	(118)	(160)	(145)	(155)	6.5%	(423)	(365)	(15.9)%	(655)
Reconciliation	0	(136)	1	(9)	n.a.	(135)	(38)	n.a.	(55)

EBIT.

Compared with the first nine months of 2013, Group EBIT increased substantially by EUR 1.2 billion to EUR 6.3 billion, due in particular to the effects described under EBITDA. A EUR 0.3 billion increase in depreciation, amortization and impairment losses compared with the prior-year period, in particular attributable to the inclusion of MetroPCS since May of last year as well as the roll-out of the LTE network as part of T-Mobile US' network modernization program, had a negative impact on the development of EBIT.

PROFIT BEFORE INCOME TAXES.

Profit before income taxes increased significantly by EUR 1.2 billion to EUR 4.2 billion year-on-year in the first nine months of 2014 as a result of the aforementioned effects. Despite the inclusion of MetroPCS and the local financing conditions for T-Mobile US, loss from financial activities remained stable year-on-year, among other factors, due to the year-on-year increase of EUR 0.1 billion in the proportion of profit/loss attributable to the EE joint venture.

NET PROFIT.

Net profit increased from EUR 1.7 billion to EUR 3.0 billion. The tax expense for the current financial year amounted to EUR 0.9 billion and was thus on a par with the prior-year level. For further information, please refer to the interim consolidated financial statements, page 46.

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

Number of employees (at the reporting date).

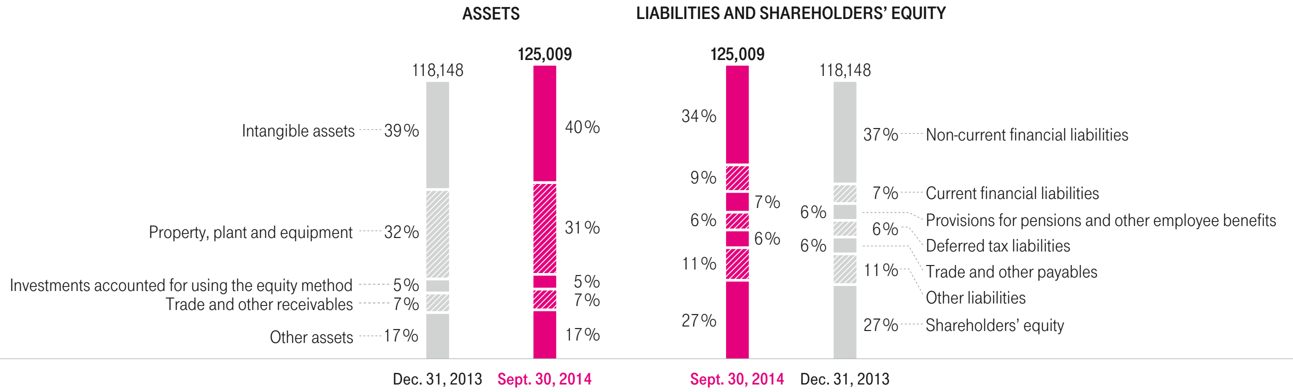
	Sept. 30, 2014	Dec. 31, 2013
Germany	68,788	66,725
United States	38,151	37,071
Europe [a]	52,673	53,265
Systems Solutions [a]	48,571	49,540
Group Headquarters & Group Services	20,404	21,995
NUMBER OF EMPLOYEES IN THE GROUP	**228,588**	**228,596**
Of which: civil servants (in Germany, with an active service relationship)	20,354	20,523

[a] The prior-year comparatives were adjusted retrospectively due to changes in the structure of the Group implemented as of January 1, 2014. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, page 48.

As of September 30, 2014, the Group's headcount remained at the same level as at the end of 2013. Our segments showed countervailing trends to some extent. In the Germany operating segment, we increased the headcount by 3.1 percent compared with the end of 2013 as staff were taken on primarily for the build-out and upgrade of our "networks of the future." In our United States operating segment the total number of employees increased by 2.9 percent in the first nine months of 2014 due to an increase in retail and customer support employees. In our Europe operating segment, staff levels decreased slightly by 1.1 percent compared with December 31, 2013. This trend is attributable to two offsetting effects. On the one hand, the number of employees decreased on account of the disposal of shares in Euronet Communications in the Netherlands. Efficiency enhancement measures in a number of countries in our operating segment, such as Romania and Croatia, also contributed to the reduction. On the other hand, the headcount increased due to the inclusion of the GTS Central Europe group since May 30, 2014 and growth following the staff restructuring in Greece. In our Systems Solutions operating segment, the headcount decreased by 2.0 percent, primarily as a result of the staff restructuring measures implemented in Germany. The number of employees in the Group Headquarters & Group Services segment was down 7.2 percent compared with the end of 2013, due in particular to the deconsolidation of the Scout24 group and staff restructuring measures.

FINANCIAL POSITION OF THE GROUP.

Structure of the statement of financial position.
millions of €



Total assets increased by EUR 6.9 billion compared with December 31, 2013, primarily influenced by the following factors:

Intangible assets increased by EUR 4.2 billion, mainly due to capital expenditure in the amount of EUR 5.5 billion. This figure includes EUR 3.3 billion for the acquisition of mobile licenses by T-Mobile US, in particular in connection with the two transactions consummated in April 2014 for the acquisition and the exchange of mobile licenses with Verizon Communications. Effects of changes in the composition of the Group totaling EUR 0.2 billion resulting from the inclusion of the GTS Central Europe group and preliminary goodwill of EUR 0.1 billion recognized in this connection also contributed to this increase. Exchange rate effects of EUR 2.1 billion, in particular from the translation of U.S. dollars into euros, also increased the carrying amount of intangible assets. The recognition of amortization of EUR 2.8 billion and disposals of EUR 0.6 billion in connection with the exchange of mobile spectrum with Verizon Communications had an offsetting effect on the carrying amount of intangible assets.

Property, plant and equipment increased by EUR 1.3 billion compared to December 31, 2013 to EUR 38.7 billion. Capital expenditure of EUR 5.4 billion in the Germany and United States operating segments and exchange rate effects of EUR 0.7 billion, in particular from the translation of U.S. dollars into euros, increased the carrying amount. The increase was also attributable to effects of changes in the composition of the Group of EUR 0.4 billion, mainly from the inclusion of the GTS Central Europe group (EUR 0.2 billion) and the first-time consolidation of four structured leasing SPEs (EUR 0.2 billion). This was offset by amortization of EUR 4.9 billion and disposals of EUR 0.2 billion.

The carrying amount of **investments accounted for using the equity method** increased by EUR 0.4 billion to EUR 6.6 billion in the first three quarters of 2014. On the one hand, the carrying amount for the investments decreased by EUR 0.3 billion as a result of dividend payments received from the EE joint venture; on the other, the recognition of the remaining stake in the Scout24 group as an investment accounted for using the equity method had an increasing effect of EUR 0.3 billion, as did exchange rate effects – mainly resulting from the translation of pounds sterling into euros – in the amount of EUR 0.4 billion.

Trade and other receivables increased by EUR 1.3 billion to EUR 9.1 billion, due in particular to customer growth and an increased percentage of terminal equipment sold under installment plans in our United States operating segment. This results from T-Mobile US' strategy to introduce new rate plans under which terminal equipment is no longer sold at a subsidized price, but on the basis of an installment plan, for example. By contrast, factoring agreements concluded in the reporting period concerning monthly revolving sales of current trade receivables decreased our trade receivables by EUR 0.4 billion.

As of September 30, 2014, **other assets** include the following significant effects: **Non-current assets and disposal groups held for sale** decreased by EUR 0.8 billion, mainly due to the consummation of the following two transactions: In the United States operating segment, the exchange of mobile licenses with Verizon Communications was concluded for EUR 0.6 billion. In the Group Headquarters & Group Services segment, the sale of the shares in the Scout24 group totaling EUR 0.3 billion was consummated. **Inventories** increased by EUR 0.2 billion due to increased stock levels of terminal equipment (in particular smartphones), primarily in our Germany and United States operating segments.

Our current and non-current **financial liabilities** increased by EUR 1.8 billion compared with the end of 2013 to EUR 53.4 billion in total. For the main effects on financial liabilities, please refer to net cash used in financing activities, page 47, in the interim consolidated financial statements.

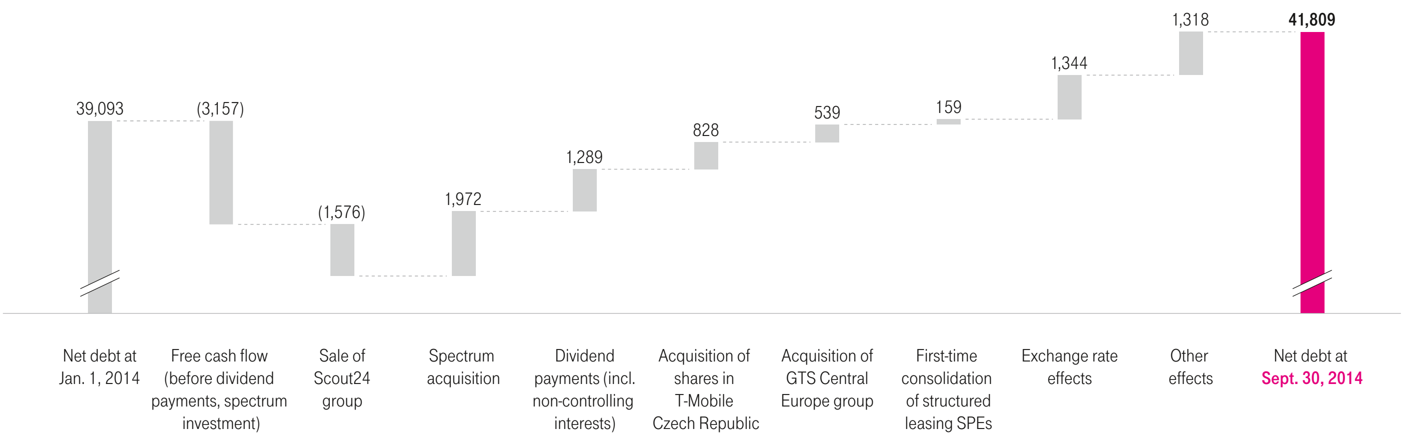
The EUR 1.1 billion increase in **provisions for pensions and other employee benefits** to EUR 8.1 billion was primarily attributable to actuarial losses recognized directly in equity as a result of the sustained decline in interest levels.

Deferred tax liabilities increased by EUR 0.6 billion to EUR 7.6 billion, especially due to exchange rate effects from the translation of U.S. dollars into euros.

Trade and other payables increased by EUR 0.8 billion compared with the end of 2013, due in part to the stockpiling of terminal equipment (in particular smartphones) and the network build-out in the United States operating segment.

Shareholders' equity increased by EUR 1.9 billion compared with December 31, 2013 to EUR 34.0 billion, due to profit of EUR 3.3 billion and currency translation effects recognized directly in equity of EUR 1.5 billion. In addition, in connection with the option granted to our shareholders to have their dividend entitlements converted into shares, a capital increase of EUR 1.0 billion was carried out involving the contribution of the dividend entitlements. Dividend payments for the 2013 financial year to Deutsche Telekom AG shareholders of EUR 2.2 billion and to non-controlling interests of EUR 0.1 billion had an offsetting effect. Furthermore, shareholders' equity was also reduced by the acquisition of the remaining shares in T-Mobile Czech Republic (EUR 0.8 billion), the recognition of actuarial losses (after taxes) (EUR 0.7 billion), and the recognition of hedging instruments directly in equity (EUR 0.1 billion).

Changes in net debt.
millions of €



Other effects of EUR 1.3 billion include, among other factors, financing options under which the payments for trade payables become due at a later point in time by involving banks in the process. These payables are now shown under financial liabilities in the statement of financial position. Other effects also include a payment as part of a wholesale transaction. For more information on net debt, please refer to the disclosures on the reconciliation of the pro forma figures in the section "Additional information," page 56 et seq.

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

	Q1 2014	Q2 2014	Q3 2014	Q3 2013	Change %	Q1–Q3 2014	Q1–Q3 2013	Change %	FY 2013
CASH GENERATED FROM OPERATIONS[a]	3,860	3,831	4,240	4,052	4.6 %	11,931	11,527	3.5 %	15,289
Interest received (paid)	(898)	(644)	(670)	(411)	(63.0) %	(2,212)	(1,715)	(29.0) %	(2,075)
NET CASH FROM OPERATING ACTIVITIES[a]	2,962	3,187	3,570	3,641	(2.0) %	9,719	9,812	(0.9) %	13,214
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment (CASH CAPEX)	(2,065)	(2,197)	(2,493)	(2,260)	(10.3) %	(6,755)	(6,415)	(5.3) %	(8,861)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	86	59	48	46	4.3 %	193	177	9.0 %	253
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)[a]	983	1,049	1,125	1,427	(21.2) %	3,157	3,574	(11.7) %	4,606

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

Free cash flow. Free cash flow in the Group before dividend payments and spectrum investment decreased by EUR 0.4 billion year-on-year. This was due to the year-on-year increase of EUR 0.3 billion in cash outflows for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment. Net cash from operating activities remained almost stable.

Net cash from operating activities included the following effects: dividend payments received from the EE joint venture that were EUR 0.1 billion higher than in the prior year, and factoring agreements concluded in the reporting period concerning monthly revolving sales of current trade receivables. This gave rise to a positive effect of EUR 0.4 billion compared with the prior-year period. Furthermore, the prior-year figure had included outflows for severance payments that were EUR 0.1 billion higher. Net cash from operating activities was reduced by EUR 0.5 billion higher net interest payments. The prior-year figure had also included proceeds from the conclusion and settlement of interest rate derivatives in the amount of EUR 0.2 billion.

For further information on the statement of cash flows, please refer to the interim consolidated financial statements, page 47.

COMPARISON OF THE PAST TWELVE MONTHS.

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

millions of €

		Oct. 1, 2013 through Sept. 30, 2014	FY 2013
REVENUE AND EARNINGS			
Net revenue		61,321	60,132
Profit from operations (EBIT)		6,093	4,930
Depreciation, amortization and impairment losses		(11,224)	(10,904)
EBITDA		17,317	15,834
EBITDA (adjusted for special factors)		17,185	17,424
Net profit (loss)		2,282	930
Net profit (loss) (adjusted for special factors)		2,378	2,755
Earnings per share basic/diluted	€	0.51	0.21
CASH FLOWS			
Net cash from operating activities[a]		13,121	13,214
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment (cash capex)		(9,201)	(8,861)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment		269	253
Free cash flow (before dividend payments and spectrum investment)[a]		4,189	4,606

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

Net revenue increased by EUR 1.2 billion. This was in particular attributable to the first-time inclusion of MetroPCS as of May 1, 2013 and the ongoing substantial revenue increase in the United States operating segment due to continued strong customer growth.

The increase of around EUR 1.2 billion in profit from operations (EBIT) mainly resulted from income from divestitures in connection with the disposal of the shares in the Scout24 group in February 2014 totaling EUR 1.7 billion as well as from income of some EUR 0.4 billion from a transaction consummated in April 2014 between T-Mobile US and Verizon Communications concerning the acquisition and exchange of A-Block spectrum. Expenses of around EUR 0.1 billion arising from the decommissioning of the MetroPCS CDMA network in our United States operating segment and the fine imposed as part of the European Commission proceedings against Slovak Telekom and Deutsche Telekom, by contrast, had a decreasing effect. These special factors were offset by an increase of around EUR 0.3 billion in depreciation, amortization and impairment losses, attributable to the inclusion of MetroPCS since May of last year as well as the roll-out of the LTE network as part of T-Mobile US' network modernization program.

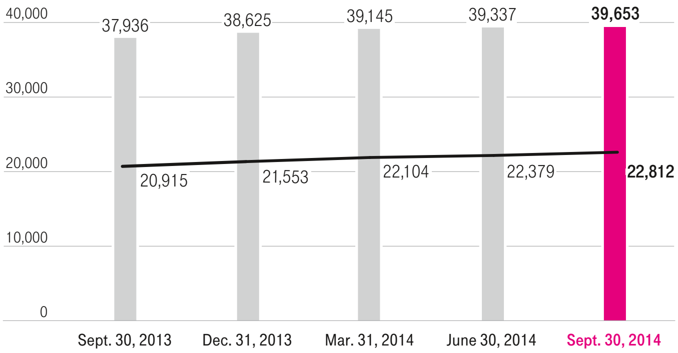
The aforementioned effects are also decisive for the changes in our other unadjusted financial figures.

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS.

GERMANY.

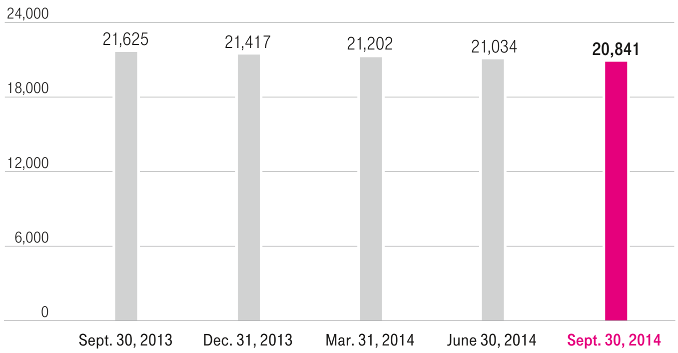
CUSTOMER DEVELOPMENT.

Mobile customers.
thousands

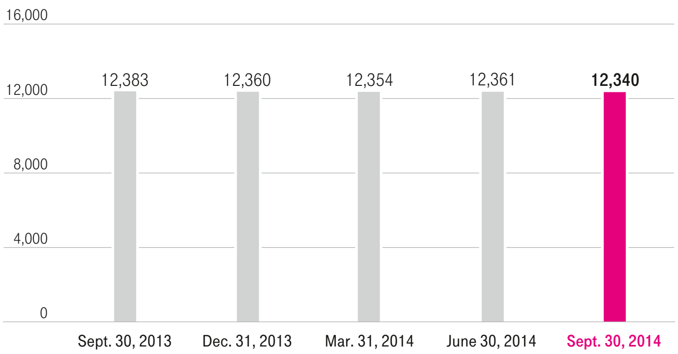


– Contract customers

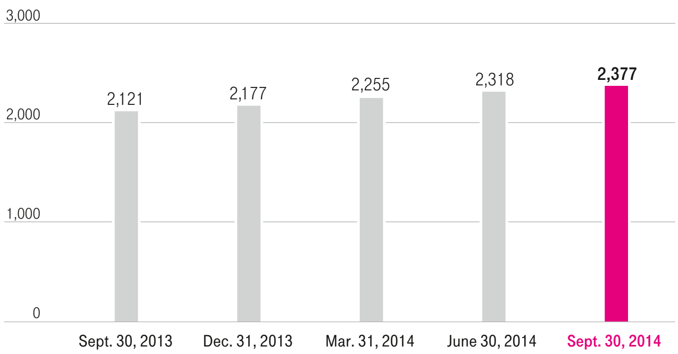
Fixed-network lines.
thousands



Broadband lines.
thousands



Television (IPTV, satellite).[a]
thousands



[a] Customers connected.

thousands

	Sept. 30, 2014	June 30, 2014	Change Sept. 30, 2014/ June 30, 2014 %	Dec. 31, 2013	Change Sept. 30, 2014/ Dec. 31, 2013 %	Sept. 30, 2013	Change Sept. 30, 2014/ Sept. 30, 2013 %
TOTAL							
Mobile customers	39,653	39,337	0.8 %	38,625	2.7 %	37,936	4.5 %
Contract customers	22,812	22,379	1.9 %	21,553	5.8 %	20,915	9.1 %
Prepay customers	16,841	16,957	(0.7) %	17,072	(1.4) %	17,021	(1.1) %
Fixed-network lines	20,841	21,034	(0.9) %	21,417	(2.7) %	21,625	(3.6) %
Of which: IP-based	3,744	3,167	18.2 %	2,141	74.9 %	1,774	n.a.
Broadband lines	12,340	12,361	(0.2) %	12,360	(0.2) %	12,383	(0.3) %
Of which: optical fiber	1,608	1,494	7.6 %	1,246	29.1 %	1,165	38.0 %
Television (IPTV, satellite)	2,377	2,318	2.5 %	2,177	9.2 %	2,121	12.1 %
Unbundled local loop lines (ULLs)	8,954	9,101	(1.6) %	9,257	(3.3) %	9,299	(3.7) %
Wholesale bundled lines	323	341	(5.3) %	390	(17.2) %	419	(22.9) %
Wholesale unbundled lines	1,971	1,812	8.8 %	1,564	26.0 %	1,495	31.8 %
Of which: optical fiber	586	475	23.4 %	274	n.a.	222	n.a.
OF WHICH: CONSUMERS							
Mobile customers	30,039	30,064	(0.1) %	29,943	0.3 %	29,623	1.4 %
Contract customers	16,651	16,316	2.1 %	15,669	6.3 %	15,159	9.8 %
Prepay customers	13,388	13,748	(2.6) %	14,275	(6.2) %	14,463	(7.4) %
Fixed-network lines	16,392	16,556	(1.0) %	16,923	(3.1) %	17,109	(4.2) %
Of which: IP-based	3,404	2,882	18.1 %	1,960	73.7 %	1,629	n.a.
Broadband lines	9,919	9,934	(0.2) %	9,963	(0.4) %	9,983	(0.6) %
Of which: optical fiber	1,376	1,275	7.9 %	1,064	29.3 %	994	38.4 %
Television (IPTV, satellite)	2,190	2,133	2.7 %	2,001	9.4 %	1,948	12.4 %
OF WHICH: BUSINESS CUSTOMERS							
Mobile customers	9,614	9,273	3.7 %	8,682	10.7 %	8,314	15.6 %
Contract customers	6,161	6,064	1.6 %	5,885	4.7 %	5,755	7.1 %
Prepay customers (M2M)	3,453	3,209	7.6 %	2,797	23.5 %	2,558	35.0 %
Fixed-network lines	3,419	3,442	(0.7) %	3,445	(0.8) %	3,465	(1.3) %
Of which: IP-based	319	268	19.0 %	164	94.5 %	128	n.a.
Broadband lines	2,097	2,102	(0.2) %	2,072	1.2 %	2,074	1.1 %
Of which: optical fiber	229	215	6.5 %	180	27.2 %	169	35.5 %
Television (IPTV, satellite)	185	184	0.5 %	174	6.3 %	172	7.6 %

Total.
We have maintained our lead in the fixed network and aim to be the number one provider in terms of mobile service revenues. Our goal is to be the leading integrated telecommunications provider in Germany. We have been marketing MagentaEINS, our first integrated product comprising fixed-network and mobile components, since September 2014, when we also successfully launched our new MagentaMobil rate plans.

With our "network of the future," we provide state-of-the-art connection technology. We plan to convert our network to IP technology by 2018. In the first three quarters of 2014 alone, we migrated 1,603 thousand customers to IP-based lines, bringing the total number of migrations up to 3.7 million retail customers.

In the highly competitive mobile market, we won an additional 1,259 thousand contract customers in the first three quarters of 2014. 637 thousand of these were attributable to Deutsche Telekom's branded business under the Telekom and "congstar" brands. The prepay customer base decreased by 231 thousand, mainly due to the migration of customers to low-cost contract offers.

We continued to record strong demand for our fiber-optic products. The number of these lines rose by 674 thousand in the first three quarters of 2014 to a total of 2,194 thousand. With the progress in fiber-optic roll-out and our innovative vectoring technology, we will drive forward the marketing of substantially higher bandwidths. In the vectoring regions approved by the Federal Network Agency, customers have been able to surf the Internet with download speeds of up to 100 Mbit/s and with upload speeds of up to 40 Mbit/s since September 2014.

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

Our partnerships in the housing sector also proved successful: By the end of the third quarter of 2014, we had connected around 86 thousand apartments to our network.

Mobile communications.

Mobile telephony and data services. Our excellent network quality and the new product portfolio for high-value contract customers and new customers provide fresh impetus, which resulted in a total of 1,028 thousand mobile customer additions. The decline in the number of prepay customers was more than offset by strong growth in the number of contract customers. A total of 273 thousand customers use a mobile broadband connection. The Business Customers area and our second brand "congstar" developed particularly positive.

The proportion of smartphones, especially Android and iOS handsets (iPhones), totaled 70.7 percent. The trend towards integrated flat rates with increased data speeds continues.

Fixed network.

Telephony, Internet, and television. The development of the fixed-network market remains challenging, mainly due to aggressively priced competitor offers. For this reason, our marketing activities are now focused on regional offers, in particular for TV and VDSL lines. Hence, the number of broadband lines remained almost stable in the third quarter of 2014 at 12.3 million. In total, 19.3 percent of our broadband customers are TV customers, up 1.7 percentage points against the end of 2013. In the traditional fixed network, the number of lines decreased by 576 thousand compared with the end of 2013. In the last two quarters of 2014, line losses per quarter have fallen below the 200 thousand mark for the first time in ten years.

Consumers.

Connected life across all screens. The number of mobile customers increased by 0.3 percent in the first three quarters of 2014 compared with the end of 2013. We won another 982 thousand contract customers, mainly from the reseller customer segment and under our second brand "congstar." The number of prepay customers decreased by 887 thousand in the reporting period, in particular in the reseller segment (service providers) and due to the switching to attractive contract rate plans.

In the fixed network, we migrated 1,444 thousand customers to IP-based retail lines and won another 189 thousand TV customers in the first three quarters of 2014. Of the 9.9 million broadband lines, around 1.4 million customers use a fiber-optic line – 312 thousand of which were added in the first nine months of 2014. The line losses in the fixed network totaled 531 thousand, i.e., significantly less than the 680 thousand recorded in the first three quarters of 2013, with customers switching primarily to cable operators and regional providers.

Business Customers.

Connected work with innovative solutions. We were particularly successful in mobile communications in the first three quarters of 2014 – with 276 thousand new contract customers – as well as in the machine-to-machine segment – with an increase of 656 thousand cards. The growth in the machine-to-machine segment mainly resulted from the increased use of SIM cards in the automotive and logistics industries. In mobile Internet, customers are increasingly opting for plans with higher bandwidths, in conjunction with higher-quality terminal equipment. The number of fixed-network lines remained stable compared with the end of 2013 at 3.4 million. At 2.1 million, broadband lines remained at the same level as at the end of 2013, with the number of fiber-optic customers increasing by 27.2 percent.

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

Wholesale.

The accelerated growth in our unbundled wholesale lines of 407 thousand or 26.0 percent in the first three quarters of 2014 was driven mainly by the high demand in connection with the "contingent model." However, the number of bundled wholesale lines declined by 67 thousand. We expect this trend to continue for the next few years due to the fact that our competitors are switching from bundled to unbundled wholesale products with more bandwidth or to their own infrastructure. The number of unbundled local loop lines (ULLs) decreased by 303 thousand or 3.3 percent compared with year-end 2013. This is attributable both to the trend towards higher-quality VDSL wholesale lines and to market influences, since competitors are migrating their customers to mobile lines and customers are switching to cable companies.

DEVELOPMENT OF OPERATIONS.

millions of €

		Q1 2014	Q2 2014	Q3 2014	Q3 2013	Change %	Q1–Q3 2014	Q1–Q3 2013	Change %	FY 2013
TOTAL REVENUE		5,483	5,464	5,587	5,670	(1.5)%	16,534	16,801	(1.6)%	22,435
Consumers		2,928	2,918	3,029	3,086	(1.8)%	8,875	9,099	(2.5)%	12,122
Business Customers		1,404	1,418	1,430	1,431	(0.1)%	4,252	4,236	0.4%	5,676
Wholesale		952	942	934	959	(2.6)%	2,828	2,840	(0.4)%	3,811
Value-Added Services		63	57	59	71	(16.9)%	179	224	(20.1)%	288
Other		136	129	135	123	9.8%	400	402	(0.5)%	538
Profit from operations (EBIT)		1,249	1,239	1,279	1,279	0.0%	3,767	3,614	4.2%	4,435
EBIT margin	%	22.8	22.7	22.9	22.6		22.8	21.5		19.8
Depreciation, amortization and impairment losses		(956)	(978)	(957)	(989)	3.2%	(2,891)	(2,933)	1.4%	(3,966)
EBITDA		2,205	2,217	2,236	2,268	(1.4)%	6,658	6,547	1.7%	8,401
Special factors affecting EBITDA		(25)	(39)	(88)	(107)	17.8%	(152)	(362)	58.0%	(535)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		2,230	2,256	2,324	2,375	(2.1)%	6,810	6,909	(1.4)%	8,936
EBITDA margin (adjusted for special factors)	%	40.7	41.3	41.6	41.9		41.2	41.0		39.7
CASH CAPEX		(705)	(1,018)	(1,009)	(892)	(13.1)%	(2,732)	(2,130)	(28.3)%	(3,411)

Total revenue.
Revenue decreased by 1.6 percent year-on-year in the first three quarters of 2014. This was precipitated by the 2.6-percent decline in revenue in the traditional fixed-network business. The marketing of our TV lines and higher revenue from sales of media receivers and routers had a positive effect on fixed-network business, but were unable to compensate for the decline in revenue from broadband business and traditional fixed-network telephony. Despite high competitive pressure, mobile revenue remained stable. The encouraging development in the business customer segment and our second brand "congstar" almost offset the decline in revenue from our first brand and from resellers.

Revenue from Consumers decreased by 2.5 percent, mainly due to a volume- and price-related downturn in the fixed network. Mobile revenues declined by 1.6 percent. While mobile service revenues decreased by 1.8 percent owing to a decline in voice telephony and lower revenues from text messages, especially in the prepay segment, we recorded a substantial 26.5-percent increase in data revenues. Revenue from mobile handsets remained stable, due in particular to increased smartphone sales in the third quarter of 2014.

Revenue from Business Customers increased by 0.4 percent. This positive trend primarily resulted from growth in mobile service revenues, especially in data revenue. The decline in revenue from traditional voice telephony had an offsetting effect.

Wholesale revenue remained almost at the prior-year level, declining 0.4 percent, with retroactive price reductions for unbundled local loop lines having an extraordinary effect in the second quarter of the prior year. Excluding this effect, Wholesale revenue declined slightly by 2.0 percent. This decrease is primarily due to volume reductions regarding interconnection calls and lines, which were partially offset by the positive trend in unbundled lines, mainly as a result of the contingent model.

The decrease in revenue from Value-Added Services of 20.1 percent mainly resulted from weaker use of premium rate call numbers and the decline in revenue attributable to the exit from the digital out-of-home advertising business at the end of 2013.

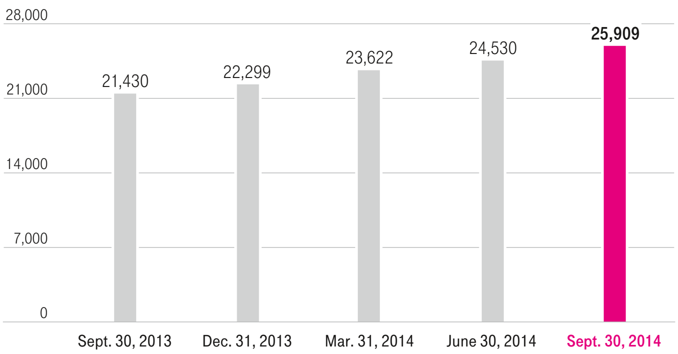
EBITDA, adjusted EBITDA.
EBITDA adjusted for special factors decreased slightly by 1.4 percent year-on-year to EUR 6.8 billion, primarily as a result of higher personnel costs due to collectively agreed pay increases and staff increases for our integrated network build-out. Higher market investments in mobile communications in the third quarter of 2014 – driven among other things by the intensified marketing of smartphones – also had an adverse effect on adjusted EBITDA. With an adjusted EBITDA margin of 41.2 percent, we are above our target level of 40 percent. EBITDA in the first three quarters of 2014 amounted to EUR 6.7 billion, an increase of 1.7 percent on the prior-year period, due in particular to higher special factors for expenses in connection with our staff restructuring in the previous year.

EBIT.
Profit from operations in our Germany operating segment increased by 4.2 percent year-on-year to EUR 3.8 billion. This was primarily attributable to lower special factors in the first three quarters of 2014 compared with the prior-year period.

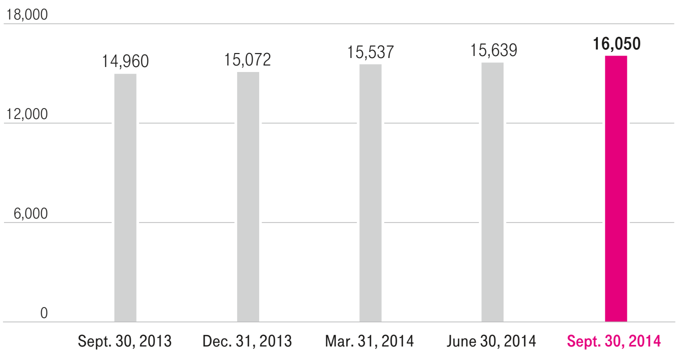
Cash capex.
Cash capex increased by EUR 602 million in the first three quarters of 2014 compared with the prior-year period. During the first nine months of 2014, we increased our investments in the fiber-optic cable roll-out, our IP transformation, and our LTE infrastructure as part of our integrated network strategy.

UNITED STATES.
CUSTOMER DEVELOPMENT.

Branded postpaid customers.
thousands



Branded prepay customers.
thousands



thousands

	Sept. 30, 2014	June 30, 2014	Change Sept. 30, 2014/ June 30, 2014 %	Dec. 31, 2013	Change Sept. 30, 2014/ Dec. 31, 2013 %	Sept. 30, 2013	Change Sept. 30, 2014/ Sept. 30, 2013 %
UNITED STATES							
Mobile customers	52,890	50,545	4.6 %	46,684	13.3 %	45,039	17.4 %
Branded customers	41,959	40,169	4.5 %	37,371	12.3 %	36,390	15.3 %
Branded postpaid	25,909	24,530	5.6 %	22,299	16.2 %	21,430	20.9 %
Branded prepay	16,050	15,639	2.6 %	15,072	6.5 %	14,960	7.3 %
Wholesale customers	10,931	10,376	5.3 %	9,313	17.4 %	8,649	26.4 %
M2M	4,269	4,047	5.5 %	3,602	18.5 %	3,430	24.5 %
MVNOs	6,662	6,329	5.3 %	5,711	16.7 %	5,219	27.6 %

At September 30, 2014, the United States operating segment (T-Mobile US) had 52.9 million customers compared to 46.7 million customers at December 31, 2013. This increase in net customers of 6.2 million in the first nine months of 2014 was an improvement compared to a net increase of 2.8 million in the first nine months of 2013. In the first nine months of 2014, the increase in net customers was the result of growth in all customer categories, as described below.

Branded customers. Branded postpaid net customer additions improved to 3,610 thousand for the nine months ended September 30, 2014, compared to 1,137 thousand for the nine months ended September 30, 2013. The significant improvement in customer development was attributable to increased new customer activations and improved branded postpaid churn. Growth in branded postpaid gross customer additions resulted primarily from strong customer response to the company's Un-carrier value proposition and promotions for services and devices, including the "4 line for $100" offer. Additionally, positive customer response to mobile broadband offers contributed to the increase in branded postpaid net customer additions.

Branded prepay net customer additions were 978 thousand for the nine months ended September 30, 2014, compared to 216 thousand for the nine months ended September 30, 2013. The improvement was attributable to higher branded prepaid gross customer additions primarily due to the MetroPCS business combination and subsequent expansion of the MetroPCS brand into new markets.

Wholesale customers. Wholesale net customer additions were 1,618 thousand for the nine months ended September 30, 2014, compared to wholesale net customer additions of 1,379 thousand for the nine months ended September 30, 2013. The increase in wholesale net customer additions was primarily attributable to growth in monthly plans offered by the company's MVNO partners. Both MVNO and M2M customers continued to grow in the nine months ended September 30, 2014.

DEVELOPMENT OF OPERATIONS.

millions of €

		Q1 2014	Q2 2014	Q3 2014	Q3 2013	Change %	Q1–Q3 2014	Q1–Q3 2013	Change %	FY 2013
TOTAL REVENUE		5,074	5,270	5,554	5,108	8.7 %	15,898	13,474	18.0 %	18,556
Profit from operations (EBIT)		154	707	123	412	(70.1) %	984	1,225	(19.7) %	1,404
EBIT margin	%	3.0	13.4	2.2	8.1		6.2	9.1		7.6
Depreciation, amortization and impairment losses		(641)	(704)	(746)	(607)	(22.9) %	(2,091)	(1,532)	(36.5) %	(2,238)
EBITDA		795	1,411	869	1,019	(14.7) %	3,075	2,757	11.5 %	3,642
Special factors affecting EBITDA		(49)	328	(145)	(63)	n.a.	134	(143)	n.a.	(232)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		844	1,083	1,014	1,082	(6.3) %	2,941	2,900	1.4 %	3,874
EBITDA margin (adjusted for special factors)	%	16.6	20.6	18.3	21.2		18.5	21.5		20.9
CASH CAPEX		(690)	(2,397)	(870)	(767)	(13.4) %	(3,957)	(2,423)	(63.3) %	(3,279)

Total revenue.
Total revenue for our United States operating segment of EUR 15.9 billion in the first nine months of 2014 increased by 18.0 percent compared to EUR 13.5 billion in the first nine months of 2013. In U.S. dollars, T-Mobile US total revenues increased by 21.4 percent year-on-year due primarily to the inclusion of MetroPCS results since May 2013. Excluding MetroPCS operating results, service revenues increased due primarily to an increase in the average number of branded postpaid customers driven by strong response to the company's Un-carrier value proposition and promotions for services and devices. This was partially offset by decreased average revenue per branded postpaid customer as a result of growth in Simple Choice plans, which have lower priced rate plans than other branded postpaid rate plans. In addition, equipment sales increased, including those sold on installment plans, driven by significant growth in the number of devices sold due to higher customer additions and higher handset upgrade volumes.

EBITDA, adjusted EBITDA, adjusted EBITDA margin.
Adjusted EBITDA was slightly above the prior-year level of EUR 2.9 billion. In U.S. dollars, adjusted EBITDA increased by 4.4 percent, including the positive impact from inclusion of MetroPCS activity since May 2013. Adjusted EBITDA was impacted by increased branded postpaid revenues resulting from growth in the branded postpaid customer base due to positive response to the company's Un-carrier value proposition. These increases were partially offset by higher promotional costs, increased commission expense on higher gross customer additions, and an increase in loss on equipment sales due to higher volumes of smartphone sales. Adjusted EBITDA in the first nine months of 2014 excludes EUR 0.1 billion primarily associated with EUR 0.4 billion in gains on spectrum license transactions with Verizon Communications partially offset by EUR 0.1 billion of stock-based compensation costs and EUR 0.2 billion of MetroPCS business combination costs, including EUR 0.1 billion relating to the decommissioning of the MetroPCS CDMA network. The adjusted EBITDA margin decreased year-on-year due to the factors described above, as increases in revenues outpaced adjusted EBITDA growth for the first nine months of 2014.

EBIT.
EBIT decreased by 19.7 percent to EUR 984 million in the first nine months of 2014 from EUR 1.2 billion in the first nine months of 2013 driven by higher depreciation expense due to the inclusion of MetroPCS operating results since May 2013 and the deployment of LTE network assets, related to the network modernization program. These costs were partially offset by slightly higher adjusted EBITDA and the recognition of gains on spectrum license transactions recorded in the first nine months of 2014.

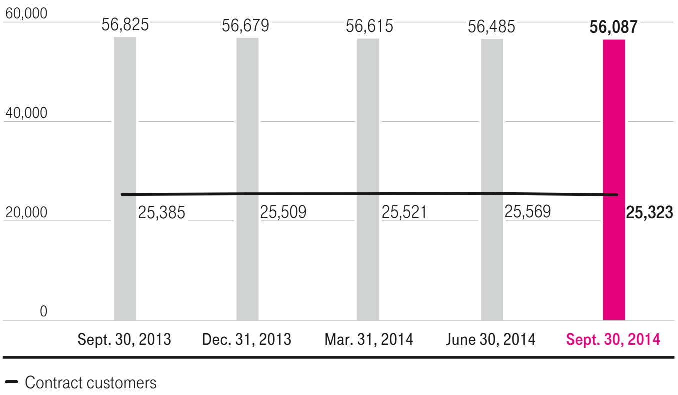
Cash capex.
Cash capex increased 63.3 percent year-on-year to EUR 4.0 billion in the first nine months of 2014 compared to EUR 2.4 billion in the first nine months of 2013 due to the purchase of 0.7 GHz A-Block spectrum licenses totaling EUR 1.7 billion.

EUROPE.

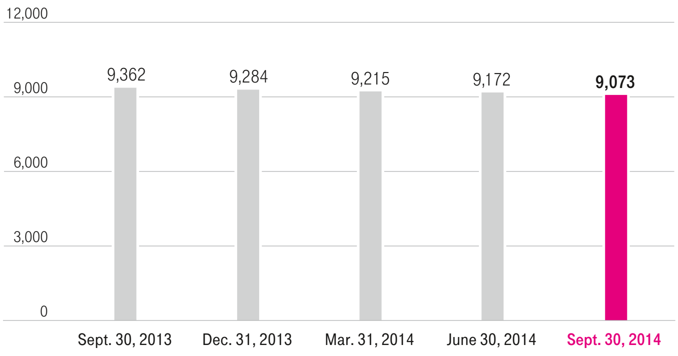
The ICSS/GNF business of the local business units (LBUs), which had previously been organizationally assigned to the Systems Solutions operating segment, was brought together as of January 1, 2014 and is now reported under the Europe operating segment. Furthermore, as of January 1, 2014, the local business customer units of T-Systems Czech Republic, which had previously been managed under the Systems Solutions operating segment, were merged with T-Mobile Czech Republic; they are reported in the Europe operating segment. Comparative figures have been adjusted retrospectively. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, page 48.

CUSTOMER DEVELOPMENT.

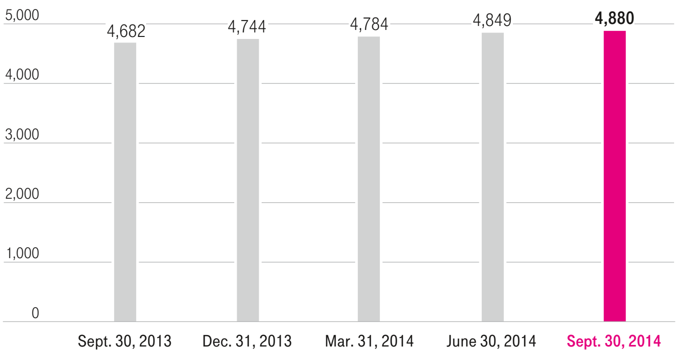
Mobile customers.
thousands



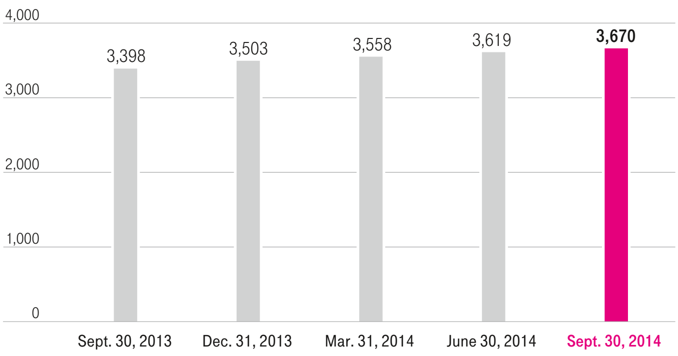
Fixed-network lines.[a]
thousands



Retail broadband lines.[a]
thousands



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



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

thousands

		Sept. 30, 2014	June 30, 2014	Change Sept. 30, 2014/ June 30, 2014 %	Dec. 31, 2013	Change Sept. 30, 2014/ Dec. 31, 2013 %	Sept. 30, 2013	Change Sept. 30, 2014/ Sept. 30, 2013 %
EUROPE, TOTAL[a]	Mobile customers	56,087	56,485	(0.7)%	56,679	(1.0)%	56,825	(1.3)%
	Fixed-network lines	9,073	9,172	(1.1)%	9,284	(2.3)%	9,362	(3.1)%
	Of which: IP-based	3,169	2,934	8.0%	2,472	28.2%	2,258	40.3%
	Retail broadband lines	4,880	4,849	0.6%	4,744	2.9%	4,682	4.2%
	Television (IPTV, satellite, cable)	3,670	3,619	1.4%	3,503	4.8%	3,398	8.0%
	Unbundled local loop lines (ULLs)/wholesale PSTN	2,323	2,328	(0.2)%	2,230	4.2%	2,211	5.1%
	Wholesale bundled lines	154	156	(1.3)%	150	2.7%	152	1.3%
	Wholesale unbundled lines	136	127	7.1%	101	34.7%	91	49.5%
GREECE	Mobile customers	7,336	7,398	(0.8)%	7,477	(1.9)%	7,550	(2.8)%
	Fixed-network lines	2,645	2,675	(1.1)%	2,746	(3.7)%	2,794	(5.3)%
	Broadband lines	1,357	1,333	1.8%	1,286	5.5%	1,270	6.9%
ROMANIA	Mobile customers	5,945	6,046	(1.7)%	6,153	(3.4)%	6,125	(2.9)%
	Fixed-network lines	2,272	2,308	(1.6)%	2,369	(4.1)%	2,385	(4.7)%
	Broadband lines	1,196	1,200	(0.3)%	1,193	0.3%	1,175	1.8%
HUNGARY	Mobile customers	4,933	4,898	0.7%	4,887	0.9%	4,853	1.6%
	Fixed-network lines	1,611	1,611	–	1,596	0.9%	1,597	0.9%
	Broadband lines	953	944	1.0%	922	3.4%	906	5.2%
POLAND	Mobile customers	15,728	15,675	0.3%	15,563	1.1%	15,667	0.4%
CZECH REPUBLIC	Mobile customers	5,993	5,946	0.8%	5,831	2.8%	5,733	4.5%
	Fixed-network lines	132	130	1.5%	129	2.3%	127	3.9%
	Broadband lines	132	132	–	129	2.3%	127	3.9%
CROATIA	Mobile customers	2,332	2,308	1.0%	2,303	1.3%	2,392	(2.5)%
	Fixed-network lines	1,094	1,114	(1.8)%	1,133	(3.4)%	1,156	(5.4)%
	Broadband lines	683	680	0.4%	670	1.9%	667	2.4%
NETHERLANDS	Mobile customers	3,964	4,277	(7.3)%	4,441	(10.7)%	4,534	(12.6)%
SLOVAKIA	Mobile customers	2,228	2,237	(0.4)%	2,262	(1.5)%	2,263	(1.5)%
	Fixed-network lines	898	908	(1.1)%	922	(2.6)%	919	(2.3)%
	Broadband lines	546	540	1.1%	521	4.8%	511	6.8%
AUSTRIA	Mobile customers	4,022	4,118	(2.3)%	4,091	(1.7)%	4,044	(0.5)%
OTHER[b]	Mobile customers	3,604	3,582	0.6%	3,671	(1.8)%	3,663	(1.6)%
	Fixed-network lines	421	425	(0.9)%	390	7.9%	385	9.4%
	Broadband lines	303	302	0.3%	274	10.6%	269	12.6%

[a] The fixed-network lines of our subsidiary Euronet Communications in the Netherlands have no longer been included in the Europe operating segment since January 2, 2014 following the sale of the shares held in the company. They have been eliminated from all historical customer figures to improve comparability.
[b] Other: national companies of Albania, the F.Y.R.O. Macedonia, and Montenegro, as well as the lines of the GTS Central Europe group (since May 30, 2014).

Total.

As of September 30, 2014, there was a varied picture in the development in customer numbers in the markets of our Europe operating segment compared with the end of the prior year. Our telecommunications markets continued to come under pressure from ongoing intense competition; slight improvements in the economic situation in some countries of our operating segment had a positive impact. The number of mobile customers declined slightly compared with December 31, 2013. In broadband business, the positive trends of the previous quarters continued, in particular as a result of our strategy of continuously driving forward the roll-out of broadband technology. The number of retail broadband lines increased by 2.9 percent compared with the end of 2013. Products based on fiber-optic technology in particular are becoming increasingly popular with our customers. TV business also profited from this trend, growing 4.8 percent compared with December 31, 2013. The number of IP lines grew substantially by 28.2 percent compared with the end of 2013, mainly due to the successful migration of traditional PSTN lines to IP technology in many countries of our Europe operating segment and due to the inclusion of the GTS Central Europe group since May 30, 2014.

Mobile communications.

Mobile telephony and data services. As of September 30, 2014, we had some 56.1 million mobile customers in total, a slight decline of 1.0 percent compared with December 31, 2013. This is mainly attributable to the disposal of the Simpel brand and the customer relationships managed thereunder by our subsidiary in the Netherlands. Excluding this effect, the number of contract customers at segment level was up slightly against the end of the prior year. Although the number of competitors we face on the European markets is constantly growing, we can set ourselves apart from the competition as a quality provider and, in many countries, also as the provider with the best mobile network. As part of our network strategy, we promise our customers an even faster broadband connection via mobile communications and systematically upgrade our networks with the 4G/LTE technology. And we are succeeding. Our LTE footprint now includes every mobile market in the countries of our operating segment except for Albania. The speed of our networks combined with the innovative bundled product offerings increased sales of mobile terminal equipment, especially smartphones and tablets. In view of the Business Customer area, our mobile networks constitute an identifiable competitive advantage. This is particularly clear in contract customer business: With some 25.3 million customers in total as of September 30, 2014, business customers accounted for 32 percent of the total contract customer base. The increase in the number of business customers as a proportion of the contract customer base compared with the end of the prior year more than offset the slight decline – excluding customers managed under the Simpel brand in prior years – in consumer numbers. Most countries of our operating segment made a positive contribution to this growth, especially the Czech Republic and Hungary.

As of the end of the third quarter of 2014, the number of prepay customers decreased compared with the end of 2013. This was due in part to intense competition on the mobile markets of our European countries, and in part to the implementation of our long-term strategy of focusing on high-value contract customers.

Fixed network.

Telephony, Internet, and television. Our TV business has established itself over the last few quarters as a consistent growth driver in our Europe operating segment. As of September 30, 2014, the total TV customer base grew by 4.8 percent to 3.7 million. The majority of the 167 thousand net additions in total were satellite TV customers, especially in Greece, and IPTV customers, especially in Hungary and Slovakia.

There was also an encouraging trend in the number of IP-based lines, which grew significantly by 28.2 percent compared with December 31, 2013 to around 3.2 million; compared with the first nine months of the prior year, the figure increased by as much as 40 percent. This growth was largely attributable to the successful migration to IP technology in our integrated countries, i.e., those countries where we offer both mobile and fixed-network services. Following the F.Y.R.O. Macedonia, Slovakia will now be the second country in the Group to complete the migration by the end of this year. But we are also well on course in Croatia and Hungary. As of September 30, 2014, IP-based lines accounted for 34.9 percent of all lines overall. The inclusion of the GTS Central Europe group made a positive contribution to this trend. Around 9.1 million customers in our Europe operating segment used a fixed-network line as of September 30, 2014. The decline of 2.3 percent against the end of 2013 was primarily attributable to line losses in traditional telephony (PSTN).

The number of retail broadband lines increased by 2.9 percent compared with December 31, 2013 to around 4.9 million and by as much as 4.2 percent compared with the first nine months of the prior year. This growth was primarily driven by innovative rate plans that bundle television with Internet services. The increase compared with the end of the prior year is mainly attributable to DSL business, in particular in Greece. The forward-looking VDSL technology enjoyed particularly dynamic growth here. Other access technologies, such as broadband cable lines in Hungary or FTTH lines in Romania, also recorded steady growth rates. To some extent, the inclusion of the GTS Central Europe group also contributed to this growth.

DEVELOPMENT OF OPERATIONS.

millions of €

		Q1 2014	Q2 2014	Q3 2014	Q3 2013	Change %	Q1–Q3 2014	Q1–Q3 2013	Change %	FY 2013
TOTAL REVENUE		3,125	3,163	3,317	3,440	(3.6)%	9,605	10,218	(6.0)%	13,704
Greece		691	697	727	771	(5.7)%	2,115	2,228	(5.1)%	2,988
Romania		261	242	247	254	(2.8)%	750	745	0.7%	1,017
Hungary		366	362	370	377	(1.9)%	1,098	1,156	(5.0)%	1,563
Poland		350	365	388	392	(1.0)%	1,103	1,184	(6.8)%	1,584
Czech Republic		214	217	211	242	(12.8)%	642	729	(11.9)%	973
Croatia		210	221	243	237	2.5%	674	695	(3.0)%	929
Netherlands		393	379	376	412	(8.7)%	1,148	1,211	(5.2)%	1,666
Slovakia		197	192	195	200	(2.5)%	584	592	(1.4)%	828
Austria		192	201	210	225	(6.7)%	603	625	(3.5)%	828
Other [a]		301	336	413	386	7.0%	1,050	1,220	(13.9)%	1,548
Profit from operations (EBIT)		401	416	497	620	(19.8)%	1,314	1,488	(11.7)%	972
EBIT margin	%	12.8	13.2	15.0	18.0		13.7	14.6		7.1
Depreciation, amortization and impairment losses		(611)	(658)	(645)	(651)	0.9%	(1,914)	(2,038)	6.1%	(3,399)
EBITDA		1,012	1,074	1,142	1,271	(10.1)%	3,228	3,526	(8.5)%	4,371
Special factors affecting EBITDA		(15)	(24)	(42)	102	n.a.	(81)	143	n.a.	(179)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		1,027	1,098	1,184	1,169	1.3%	3,309	3,383	(2.2)%	4,550
Greece		260	282	303	301	0.7%	845	865	(2.3)%	1,165
Romania		66	70	60	69	(13.0)%	196	197	(0.5)%	283
Hungary		94	123	129	124	4.0%	346	336	3.0%	438
Poland		134	141	149	145	2.8%	424	432	(1.9)%	599
Czech Republic		92	91	93	102	(8.8)%	276	322	(14.3)%	425
Croatia		82	86	101	105	(3.8)%	269	292	(7.9)%	404
Netherlands		148	150	161	116	38.8%	459	338	35.8%	495
Slovakia		78	76	80	87	(8.0)%	234	249	(6.0)%	337
Austria		44	60	67	62	8.1%	171	157	8.9%	192
Other [a]		32	16	41	58	(29.3)%	89	198	(55.1)%	216
EBITDA margin (adjusted for special factors)	%	32.9	34.7	35.7	34.0		34.5	33.1		33.2
CASH CAPEX		(585)	(422)	(457)	(500)	8.6%	(1,464)	(2,406)	39.2%	(3,661)

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

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

Total revenue.
Our Europe operating segment generated total revenue of EUR 9.6 billion in the first nine months of 2014, a year-on-year decrease of 6.0 percent. At an operational level excluding consolidation and exchange rate effects, segment revenue decreased by 3.8 percent. In addition to disposals in the previous year, for example, of Hellas Sat or our subsidiaries in Bulgaria, and the resulting lost contributions to revenue, we sold our shares in Euronet Communications in the Netherlands on January 2, 2014. Furthermore, revenue was impacted by negative exchange rate effects compared with the euro, especially the Hungarian forint and the Czech koruna. The inclusion of DIGI Slovakia from September 1, 2013 and the GTS Central Europe group from May 30, 2014 had a positive effect on revenue development.

In operational terms, decisions by regulatory authorities continued to have a substantial negative impact on our segment revenue: Reduced mobile termination rates and roaming regulations in almost all countries of our Europe operating segment were responsible for significantly more than half of the decline in our revenue from operations. In addition, competition-induced price reductions in mobile and fixed-network communications continued to have a negative effect on our revenue in the first nine months of 2014, although a few markets began to show initial signs of recovery.

Considering segment revenue by country, business in Greece was hit hardest by revenue declines in absolute terms in the first nine months of 2014, followed by Poland and the Czech Republic. These countries sustained regulation- as well as market-induced revenue losses. At segment level, revenue from consumer business decreased more than business with business customers. Wholesale business overall also recorded a decline. However, we generated positive revenue contributions at segment level in Romania, in particular thanks to higher revenues in B2B/ICT and wholesale business, thus clearly offsetting decreases in voice telephony.

Due to the consistent focus on the growth areas in the countries of our Europe operating segment, we partially offset the negative revenue effects from voice telephony at segment level. As of the end of the first nine months of 2014, the growth areas already accounted for a quarter of segment revenue. The biggest driver in this regard was mobile data business: Revenue grew by 15 percent overall or EUR 151 million (excluding consolidation and exchange rate effects) compared with the first nine months of the prior year, with all countries of our operating segment contributing, in particular the Netherlands, the Czech Republic, Austria, and Hungary. The majority of revenue from mobile data business was attributable to consumers. Thanks to attractive rate plans combined with our broad portfolio of terminal equipment, such as smartphones and tablets, usage of data services increased substantially. In TV business, the positive trend of the past few quarters continued: TV revenue increased by 30 percent in the first nine months of 2014, excluding the acquisition of DIGI Slovakia by 25 percent, in particular in Greece and Croatia. Thanks to the expansion of our product and service portfolio and the acquisition of the GTS Central Europe group, our revenue from B2B/ICT business customers also increased compared with the prior-year period, with Slovakia, Greece, Romania, and Croatia making the largest contribution. In addition to the growth areas, there was also a positive trend in revenue from terminal equipment sales compared with the prior-year period. This revenue increase is due in part to the fact that some countries of our Europe operating segment have introduced an alternative model to the conventional bundled rate plans. In contrast to these bundled rate plans, which include a discounted terminal device but higher service charges, the alternative model is distinctive in that the customer concludes separate contracts for the service and the device. The customer pays a regular monthly service charge and in addition, a monthly charge for the chosen device. This makes the device affordable for the customer even without subsidies.

EBITDA, adjusted EBITDA.
Our Europe operating segment generated adjusted EBITDA of EUR 3.3 billion in the first nine months of 2014, a year-on-year decrease of 2.2 percent. Excluding consolidation effects and the negative exchange rate effects against the euro, adjusted EBITDA even increased by 0.5 percent compared with the prior-year level. Increased adjusted EBITDA contributions in the Netherlands, Hungary, and Austria, as well as in the fixed-network business in Greece and Romania had a substantial positive effect on the adjusted EBITDA trend. These positive effects were offset by decreases, primarily in the mobile business in Greece and the business in the Czech Republic, Croatia, and Slovakia. ICSS also recorded a revenue-induced decline.

The overall decrease in revenue from operations at segment level had a negative impact on the development of adjusted EBITDA compared with the prior-year period. Changes in legislation, taxes and duties, and national austerity programs put additional pressure on the development of earnings. By systematically reducing indirect costs through our efficiency enhancement measures, we offset the negative effect from the decline in revenue. Lower personnel costs in the Greek fixed-network business in particular made a positive contribution. Earnings also benefited from the revenue contribution from the alternative model for terminal equipment. In addition, our direct costs decreased overall thanks to targeted measures for customer retention and acquisition on the one hand, and as a result of a regulation-induced reduction in interconnection costs on the other. In addition to the aforementioned reasons, the decline in EBITDA is also attributable to the deconsolidation gains recorded in the prior year from the sale of our Bulgarian mobile companies as well as Hellas Sat, which were recognized as special factors. In the current period, the fine imposed as part of the European Commission proceedings against Slovak Telekom and Deutsche Telekom had an adverse effect on EBITDA.

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

Greece (senior leader). Revenue generated in Greece totaled EUR 2.1 billion in the first nine months of 2014, a year-on-year decline of 5.1 percent. Adjusted for the revenue lost since April 1, 2013 in connection with the sale of Hellas Sat, revenue decreased by 4.8 percent. The remaining operational decline was largely attributable to the mobile business. Mobile voice revenues remained under pressure due in part to the growing attractiveness of flat rates and the associated lower pricing, despite an increase in net contract customer additions. This effect was partially offset by slightly higher revenues from mobile data services compared with the prior-year period, due among other things to increased use of data services as a consequence of the rise in demand for smartphones.

The fixed-network area was also affected by revenue reductions, mainly driven by decreases in voice services, which were adversely affected by line losses in traditional telephony of around 6 percent. Compared with the first nine months of the previous year, broadband business helped to offset this trend to some extent with positive effects in particular from the encouraging growth in VDSL lines. TV business sustained its encouraging growth trend in the first nine months of 2014, posting a sharp increase in revenue year-on-year. We continued to record strong customer additions, in particular as a result of our expanded TV offering. The B2B/ICT business with business customers also made a positive revenue contribution.

In Greece, adjusted EBITDA decreased to EUR 845 million in the first nine months of 2014, a year-on-year decline of 2.3 percent. Excluding the effects from the deconsolidation of Hellas Sat, adjusted EBITDA decreased by 1.8 percent, mainly due to the negative revenue effects, especially in mobile business. We partially compensated these negative effects with our programs to enhance efficiency in fixed-network and mobile business. The success of these programs can be seen in particular in the fixed network with lower personnel costs. The development in direct costs also made a slight positive contribution to EBITDA.

Slovakia (junior leader). Our Slovakian subsidiary generated revenue of EUR 584 million in the first nine months of 2014, down 1.4 percent on the prior-year period. Excluding the effects from the inclusion of DIGI Slovakia as of September 1, 2013, revenue decreased by 4.4 percent. This decline relates entirely to mobile business. Regulation-induced reductions in termination rates and the lower price level in mobile voice revenues continued to put significant pressure on our revenues. This was only partially offset by increased use of voice services. Mobile data services remained a constant driver of growth again in the first nine months of 2014, increasing 11 percent thanks in part to the consistently high usage of data services. Fixed-network revenue increased year-on-year on the back of the successful TV business, a consequence of the acquisition of DIGI Slovakia last year. A positive contribution was also made by the B2B/ICT business with business customers, largely compensating for the losses in voice telephony attributable to line losses in traditional telephony and lower prices. Our Slovakian subsidiary again made substantial progress in the migration of PSTN lines to the forward-looking IP technology: As of September 30, 2014, we recorded a migration rate of over 90 percent.

Adjusted EBITDA amounted to EUR 234 million in the first nine months of 2014, down 6.0 percent year-on-year. Excluding the effects from the acquisition of DIGI Slovakia, adjusted EBITDA decreased by 8.3 percent, largely due to revenue losses. In addition, direct costs increased slightly, for example due to B2B/ICT business. The decline was partly offset by a regulation-induced reduction in interconnection costs and optimized spending for customer retention and acquisition. Savings in indirect costs additionally made a positive contribution.

Poland (mobile runner-up). In the first nine months of 2014, our revenue in Poland totaled EUR 1.1 billion, down 6.8 percent year-on-year. Excluding the slightly positive exchange rate effects compared with the euro, revenue decreased by 7.4 percent. This decline was mainly driven by regulation-induced reductions in termination charges in 2013. In addition, the lower price level in the Polish mobile market had a negative effect on our revenue. Revenue from text messaging also declined compared with the prior-year period as a result of a lower average price, coupled with reduced usage of the text messaging service. Higher revenue from the sale of terminal equipment in the first nine months of 2014 compared with the prior-year period compensated for this effect to some extent. The higher revenue in mobile data business, which was due in part to increased usage of data services, also had a positive effect on revenue.

Adjusted EBITDA amounted to EUR 424 million in the first three quarters of 2014, a decrease of just 1.9 percent year-on-year. Excluding the slightly positive exchange rate effects compared with the euro, adjusted EBITDA decreased by 2.5 percent. The revenue decline was partially offset by the regulation-induced reduction in interconnection costs and a more personalized dialog with customers for the purpose of customer retention and acquisition. Strict cost management in terms of indirect costs also had a positive effect on adjusted EBITDA.

Netherlands (smart attacker). In the first nine months of 2014, we generated revenue of EUR 1.1 billion in the Netherlands, a decline of 5.2 percent. Excluding the effects arising from the disposal of Euronet Communications as of January 2, 2014, revenue remained at the prior-year level. On the one hand, this result from operations was influenced substantially by the development of mobile data business, which grew by 24 percent compared with the first three quarters of 2013. The new rate plans introduced in September last year and the continuing high demand for smartphones resulted in substantially higher usage of data services. On the other hand, revenue from terminal equipment sales to branded and wholesale customers increased. The MVNO business likewise made a positive contribution to revenue, offsetting the partly regulation-induced and partly price-related decreases in voice revenues.

Adjusted EBITDA increased by 35.8 percent year-on-year in the first nine months of 2014 to EUR 459 million. Excluding the effects from the sale of shares in Euronet Communications, adjusted EBITDA increased by 39.7 percent. Reduced direct costs, primarily due to more targeted measures for customer retention and acquisition as well as regulation-induced lower interconnection costs, contributed to this result. Savings in indirect costs likewise made a significant positive contribution to adjusted EBITDA.

EBIT.
EBIT in our Europe operating segment totaled EUR 1.3 billion in the first nine months of 2014, down 11.7 percent, mainly as a result of the decline in EBITDA. Lower depreciation and amortization, among other factors, attributable to the sale of our subsidiaries in Bulgaria as well as to targeted capital expenditure initiatives in most countries of our operating segment, partially offset the decline in earnings. Depreciation was reduced in particular in Greece, Poland, and Hungary.

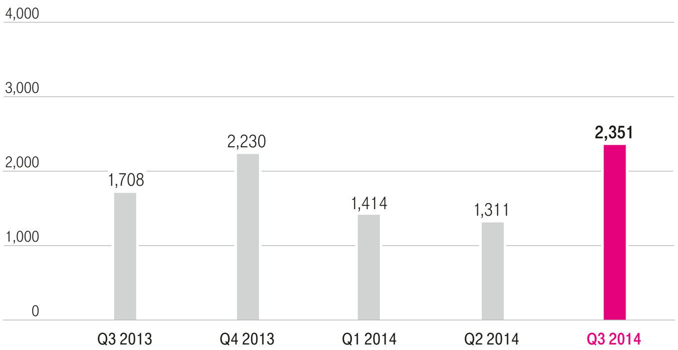
Cash capex.
In the first nine months of 2014, our Europe operating segment reported cash capex of EUR 1.5 billion, i.e., down by 39.2 percent, primarily due to the acquisition of mobile licenses in the Netherlands, Romania, and Poland in the first nine months of the prior year. Excluding the effects from the acquisition of spectrum and the sale of the national companies in Bulgaria, cash capex at segment level remained stable overall at the prior-year level, since our national companies continued to act very prudently in their capital spending. The reasons for this included the difficult market situation, decisions by regulatory authorities, and additional financial burdens, such as taxes.

SYSTEMS SOLUTIONS.

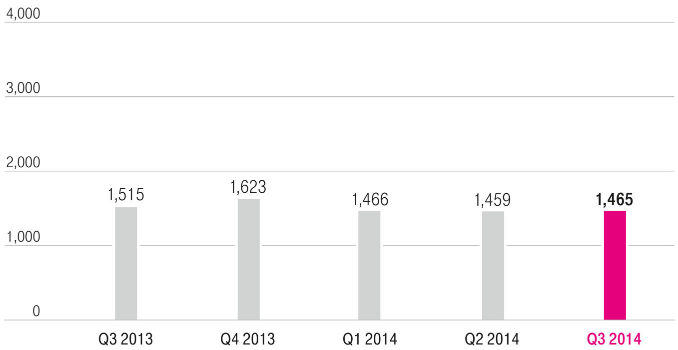
The ICSS/GNF business of the local business units (LBUs), which had previously been organizationally assigned to the Systems Solutions operating segment, was brought together as of January 1, 2014 and is now reported under the Europe operating segment. Furthermore, as of January 1, 2014, the local business customer units of T-Systems Czech Republic, which had previously been managed under the Systems Solutions operating segment, were merged with T-Mobile Czech Republic; they are reported in the Europe operating segment. Comparative figures have been adjusted retrospectively. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, page 48.

SELECTED KPIs.

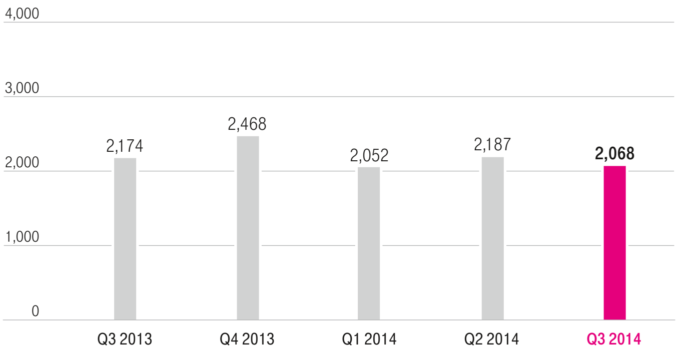
Order entry.
millions of €



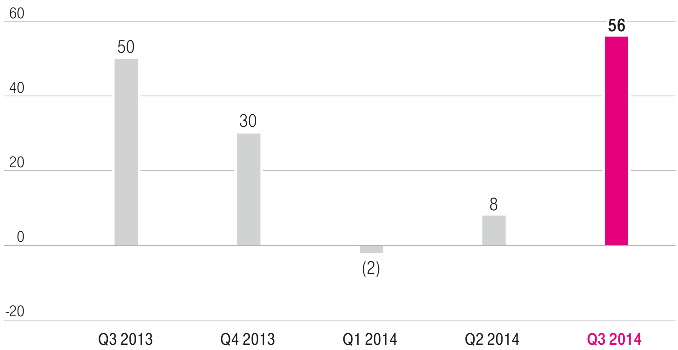
External revenue.
millions of €



Revenue.
millions of €



Adjusted EBIT.
millions of €



		Sept. 30, 2014	June 30, 2014	Change Sept. 30, 2014/ June 30, 2014 %	Dec. 31, 2013	Change Sept. 30, 2014/ Dec. 31, 2013 %	Sept. 30, 2013	Change Sept. 30, 2014/ Sept. 30, 2013 %
ORDER ENTRY	millions of €	5,076	2,725	n.a.	7,792	n.a.	5,562	(8.7) %
COMPUTING & DESKTOP SERVICES								
Number of servers managed and serviced	units	61,619	61,546	0.1 %	62,308	(1.1) %	60,012	2.7 %
Number of workstations managed and serviced	millions	1.57	1.49	5.4 %	1.31	19.8 %	1.20	30.8 %
SYSTEMS INTEGRATION								
Hours billed	millions	4.7	3.2	n.a.	6.6	n.a.	5.0	(6.0) %
Utilization rate	%	83.5	82.3	1.2 %p	82.5	1.0 %p	82.3	1.2 %p

Development of business.
In the first three quarters of 2014, we concluded new contracts in Germany and abroad. In the automotive sector, for example, Daimler AG awarded T-Systems one of the largest systems integration contracts in the history of the company. We also won a contract to build and operate a satellite-based truck toll collection system in Belgium. Nevertheless, order entry in the reporting period was down 8.7 percent year-on-year. This is attributable to the start of the realignment of the business model, aimed at ensuring sustained profitable growth in the future. In this context, we tightened up the profitability criteria for the acceptance of new orders. The services that continue to generate low profits will in future be offered via specialist partners or discontinued completely if demand is not lucrative enough. Strengthened by the realignment, our standard solutions from our growth area of cloud computing in particular won out over strong competition. We further expanded our dynamic resources from the cloud accordingly in the reporting period. For our customers, this means that they receive bandwidth, computing capacity, memory and software as they require it, while sharing infrastructure and paying only according to what they actually use. The roll-out of the new version of the "Dynamic Services for Collaboration" (DSC) product will extend the successful cloud offering, which is now also available for smaller companies with upwards of 1,000 workstations – compared with 5,000 in the past. Several international companies are already using this offering, which means that the DSC platform from our secure private cloud now supplies around 1.5 million workstations. A further building block for the enlargement of our cloud business is the expansion of our strategic partnerships such as our collaborative venture with salesforce.com, the U.S. market leader for commercial cloud solutions.

To meet the requirements from the new deals, we are continuously modernizing and consolidating our ICT resources. The number of servers managed and serviced increased by 2.7 percent compared with the prior-year period. We partially compensated for the greater demand for resources with higher-performance servers and improved utilization management. A similar trend was seen in data centers, where consolidation is creating larger, higher-performance units. At the start of July 2014, for example, we inaugurated the largest data center in Biere near Magdeburg. The number of workstations managed and serviced increased by 30.8 percent to 1.57 million compared with the prior-year period.

DEVELOPMENT OF OPERATIONS.

millions of €		Q1 2014	Q2 2014	Q3 2014	Q3 2013	Change %	Q1–Q3 2014	Q1–Q3 2013	Change %	FY 2013
TOTAL REVENUE		2,052	2,187	2,068	2,174	(4.9)%	6,307	6,570	(4.0)%	9,038
Loss from operations (EBIT)		(59)	(131)	(97)	(20)	n.a.	(287)	(205)	(40.0)%	(294)
Special factors affecting EBIT		(57)	(139)	(153)	(70)	n.a.	(349)	(312)	(11.9)%	(431)
EBIT (adjusted for special factors)		(2)	8	56	50	12.0%	62	107	(42.1)%	137
EBIT margin (adjusted for special factors)	%	(0.1)	0.4	2.7	2.3		1.0	1.6		1.5
Depreciation, amortization and impairment losses		(140)	(286)	(141)	(148)	4.7%	(567)	(482)	(17.6)%	(652)
EBITDA		81	155	44	128	(65.6)%	280	277	1.1%	358
Special factors affecting EBITDA		(57)	(133)	(153)	(69)	n.a.	(343)	(298)	(15.1)%	(416)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		138	288	197	197	0.0%	623	575	8.3%	774
EBITDA margin (adjusted for special factors)	%	6.7	13.2	9.5	9.1		9.9	8.8		8.6
CASH CAPEX		(253)	(254)	(319)	(270)	(18.1)%	(826)	(692)	(19.4)%	(1,066)

Total revenue.
Total revenue in our Systems Solutions operating segment in the reporting period amounted to EUR 6.3 billion, a year-on-year decrease of 4.0 percent. This is largely due to the anticipated decline in revenue in connection with the realignment commenced.

At EUR 5.0 billion, revenue generated by the Market Unit, i.e., mainly from the business with external customers, was 5.8 percent below the prior-year level. Both national and international revenue decreased compared with the prior-year period. The anticipated decline in revenue resulting from the realignment and the general downward trend in prices in the IT and communications business impacted revenue growth. The sale of T-Systems Italia and the SI business unit at T-Systems France in the first half of 2013 as well as exchange rate effects also had a negative effect on revenue.

In the Telekom IT business unit, which essentially pools the Group's domestic internal IT projects, revenue was up against the prior year by 3.9 percent. The year-on-year increase in revenue is attributable to a partial settlement of the advanced implementation of the Group-wide ERP system in the second quarter of 2014. Excluding this effect, revenue was down, as expected, on account of cost savings in the Group.

EBITDA, adjusted EBITDA.
Adjusted EBITDA in our Systems Solutions operating segment increased by EUR 48 million or 8.3 percent in the reporting period due to a substantially higher contribution from Telekom IT. Adjusted EBITDA from the Market Unit decreased significantly, due among other factors to necessary expenses for realigning the business model with the goal of ensuring sustained profitable growth in the future. The adjusted EBITDA margin improved from 8.8 percent in the prior-year period to 9.9 percent. EBITDA increased by 1.1 percent year-on-year to EUR 280 million. As a consequence of restructuring programs in particular, special factors were higher than in the previous year.

EBIT, adjusted EBIT.
Adjusted EBIT for the first three quarters of 2014 was EUR 45 million lower than in the prior-year period. Depreciation, amortization and impairment losses were higher than in the prior year, in particular as a result of the advanced implementation of the Group-wide ERP system. The adjusted EBIT margin decreased from 1.6 to 1.0 percent in the reporting period.

Cash capex.
Cash capex was up by EUR 134 million year-on-year to EUR 826 million in the reporting period. This increase is related to the realignment of the business model, which we are developing further in line with the increasing digitization of enterprises. For this reason, we are investing in intelligent network solutions such as the connected car, healthcare or energy, as well as cutting-edge digital innovation areas like cloud computing and cyber security. Enhanced efficiency, for example as a result of the standardization of the ICT platforms, also had an offsetting effect.

GROUP HEADQUARTERS & GROUP SERVICES.

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

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

DEVELOPMENT OF OPERATIONS.

millions of €

	Q1 2014	Q2 2014	Q3 2014	Q3 2013	Change %	Q1–Q3 2014	Q1–Q3 2013	Change %	FY 2013
TOTAL REVENUE	622	610	596	635	(6.1) %	1,828	2,087	(12.4) %	2,879
Of which: Digital Business Unit	156	137	129	224	(42.4) %	422	671	(37.1) %	970
Profit (loss) from operations (EBIT)	1,395	(456)	(447)	(393)	(13.7) %	492	(1,004)	n.a.	(1,582)
Depreciation, amortization and impairment losses	(149)	(152)	(163)	(183)	10.9 %	(464)	(513)	9.6 %	(699)
EBITDA	1,544	(304)	(284)	(210)	(35.2) %	956	(491)	n.a.	(883)
Special factors affecting EBITDA	1,662	(144)	(139)	(55)	n.a.	1,379	(126)	n.a.	(228)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	(118)	(160)	(145)	(155)	6.5 %	(423)	(365)	(15.9) %	(655)
Of which: Digital Business Unit	1	(12)	(13)	44	n.a.	(24)	99	n.a.	121
CASH CAPEX	(65)	(81)	(94)	(97)	3.1 %	(240)	(268)	10.4 %	(411)

Total revenue.
Total revenue in the Group Headquarters & Group Services segment in the first three quarters of 2014 decreased by 12.4 percent year-on-year, mainly due to the revenue lost in connection with the sale of 70 percent of the shares in the Scout24 group which was consummated in early February 2014. Intragroup service revenue was down slightly compared with the first three quarters of the previous year.

EBITDA, adjusted EBITDA.
Adjusted EBITDA at Group Headquarters & Group Services declined by EUR 58 million year-on-year in the first nine months of 2014, mainly due to the loss of the operating results of the Scout24 group. Since the closing of the transaction, the earnings from the remaining stake of around 30 percent are reported under profit/loss from financial activities as share of profit/loss of associates and joint ventures accounted for using the equity method. The DBU's intragroup earnings also declined due to efficiency enhancement measures. In addition, income from trademark licenses was down. This was compensated by higher income from real estate sales, cost savings at Group Services, and lower expenses for the recognition of provisions.

Overall, EBITDA was impacted by positive special factors of around EUR 1.4 billion in the reporting period, which mainly resulted from the income generated in connection with the deconsolidation of the Scout24 group. Expenses – primarily for staff-related measures as well as for the recognition of other provisions – had a negative effect on EBITDA, as did the fine imposed as part of the European Commission proceedings on Deutsche Telekom.

EBIT.
The year-on-year increase in profit from operations by around EUR 1.5 billion is mainly due to the income from the deconsolidation of the Scout24 group.

Cash capex.
Cash capex decreased year-on-year by EUR 28 million, largely due to the purchase of fewer software licenses and the non-recurrence of the contribution from the Scout24 group.

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

Early redemption of T-Mobile US senior notes. In October 2014, T-Mobile US redeemed USD 1.0 billion of 7.875-percent senior notes due 2018.

For information on the revision on the European Commission's **Recommendation on relevant markets** published on October 9, 2014, please refer to the section "Risks and opportunities," pages 33 and 34.

For information on the **frequency auction in Greece** on October 13, 2014, please refer to the section "The economic environment," page 9 et seq.

For explanations on the October 15, 2014 ruling imposing a fine as part of the European Commission proceedings against Slovak Telekom and Deutsche Telekom, and the changes in October 2014 regarding the prospect liability proceedings, the claims by partnering publishers of telephone directories, the proceedings concerning the billing for premium SMS content, and proceedings concerning the extension of GSM frequency usage, please refer to the section "Risks and opportunities," pages 33 and 34.

FORECAST.

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

CHANGES FROM THE 2013 ANNUAL REPORT.

In the 2013 Annual Report, Deutsche Telekom presented the expectations of the Group and the Europe operating segment for 2014, excluding the GTS Central Europe group. The acquisition was consummated as of May 30, 2014, such that GTS has been fully consolidated in the Europe operating segment since that date. On a like-for-like basis, the forecasts for 2014 made in the 2013 Annual Report for the Europe operating segment remain unchanged.

For the United States operating segment, we had expected adjusted EBITDA to amount to around USD 6.1 billion in 2014, as stated in the 2013 Annual Report. T-Mobile US will remain slightly below this forecast, since the company expects stronger customer growth, and as a result higher customer acquisition costs.

For the Group, we confirm our previous forecasts, including both effects.

RISKS AND OPPORTUNITIES.

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

LITIGATION.

Toll Collect arbitration proceedings. In the Toll Collect arbitration proceedings another hearing took place in May 2014. In light of the review of the proceedings and the share of the risk carried by Deutsche Telekom, appropriate provisions for risk were recognized in the statement of financial position. Both parties filed further written statements in August and September 2014. Another hearing took place at the end of September and beginning of October 2014.

Claims by partnering publishers of telephone directories. Several publishers that had set up joint ventures with DeTeMedien GmbH, a wholly-owned subsidiary of Deutsche Telekom AG, to edit and publish subscriber directories, filed claims against DeTeMedien GmbH and/or Deutsche Telekom AG at the end of 2013. The complainants are claiming damages or refund from DeTeMedien GmbH and to a certain extent from Deutsche Telekom AG as joint and several debtor next to DeTeMedien GmbH. The complainants base their claims on allegedly excessive charges for the provision of subscriber data in the joint ventures. In 2014, further partnering publishers made claims for compensation or refund against DeTeMedien GmbH, currently totaling around EUR 364 million plus interest. Hearings were held regarding two actions filed against DeTeMedien GmbH at 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. Hearings regarding numerous other proceedings will take place in the fourth quarter of 2014 and in the first quarter of 2015.

Claims for damages due to price squeeze. In the proceedings brought by EWE Tel GmbH against Telekom Deutschland GmbH, the Düsseldorf Higher Regional Court, in its ruling dated January 29, 2014, overturned the first-instance ruling of the Cologne Regional Court dated January 17, 2013, particularly with regard to the scale of the claims barred under the statute of limitations, and referred the case back to the Cologne Regional Court without leave to appeal due to the amount of the damages. Both EWE Tel GmbH and Telekom Deutschland GmbH filed complaints against the non-allowance of appeal with the Federal Court of Justice. In the proceedings brought by Versatel GmbH against Telekom Deutschland GmbH, the Federal Court of Justice rejected Versatel's complaint against the non-allowance of appeal in a ruling dated September 23, 2014. The previous dismissal of Versatel's legal action is therefore now final and legally binding.

Claims relating to charges for shared use of cable ducts. In the appeal proceedings brought by Kabel Deutschland Vertrieb und Service GmbH (KDG) against the first-instance ruling of the Frankfurt/Main Regional Court, KDG quantified its claims in June 2014 also for 2013 and is now demanding repayment for allegedly excessive charges paid totaling approximately EUR 407 million plus interest.

Claims for damages concerning the provision of subscriber data. In its ruling on July 2, 2014, the Düsseldorf Higher Regional Court dismissed the appeal filed by the founder of telegate, Dr. Harisch. Dr. Harisch filed a complaint against the non-allowance of appeal with the Federal Court of Justice on July 8, 2014. In the proceedings for damages brought by klickTel AG, which is now part of telegate AG, the earlier dismissal of klickTel AG's legal action has now become final and legally binding.

Monthly charges for the unbundled local loop. The most recent pending action brought by a competitor with regard to the new ruling on the unbundled local loop (ULL) one-time charges for 2001 was rejected in a ruling of the Cologne Administrative Court dated March 19, 2014. This decision is now final and legally binding.

Billing for premium SMS content. In July 2014, a lawsuit was filed by the FTC against T-Mobile US that alleged unauthorized billing for premium SMS content provided by third parties. In addition to this lawsuit, the FCC and other U.S. authorities began investigations and inquiries against T-Mobile US regarding billing for premium SMS content. T-Mobile US is currently in settlement negotiations with the authorities involved to resolve the claims made in connection with the lawsuit, investigations and inquiries.

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

PROCEEDINGS CONCLUDED IN 2014.

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

Allocation of frequencies – extension of GSM frequency usage. In its ruling on October 9, 2014, the Münster Higher Administrative Court dismissed the complaint against non-allowance of appeal filed by Airdata against the ruling by the Cologne Administrative Court on November 28, 2013 in which it rejected Airdata's claim. The ruling of the Administrative Court thus became legally binding.

ANTI-TRUST AND CONSUMER PROTECTION PROCEEDINGS.

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 curtailed margins with regard to 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 curtailment of margins in Germany. Deutsche Telekom and Slovak Telekom will file appeal against the decision with the General Court of the European Union.

REGULATION.

The draft regulation by the European Commission on the telecommunications single market (2013 Annual Report, page 74) provides for more extensive regulation of international roaming, including the abolition of charges to be paid by end customers for incoming calls. In addition, the proposed new regulations could make investments obsolete that had already been made to implement the requirements of the most recent Roaming Regulation, which only took effect on July 1, 2012. The discussion of the Commission's proposal in the legislative process may also lead to an abolition of roaming premiums compared with national prices from 2016, which could lead to substantial revenue losses. The EU Parliament adopted a corresponding text in its first reading in April 2014. The proposals are currently being deliberated by the European Council. The majority of the member states also support the abolition of roaming premiums in principle. The Council is discussing 2016 or 2017 as possible dates for implementation.

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

On October 9, 2014 the European Commission published a revision of its Recommendation on relevant markets that come into question for a telecommunications regulation. The recommendation defines various product markets in which regulatory measures are to apply. The number of markets affected by the regulation in the recommendation has now been reduced from seven to four. The new recommendation offers the opportunity for deregulation of the telephony service markets (retail rates for the telephone line as well as wholesale products, such as Call by Call). The recommendation also allows the waiving of an obligation to "physically unbundle" access networks in favor of more efficient "active" upstream products in fiber-optic lines. On the other hand, the recommendation carries the risk of an increase in regulation for individual wholesale services for business customer markets. The national regulatory authorities have to take the recommendation into account in future market analysis procedures.

OTHER.

Sale of the SI business unit at T-Systems France. When selling the Systems Integration business unit of T-Systems France in the middle of 2013, a 15-month guarantee had to be issued to the responsible works council. The purpose of the guarantee was to compensate employees in the event of insolvency of the buyer. The 15-month guarantee period expired in early September 2014 without incident.

ASSESSMENT OF THE AGGREGATE RISK POSITION.

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

millions of €

	Sept. 30, 2014	Dec. 31, 2013	Change	Change %	Sept. 30, 2013
ASSETS					
CURRENT ASSETS	22,121	21,963	158	0.7 %	18,020
Cash and cash equivalents	7,250	7,970	(720)	(9.0) %	5,675
Trade and other receivables	9,059	7,712	1,347	17.5 %	7,146
Current recoverable income taxes	76	98	(22)	(22.4) %	112
Other financial assets	2,708	2,745	(37)	(1.3) %	2,230
Inventories	1,275	1,062	213	20.1 %	1,342
Other assets	1,501	1,343	158	11.8 %	1,437
Non-current assets and disposal groups held for sale	252	1,033	(781)	(75.6) %	78
NON-CURRENT ASSETS	102,888	96,185	6,703	7.0 %	97,281
Intangible assets [a]	50,152	45,967	4,185	9.1 %	46,972
Property, plant and equipment [a]	38,746	37,427	1,319	3.5 %	37,501
Investments accounted for using the equity method	6,581	6,167	414	6.7 %	6,247
Other financial assets	1,859	1,362	497	36.5 %	1,528
Deferred tax assets	5,060	4,960	100	2.0 %	4,708
Other assets	490	302	188	62.3 %	325
TOTAL ASSETS	125,009	118,148	6,861	5.8 %	115,301
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES	26,860	22,496	4,364	19.4 %	25,188
Financial liabilities	10,961	7,891	3,070	38.9 %	11,169
Trade and other payables	8,012	7,259	753	10.4 %	6,701
Income tax liabilities	242	308	(66)	(21.4) %	428
Other provisions	3,231	3,120	111	3.6 %	2,709
Other liabilities	4,414	3,805	609	16.0 %	4,181
Liabilities directly associated with non-current assets and disposal groups held for sale	–	113	(113)	n.a.	–
NON-CURRENT LIABILITIES	64,172	63,589	583	0.9 %	58,098
Financial liabilities	42,398	43,708	(1,310)	(3.0) %	38,154
Provisions for pensions and other employee benefits	8,128	7,006	1,122	16.0 %	7,172
Other provisions	2,133	2,071	62	3.0 %	1,957
Deferred tax liabilities	7,550	6,916	634	9.2 %	6,845
Other liabilities	3,963	3,888	75	1.9 %	3,970
LIABILITIES	91,032	86,085	4,947	5.7 %	83,286
SHAREHOLDERS' EQUITY	33,977	32,063	1,914	6.0 %	32,015
Issued capital	11,611	11,395	216	1.9 %	11,395
Treasury shares	(54)	(54)	0	0.0 %	(6)
	11,557	11,341	216	1.9 %	11,389
Capital reserves	51,760	51,428	332	0.6 %	51,346
Retained earnings including carryforwards	(39,415)	(37,437)	(1,978)	(5.3) %	(37,333)
Total other comprehensive income	(1,356)	(2,383)	1,027	43.1 %	(2,276)
Net profit (loss)	3,034	930	2,104	n.a.	1,682
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	25,580	23,879	1,701	7.1 %	24,808
Non-controlling interests	8,397	8,184	213	2.6 %	7,207
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	125,009	118,148	6,861	5.8 %	115,301

[a] Intangible assets and property, plant and equipment as of September 30, 2013 at T-Mobile US were adjusted retrospectively (2013 Annual Report, page 195).

CONSOLIDATED INCOME STATEMENT.

millions of €

	Q3 2014	Q3 2013	Change %	Q1–Q3 2014	Q1–Q3 2013	Change %	FY 2013
NET REVENUE	**15,648**	**15,525**	**0.8 %**	**45,656**	**44,467**	**2.7 %**	**60,132**
Cost of sales	(9,602)	(9,398)	(2.2) %	(27,741)	(26,320)	(5.4) %	(36,255)
GROSS PROFIT	**6,046**	**6,127**	**(1.3) %**	**17,915**	**18,147**	**(1.3) %**	**23,877**
Selling expenses	(3,390)	(3,456)	1.9 %	(10,008)	(10,067)	0.6 %	(13,797)
General and administrative expenses	(1,170)	(912)	(28.3) %	(3,464)	(3,303)	(4.9) %	(4,518)
Other operating income	278	410	(32.2) %	2,888	1,029	n.a.	1,326
Other operating expenses	(406)	(273)	(48.7) %	(1,055)	(693)	(52.2) %	(1,958)
PROFIT FROM OPERATIONS	**1,358**	**1,896**	**(28.4) %**	**6,276**	**5,113**	**22.7 %**	**4,930**
Finance costs	(610)	(552)	(10.5) %	(1,784)	(1,595)	(11.8) %	(2,162)
Interest income	58	43	34.9 %	209	182	14.8 %	228
Interest expense	(668)	(595)	(12.3) %	(1,993)	(1,777)	(12.2) %	(2,390)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(11)	(29)	62.1 %	(32)	(103)	68.9 %	(71)
Other financial income (expense)	(82)	(174)	52.9 %	(250)	(398)	37.2 %	(569)
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(703)**	**(755)**	**6.9 %**	**(2,066)**	**(2,096)**	**1.4 %**	**(2,802)**
PROFIT BEFORE INCOME TAXES	**655**	**1,141**	**(42.6) %**	**4,210**	**3,017**	**39.5 %**	**2,128**
Income taxes	(113)	(304)	62.8 %	(924)	(915)	(1.0) %	(924)
PROFIT (LOSS)	**542**	**837**	**(35.2) %**	**3,286**	**2,102**	**56.3 %**	**1,204**
PROFIT (LOSS) ATTRIBUTABLE TO							
Owners of the parent (net profit (loss))	506	588	(13.9) %	3,034	1,682	80.4 %	930
Non-controlling interests	36	249	(85.5) %	252	420	(40.0) %	274
INCLUDED IN CONSOLIDATED INCOME STATEMENT							
Personnel costs	(3,612)	(3,614)	0.1 %	(10,855)	(11,033)	1.6 %	(15,144)
Depreciation, amortization and impairment losses	(2,649)	(2,572)	(3.0) %	(7,786)	(7,466)	(4.3) %	(10,904)
Of which: amortization and impairment of intangible assets	(967)	(889)	(8.8) %	(2,810)	(2,490)	(12.9) %	(4,176)
Of which: depreciation and impairment of property, plant and equipment	(1,682)	(1,683)	0.1 %	(4,976)	(4,976)	0.0 %	(6,728)

EARNINGS PER SHARE.

		Q3 2014	Q3 2013	Change %	Q1–Q3 2014	Q1–Q3 2013	Change %	FY 2013
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	506	588	(13.9) %	3,034	1,682	80.4 %	930
Weighted average number of ordinary shares (basic/diluted)	millions	4,464	4,352	2.6 %	4,464	4,352	2.6 %	4,370
EARNINGS PER SHARE BASIC/DILUTED	€	**0.11**	**0.14**	**(21.4) %**	**0.68**	**0.39**	**74.4 %**	**0.21**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

millions of €

	Q3 2014	Q3 2013	Change	Q1–Q3 2014	Q1–Q3 2013	Change	FY 2013
PROFIT (LOSS)	**542**	**837**	**(295)**	**3,286**	**2,102**	**1,184**	**1,204**
Items not reclassified to the income statement retrospectively							
Gain (loss) from the remeasurement of defined benefit plans	(433)	6	(439)	(1,047)	183	(1,230)	48
Share of profit (loss) of investments accounted for using the equity method	0	0	0	0	(17)	17	(17)
Income taxes relating to components of other comprehensive income	131	(4)	135	317	(56)	373	(16)
	(302)	**2**	**(304)**	**(730)**	**110**	**(840)**	**15**
Items reclassified to the income statement retrospectively, if certain reasons are given							
Exchange differences on translating foreign operations							
Recognition of other comprehensive income in income statement	0	0	0	(3)	0	(3)	0
Change in other comprehensive income (not recognized in income statement)	1,212	(183)	1,395	1,504	(635)	2,139	(901)
Available-for-sale financial assets							
Recognition of other comprehensive income in income statement	0	0	0	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	(8)	(5)	(3)	(5)	(7)	2	(4)
Gains (losses) from hedging instruments							
Recognition of other comprehensive income in income statement	(179)	(15)	(164)	(233)	130	(363)	178
Change in other comprehensive income (not recognized in income statement)	211	67	144	92	(68)	160	(162)
Share of profit (loss) of investments accounted for using the equity method							
Recognition of other comprehensive income in income statement	0	0	0	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	(1)	(9)	8	3	(6)	9	(37)
Income taxes relating to components of other comprehensive income	(11)	(17)	6	44	(20)	64	(5)
	1,224	**(162)**	**1,386**	**1,402**	**(606)**	**2,008**	**(931)**
OTHER COMPREHENSIVE INCOME	**922**	**(160)**	**1,082**	**672**	**(496)**	**1,168**	**(916)**
TOTAL COMPREHENSIVE INCOME	**1,464**	**677**	**787**	**3,958**	**1,606**	**2,352**	**288**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO							
Owners of the parent	1,101	526	575	3,347	1,290	2,057	197
Non-controlling interests	363	151	212	611	316	295	91

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.

millions of €

	Issued capital and reserves attributable to owners of the parent				
	Equity contributed			Consolidated shareholders' equity generated	
	Issued capital	Treasury shares	Capital reserves	Retained earnings incl. carryforwards	Net profit (loss)
BALANCE AT JANUARY 1, 2013	**11,063**	**(6)**	**51,506**	**(29,106)**	**(5,353)**
Changes in the composition of the Group				11	
Transactions with owners			(1,028)		
Unappropriated profit (loss) carried forward				(5,353)	5,353
Dividends				(3,010)	
Capital increase	332		811		
Capital increase from share-based payment			57		
Share buy-back				(2)	
Profit (loss)					1,682
Other comprehensive income				125	
TOTAL COMPREHENSIVE INCOME					
Transfer to retained earnings				2	
BALANCE AT SEPTEMBER 30, 2013	**11,395**	**(6)**	**51,346**	**(37,333)**	**1,682**
BALANCE AT JANUARY 1, 2014	**11,395**	**(54)**	**51,428**	**(37,437)**	**930**
Changes in the composition of the Group					
Transactions with owners			(523)		
Unappropriated profit (loss) carried forward				930	(930)
Dividends				(2,215)	
Capital increase	216		805		
Capital increase from share-based payment			50		
Share buy-back					
Profit (loss)					3,034
Other comprehensive income				(717)	
TOTAL COMPREHENSIVE INCOME					
Transfer to retained earnings				24	
BALANCE AT SEPTEMBER 30, 2014	**11,611**	**(54)**	**51,760**	**(39,415)**	**3,034**

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			
(2,448)	**(36)**	**43**	**327**	**42**	**(104)**	**25,928**	**4,603**	**30,531**
						11	287	298
418					1	(609)	2,338	1,729
						0		0
						(3,010)	(358)	(3,368)
						1,143		1,143
						57	21	78
						(2)		(2)
						1,682	420	2,102
(529)		(7)	62	(23)	(20)	(392)	(104)	(496)
						1,290	**316**	**1,606**
	(2)					0		0
(2,559)	**(38)**	**36**	**389**	**19**	**(123)**	**24,808**	**7,207**	**32,015**
(2,603)	**(39)**	**38**	**343**	**(12)**	**(110)**	**23,879**	**8,184**	**32,063**
						0	1	1
21						(502)	(341)	(843)
						0		0
						(2,215)	(82)	(2,297)
						1,021		1,021
						50	24	74
						0		0
						3,034	252	3,286
1,129		(5)	(141)	3	44	313	359	672
						3,347	**611**	**3,958**
	(24)					0		0
(1,453)	**(63)**	**33**	**202**	**(9)**	**(66)**	**25,580**	**8,397**	**33,977**

CONSOLIDATED STATEMENT OF CASH FLOWS.

millions of €

	Q3 2014	Q3 2013	Q1–Q3 2014	Q1–Q3 2013	FY 2013
PROFIT (LOSS)	542	837	3,286	2,102	1,204
Depreciation, amortization and impairment losses	2,649	2,572	7,786	7,466	10,904
Income tax expense (benefit)	113	304	924	915	924
Interest income and interest expense	610	552	1,784	1,595	2,162
Other financial (income) expense	82	174	250	398	569
Share of (profit) loss of associates and joint ventures accounted for using the equity method	11	29	32	103	71
(Profit) loss on the disposal of fully consolidated subsidiaries	43	(122)	(1,666)	(130)	(131)
Other non-cash transactions	30	28	114	49	101
(Gain) loss from the disposal of intangible assets and property, plant and equipment	(6)	3	(411)	47	138
Change in assets carried as working capital	(462)	(37)	(1,274)	(893)	(1,266)
Change in provisions	286	67	(37)	(636)	(195)
Change in other liabilities carried as working capital	455	(424)	1,343	432	696
Income taxes received (paid)	(187)	(157)	(516)	(514)	(648)
Dividends received	74	92	316	204	273
Net payments from entering into or canceling interest rate derivatives	0	133	0	200	290
CASH GENERATED FROM OPERATIONS	4,240	4,051	11,931	11,338	15,092
Interest paid	(798)	(573)	(2,816)	(2,311)	(2,961)
Interest received	128	162	604	596	886
NET CASH FROM OPERATING ACTIVITIES	3,570	3,640	9,719	9,623	13,017
Cash outflows for investments in					
Intangible assets [a]	(668)	(697)	(3,622)	(2,778)	(4,498)
Property, plant and equipment [a]	(1,916)	(1,681)	(5,105)	(4,822)	(6,570)
Non-current financial assets	(32)	(147)	(480)	(349)	(667)
Payments to acquire control of subsidiaries and associates	(20)	(43)	(621)	(45)	(48)
Proceeds from disposal of					
Intangible assets	6	1	11	6	8
Property, plant and equipment	42	45	182	171	245
Non-current financial assets	25	15	54	42	54
Proceeds from the loss of control of subsidiaries and associates	(49)	570	1,540	662	650
Net change in cash and cash equivalents due to the first-time full consolidation of MetroPCS	–	–	–	1,641	1,641
Net change in short-term investments and marketable securities and receivables	420	(189)	809	(210)	(701)
Other	4	(13)	8	(9)	(10)
NET CASH USED IN INVESTING ACTIVITIES	(2,188)	(2,139)	(7,224)	(5,691)	(9,896)
Proceeds from issue of current financial liabilities	5,072	3,757	9,328	9,662	10,874
Repayment of current financial liabilities	(6,580)	(5,297)	(13,367)	(13,214)	(18,033)
Proceeds from issue of non-current financial liabilities	3,020	655	3,079	3,732	9,334
Repayment of non-current financial liabilities	(195)	(2)	(208)	(129)	(129)
Dividends	(4)	(200)	(1,289)	(2,232)	(2,243)
Deutsche Telekom AG share buy-back	–	–	–	(2)	(2)
Repayment of lease liabilities	(43)	(34)	(121)	(116)	(172)
Stock options of other T-Mobile US shareholders (previous MetroPCS programs)	(32)	31	(17)	89	102
T-Mobile US capital increase	–	–	–	–	1,313
Acquisition of the remaining shares in T-Mobile Czech Republic	–	–	(828)	–	–
OTE share buy-back	(5)	–	(64)	–	–
Cash inflows from the assignment of OTE stock options	0	–	26	–	–
Other	32	0	(24)	0	(22)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	1,265	(1,090)	(3,485)	(2,210)	1,022
Effect of exchange rate changes on cash and cash equivalents	220	(64)	238	(73)	(167)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	–	85	32	–	(32)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,867	432	(720)	1,649	3,944
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD	4,383	5,243	7,970	4,026	4,026
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	7,250	5,675	7,250	5,675	7,970

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

SIGNIFICANT EVENTS AND TRANSACTIONS.

ACCOUNTING POLICIES.

In accordance with § 37x (3) of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), Deutsche Telekom AG's quarterly financial report comprises interim consolidated financial statements and an interim management report for the Group. The interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial reporting as adopted by the EU. The interim management report for the Group was prepared in accordance with the WpHG.

STATEMENT OF COMPLIANCE.

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

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

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

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

- The IASB is introducing a harmonized consolidation model by issuing **IFRS 10 "Consolidated Financial Statements."** This new standard no longer distinguishes between traditional subsidiaries (IAS 27) and special-purpose entities (SIC-12). Control only exists if an investor has the power over the investee, is exposed to variable returns, and is able to use power to affect its amount of variable returns. IFRS 10 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 will no longer be permissible as a result of the discontinuation of IAS 31. The amended **IAS 28 "Interests in Associates and Joint Ventures"** governs the application of the equity method when accounting for investments in both associates and joint ventures. In case of a joint operation, the share of assets, liabilities, expenses, and income is directly recognized in the consolidated financial statements and annual financial statements of the joint operator.

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

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

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

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

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

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

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

ACQUISITION OF THE GTS CENTRAL EUROPE GROUP.

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

The cash consideration for the acquisition of GTS transferred at the acquisition date amounts to EUR 301 million. Payments for the acquisition were made in the amount of EUR 539 million (see the "Net cash used in investing activities" table in the notes to the consolidated statement of cash flows). The difference mainly resulted from the repayment of loans by GTS to third parties that were not to be added to the consideration transferred. The bases for the measurement of the capitalized customer bases as well as property, plant and equipment have been adjusted compared with June 30, 2014. The goodwill recognized was thus reduced by EUR 16 million to EUR 137 million as a result of the ongoing purchase price allocation which was almost completed as of September 30, 2014. Since in-depth analyses of the value drivers in the business plans of individual GTS entities are still ongoing, the possibility cannot be entirely ruled out that this may impact the measurement of the units' respective customer bases in particular.

In accordance with IFRS 3, the purchase price allocation must be completed no later than one year after the acquisition date.

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

millions of €	Fair value at the acquisition date
ASSETS	
CURRENT ASSETS	**138**
Cash and cash equivalents	24
Trade and other receivables	41
Other current assets	9
Non-current assets and disposal groups held for sale	64
NON-CURRENT ASSETS	**592**
Intangible assets	345
Of which: goodwill	137
Of which: customer base	194
Of which: other	14
Property, plant and equipment	223
Other non-current assets	24
ASSETS	**730**
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES	**383**
Financial liabilities	222
Trade and other payables	27
Other liabilities	54
Other current liabilities	16
Liabilities directly associated with non-current assets and disposal groups held for sale	64
NON-CURRENT LIABILITIES	**46**
Deferred tax liabilities	43
Other non-current liabilities	3
LIABILITIES	**429**

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

millions of €

	Fair value at the acquisition date
Consideration transferred	301
Assets acquired for 100 % of the shares	(593)
Liabilities acquired for 100 % of the shares	429
GOODWILL	**137**

Goodwill is influenced by synergy effects in connection with the acquisition arising from future business potential on account of GTS’ position as an integrated provider of telecommunications services in Central and Eastern Europe. The goodwill carrying amount was not subject to any major exchange rate-induced fluctuations as of September 30, 2014.

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 99 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 4 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 September 30, 2014.

SALE OF SCOUT24 HOLDING GMBH AND SCOUT24 INTERNATIONAL MANAGEMENT AG.

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

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

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

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

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

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

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

millions of €

	Germany	United States	Europe	Systems Solutions	Group Headquarters & Group Services	Reconciliation	Total
Net revenue	(8)	1,278	(140)	(38)	(243)	1	850
Cost of sales	5	(809)	59	55	41	(1)	(650)
GROSS PROFIT (LOSS)	**(3)**	**469**	**(81)**	**17**	**(202)**	**0**	**200**
Selling expenses	0	(265)	87	2	110	(1)	(67)
General and administrative expenses	1	(27)	(4)	7	31	0	8
Other operating income	0	2	(183)	0	(3)	1	(183)
Other operating expenses	5	0	(33)	0	(1)	0	(29)
PROFIT (LOSS) FROM OPERATIONS	**3**	**179**	**(214)**	**26**	**(65)**	**0**	**(71)**
Finance costs	0	(77)	6	0	1	0	(70)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	0	0	0	0	0	0	0
Other financial income (expense)	25	(23)	38	(5)	(1)	0	34
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**25**	**(100)**	**44**	**(5)**	**0**	**0**	**(36)**
PROFIT (LOSS) BEFORE INCOME TAXES	**28**	**79**	**(170)**	**21**	**(65)**	**0**	**(107)**
Income taxes	0	0	8	0	3	0	11
PROFIT (LOSS)	**28**	**79**	**(162)**	**21**	**(62)**	**0**	**(96)**

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

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

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

On February 25, 2014, Deutsche Telekom acquired the 39.23-percent stake in T-Mobile Czech Republic that it did not previously hold for a purchase price of EUR 0.8 billion. The acquisition of these remaining shares make it possible to simplify the financial and governance structure at T-Mobile Czech Republic. In addition, the transaction results in reduced dividend payments to non-controlling interests. For the effects on shareholders' equity, please refer to the section "Shareholders' equity," page 45.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE.

The decrease in non-current assets and disposal groups held for sale of EUR 0.8 billion compared with December 31, 2013 is primarily attributable to two effects. Firstly, the exchange of mobile spectrum licenses in the amount of EUR 0.6 billion with Verizon Communications to improve mobile network coverage was completed in the United States in April 2014. Secondly, the sale of the Scout24 group was consummated in February 2014, resulting in a decrease of EUR 0.3 billion.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT.

Intangible assets increased by EUR 4.2 billion, mainly due to capital expenditure in the amount of EUR 5.5 billion. This figure includes EUR 3.3 billion for the acquisition of mobile licenses by T-Mobile US, in particular in connection with the two transactions consummated in April 2014 for the acquisition and the exchange of mobile licenses with Verizon Communications. Effects of changes in the composition of the Group totaling EUR 0.2 billion resulting from the inclusion of the GTS Central Europe group and preliminary goodwill of EUR 0.1 billion recognized in this connection also contributed to this increase. Exchange rate effects of EUR 2.1 billion, in particular from the translation of U.S. dollars into euros, also increased the carrying amount of intangible assets. The recognition of amortization of EUR 2.8 billion and disposals of EUR 0.6 billion in connection with the exchange of mobile spectrum with Verizon Communications had an offsetting effect on the carrying amount of intangible assets.

Property, plant and equipment increased by EUR 1.3 billion compared to December 31, 2013 to EUR 38.7 billion. Capital expenditure of EUR 5.4 billion and exchange rate effects of EUR 0.7 billion, especially from the translation of U.S. dollars into euros, increased the carrying amount. The increase was also attributable to effects of changes in the composition of the Group of EUR 0.4 billion, mainly from the inclusion of the GTS Central Europe group (EUR 0.2 billion) and the first-time consolidation of four structured leasing SPEs (EUR 0.2 billion). This was offset by amortization of EUR 4.9 billion and disposals of EUR 0.2 billion.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD.

The carrying amount of investments accounted for using the equity method increased by EUR 0.4 billion to EUR 6.6 billion in the first three quarters of 2014. On the one hand, the carrying amount for the investments decreased by EUR 0.3 billion as a result of dividend payments received from the EE joint venture; on the other, the recognition of the remaining stake in the Scout24 group as an investment accounted for using the equity method had an increasing effect of EUR 0.3 billion, as did exchange rate effects – mainly resulting from the translation of pounds sterling into euros – in the amount of EUR 0.4 billion.

FINANCIAL LIABILITIES.

Financial liabilities increased by EUR 1.8 billion to a total of EUR 53.4 billion compared with the end of 2013.

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

millions of €

	Sept. 30, 2014	Due within 1 year	Due > 1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	43,292	6,192	11,092	26,008
Liabilities to banks	3,605	1,688	1,560	357
Finance lease liabilities	1,448	167	558	723
Liabilities to non-banks from promissory notes	969	53	646	270
Other interest-bearing liabilities	989	635	270	84
Other non-interest-bearing liabilities	2,012	1,919	91	2
Derivative financial liabilities	1,044	307	416	321
FINANCIAL LIABILITIES	**53,359**	**10,961**	**14,633**	**27,765**

SHAREHOLDERS' EQUITY.

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

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

millions of €

	Issued capital and reserves attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Transactions with owners	**(502)**	**(341)**	**(843)**
Acquisition of the remaining shares in T-Mobile Czech Republic	(455)	(373)	(828)
Other effects	(47)	32	(15)

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT.

OTHER OPERATING INCOME.

millions of €

	Q1–Q3 2014	Q1–Q3 2013
Income from divestitures	1,708	183
Income from the disposal of non-current assets	504	73
Income from reimbursements	337	327
Income from insurance compensation	55	64
Income from the reversal of impairment losses on non-current financial assets in accordance with IFRS 5	17	19
Miscellaneous other operating income	267	363
	2,888	**1,029**

Income from divestitures increased year-on-year by EUR 1.5 billion, due to the sale of the Scout24 group totaling EUR 1.7 billion. Since the shares remaining at Deutsche Telekom had to be measured at fair value at the date when control was lost, the resulting income totaled EUR 0.5 billion. The prior-year period 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. The EUR 0.4 billion increase in income from the disposal of non-current assets mainly results from a transaction between T-Mobile US and Verizon Communications consummated in April 2014 concerning the acquisition and exchange of A-Block spectrum for around EUR 0.4 billion. Miscellaneous other operating income includes a large number of smaller individual items.

OTHER OPERATING EXPENSES.

millions of €

	Q1–Q3 2014	Q1–Q3 2013
Losses on the disposal of non-current assets	(96)	(119)
Impairment losses	(48)	(67)
Losses from divestitures	(41)	(52)
Miscellaneous other operating expenses	(870)	(455)
	(1,055)	**(693)**

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

INCOME TAXES.

In the first three quarters of 2014, a tax expense of EUR 0.9 billion was recorded. The comparatively low tax rate is a consequence of the low tax burden with regard to the income from the sale of the shares in the Scout24 group.

OTHER DISCLOSURES.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES.

Depreciation, amortization and impairment losses increased by EUR 0.3 billion to EUR 7.8 billion compared with the prior-year period. This increase was due to depreciation and amortization attributable by the inclusion of MetroPCS since May last year and the roll-out of the LTE network as part of T-Mobile US' network modernization program. The reduction in useful lives with regard to the decommissioning of the CDMA mobile network of MetroPCS (EUR 0.1 billion), which had been taken over in the previous year, also increased depreciation and amortization. Lower depreciation, amortization and impairment losses in the Europe operating segment due, among other factors, to the sale of the subsidiaries in Bulgaria in the prior year, had an offsetting effect.

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. During the reporting period, factoring agreements were concluded concerning monthly revolving sales of current trade receivables. This results in a positive effect on net cash from operating activities of EUR 0.4 billion compared with the prior-year period. Moreover, net cash from operating activities in the prior-year period had included total cash outflows of EUR 0.2 billion in connection with the AT&T and MetroPCS transactions, and an increase of EUR 0.1 billion in cash outflows for severance payments. By contrast, net cash from operating activities was reduced by EUR 0.5 billion higher net interest payments. The prior-year figure had also included proceeds from the conclusion and settlement of interest rate derivatives in the amount of EUR 0.2 billion.

Net cash used in investing activities.

millions of €

	Q1–Q3 2014	Q1–Q3 2013
Cash capex		
Germany operating segment	(2,732)	(2,130)
United States operating segment	(3,957)	(2,423)
Europe operating segment	(1,464)	(2,406)
Systems Solutions operating segment	(826)	(692)
Group Headquarters & Group Services	(240)	(268)
Reconciliation	492	319
Proceeds from the loss of control of subsidiaries and associates [a]	1,540	662
Net cash flows for collateral deposited for hedging transactions	648	(340)
Proceeds from the disposal of property, plant and equipment	182	171
Government bonds (net)	57	(159)
Acquisition of the GTS Central Europe group	(539)	–
Net change in cash and cash equivalents due to the first-time inclusion of MetroPCS	–	1,641
Other	(385)	(66)
	(7,224)	**(5,691)**

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

Cash capex increased by EUR 1.1 billion to EUR 8.7 billion. In the Germany operating segment, the increase was mainly attributable to the investments as part of the integrated network strategy in the fiber-optic cable roll-out as well as in the IP transformation and the LTE infrastructure. In the first three quarters of 2014, mobile licenses were acquired for a total of EUR 2.0 billion, primarily in the United States operating segment, the Czech Republic, Slovakia, and Poland. In the previous year, cash capex in the Europe operating segment had included EUR 1.2 billion for mobile licenses acquired, in particular in the Netherlands, Romania, and Poland.

Net cash used in financing activities.

millions of €

	Q1–Q3 2014	Q1–Q3 2013
Issuance of bonds	3,019	3,456
Commercial paper (net)	1,456	1,956
Net cash flows for collateral deposited for hedging transactions	136	(547)
Cash inflows from the assignment of OTE stock options	26	–
T-Mobile US stock options	17	89
Repayment of bonds	(3,794)	(3,265)
Dividends (including to non-controlling interests)	(1,289)	(2,232)
Promissory notes (net)	(1,219)	(309)
Acquisition of the remaining shares in T-Mobile Czech Republic	(828)	–
Repayment of financial liabilities from financed capex and opex	(618)	–
Net repayment of cash deposits from the EE joint venture	(214)	(375)
Repayment of lease liabilities	(121)	(116)
OTE share buy-back	(64)	–
OTE loans (net)	(34)	(260)
Repayment of financial liabilities to Sireo	–	(534)
Repayment of EIB loans	–	(32)
Other	42	(41)
	(3,485)	**(2,210)**

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

In June 2014, dividend entitlements of Deutsche Telekom AG shareholders in the amount of EUR 1.0 billion did not have an effect on net cash used in financing activities when fulfilled; rather, they were substituted by shares from authorized capital (please refer to the disclosures on “Shareholders’ equity,” page 45). The dividend entitlements of Deutsche Telekom AG shareholders having an effect on cash flows totaled EUR 1.2 billion.

In the first three quarters of 2014, Deutsche Telekom chose financing options totaling EUR 0.5 billion under which the payments for trade payables become due at a later point in time by involving banks in the process. These payables are now shown under financial liabilities in the statement of financial position. As soon as the payments have been made, they are disclosed under net cash used in financing activities.

SEGMENT REPORTING.

The following table gives an overall summary of Deutsche Telekom's operating segments and the Group Headquarters & Group Services segment for the first three quarters of 2014 and 2013.

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

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

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

Comparative figures have been adjusted retrospectively.

A reconciliation for the changes in the disclosure of key figures can be found in the section "Additional information," page 56 et seq., of this Interim Group Report.

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

Segment information in the first three quarters.
millions of €

		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets[a]	Segment liabilities[a]	Investments accounted for using the equity method[a]
Germany	Q1–Q3 2014	15,529	1,005	16,534	3,767	(2,888)	(3)	29,823	22,518	18
	Q1–Q3 2013	15,774	1,027	16,801	3,614	(2,932)	(1)	30,738	23,200	17
United States	Q1–Q3 2014	15,896	2	15,898	984	(2,081)	(10)	46,935	33,499	211
	Q1–Q3 2013	13,470	4	13,474	1,225	(1,533)	1	38,830	26,888	198
Europe	Q1–Q3 2014	9,314	291	9,605	1,314	(1,913)	(1)	30,172	12,144	54
	Q1–Q3 2013	9,820	398	10,218	1,488	(2,035)	(3)	29,976	12,695	59
Systems Solutions	Q1–Q3 2014	4,390	1,917	6,307	(287)	(564)	(3)	8,524	5,697	11
	Q1–Q3 2013	4,621	1,949	6,570	(205)	(469)	(13)	8,428	5,279	24
Group Headquarters & Group Services	Q1–Q3 2014	527	1,301	1,828	492	(434)	(30)	80,475	46,777	6,286
	Q1–Q3 2013	782	1,305	2,087	(1,004)	(464)	(49)	83,596	51,219	5,869
TOTAL	**Q1–Q3 2014**	**45,656**	**4,516**	**50,172**	**6,270**	**(7,880)**	**(47)**	**195,929**	**120,635**	**6,580**
	Q1–Q3 2013	**44,467**	**4,683**	**49,150**	**5,118**	**(7,433)**	**(65)**	**191,568**	**119,281**	**6,167**
Reconciliation	Q1–Q3 2014	–	(4,516)	(4,516)	6	141	0	(70,920)	(29,603)	1
	Q1–Q3 2013	–	(4,683)	(4,683)	(5)	34	(2)	(73,420)	(33,196)	–
GROUP	**Q1–Q3 2014**	**45,656**	**–**	**45,656**	**6,276**	**(7,739)**	**(47)**	**125,009**	**91,032**	**6,581**
	Q1–Q3 2013	**44,467**	**–**	**44,467**	**5,113**	**(7,399)**	**(67)**	**118,148**	**86,085**	**6,167**

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

CONTINGENT LIABILITIES.

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

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

Claims by partnering publishers of telephone directories. Several publishers that had set up joint ventures with DeTeMedien GmbH, a wholly-owned subsidiary of Deutsche Telekom AG, to edit and publish subscriber directories, filed claims against DeTeMedien GmbH and/or Deutsche Telekom AG at the end of 2013. The complainants are claiming damages or refund from DeTeMedien GmbH and to a certain extent from Deutsche Telekom AG as joint and several debtor next to DeTeMedien GmbH. The complainants base their claims on allegedly excessive charges for the provision of subscriber data in the joint ventures. In 2014, further partnering publishers made claims for compensation or refund against DeTeMedien GmbH, currently totaling around EUR 364 million plus interest. Hearings were held regarding two actions filed against DeTeMedien GmbH at 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. Hearings regarding numerous other proceedings will take place in the fourth quarter of 2014 and in the first quarter of 2015. As a result of a reexamination of the case in the first quarter of 2014, Deutsche Telekom no longer discloses the contingent liabilities reported in the 2013 Annual Report.

Claims relating to charges for shared use of cable ducts. In the appeal proceedings brought by Kabel Deutschland Vertrieb und Service GmbH (KDG) against the first-instance ruling of the Frankfurt/Main Regional Court, KDG quantified its claims in June 2014 also for 2013 and is now demanding repayment for allegedly excessive charges paid totaling approximately EUR 407 million plus interest. It is currently not possible to estimate the financial impact of the proceedings with sufficient certainty.

Billing for premium SMS content. In July 2014, a lawsuit was filed by the FTC against T-Mobile US that alleged unauthorized billing for premium SMS content provided by third parties. In addition to this lawsuit, the FCC and other U.S. authorities began investigations and inquiries against T-Mobile US regarding billing for premium SMS content. T-Mobile US is currently in settlement negotiations with the authorities involved to resolve the claims made in connection with the lawsuit, investigations and inquiries. The contingent liability disclosed in the Interim Group Report for the period January 1 to June 30, 2014 is thus no longer reported.

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 curtailed margins with regard to 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 curtailment of margins in Germany. Deutsche Telekom and Slovak Telekom will file appeal against the decision with the General Court of the European Union. As a result, Deutsche Telekom no longer discloses the contingent liability reported in the 2013 Annual Report.

Sale of the SI business unit at T-Systems France. When selling the Systems Integration business unit of T-Systems France in the middle of 2013, a 15-month guarantee had to be issued to the responsible works council. The purpose of the guarantee was to compensate employees in the event of insolvency of the buyer. The 15-month guarantee period expired in early September 2014 without incident. As a result, Deutsche Telekom no longer discloses the contingent liability reported in the 2013 Annual Report.

FUTURE OBLIGATIONS FROM OPERATING LEASES AND OTHER FINANCIAL OBLIGATIONS.

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

millions of €

	Sept. 30, 2014
Future obligations from operating leases	18,221
Purchase commitments regarding property, plant and equipment	2,085
Purchase commitments regarding intangible assets	845
Firm purchase commitments for inventories	5,593
Other purchase commitments and similar obligations	8,260
Payment obligations to the civil service pension fund	4,725
Purchase commitments for interests in other companies	32
Miscellaneous other obligations	1,299
	41,060

DISCLOSURES ON FINANCIAL INSTRUMENTS.

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

	Category in accordance with IAS 39	Carrying amounts Sept. 30, 2014	Amounts recognized in the statement of financial position according to IAS 39 Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss
ASSETS						
Cash and cash equivalents	LaR	7,250	7,250			
Trade receivables	LaR	8,853	8,853			
Originated loans and receivables	LaR/n.a.	2,963	2,731			
Of which: collateral paid	LaR	616	616			
Other non-derivative financial assets						
Held-to-maturity investments	HtM	11	11			
Financial assets available for sale	AfS	671		350	321	
Derivative financial assets						
Derivatives without a hedging relationship	FAHfT	599				599
Of which: termination rights embedded in bonds issued	FAHfT	104				104
Derivatives with a hedging relationship	n.a.	323			231	92
LIABILITIES AND SHAREHOLDERS' EQUITY						
Trade payables	FLAC	7,986	7,986			
Bonds and other securitized liabilities	FLAC	43,292	43,292			
Liabilities to banks	FLAC	3,605	3,605			
Liabilities to non-banks from promissory notes	FLAC	969	969			
Other interest-bearing liabilities	FLAC	989	989			
Of which: collateral received	FLAC	294	294			
Other non-interest-bearing liabilities	FLAC	2,012	2,012			
Finance lease liabilities	n.a.	1,448				
Derivative financial liabilities						
Derivatives without a hedging relationship	FLHfT	489				489
Derivatives with a hedging relationship	n.a.	555			477	78
Of which: aggregated by category in accordance with IAS 39						
Loans and receivables	LaR	18,834	18,834			
Held-to-maturity investments	HtM	11	11			
Available-for-sale financial assets	AfS	671		350	321	
Financial assets held for trading	FAHfT	599				599
Financial liabilities measured at amortized cost	FLAC	58,853	58,853			
Financial liabilities held for trading	FLHfT	489				489

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

Trade receivables include receivables amounting to EUR 1.3 billion (December 31, 2013: EUR 1.0 billion) due in more than one year. The fair value generally equates to the carrying amount.

The available-for-sale financial assets include, among other assets, unquoted equity instruments whose fair values could not be reliably measured, and which were therefore recognized at cost in the amount of EUR 350 million as of September 30, 2014 (December 31, 2013: EUR 280 million). No plans existed as of the reporting date to sell these instruments.

Amounts recognized in the statement of financial position according to IAS 17	Fair value Sept. 30, 2014[a]	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2013	Amounts recognized in the statement of financial position according to IAS 39: 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[a]
	–	LaR	7,970	7,970					–
	–	LaR	7,580	7,580					–
232	–	LaR/n.a.	2,672	2,469				203	–
	–	LaR	941	941					–
	–	HtM	12	12					–
	321	AfS	652		280	372			372
	599	FAHfT	596				596		596
	104	FAHfT	158				158		158
	323	n.a.	175			113	62		175
	–	FLAC	7,231	7,231					–
	48,184	FLAC	40,535	40,535					44,631
	3,721	FLAC	4,105	4,105					4,219
	1,134	FLAC	1,072	1,072					1,230
	1,024	FLAC	891	891					881
	–	FLAC	40	40					–
	–	FLAC	1,967	1,967					–
1,448	1,843	n.a.	1,446					1,446	1,768
	489	FLHfT	581				581		581
	555	n.a.	1,002			726	276		1,002
	–	LaR	18,019	18,019					–
	–	HtM	12	12					–
	321	AfS	652		280	372			372
	599	FAHfT	596				596		596
	54,063	FLAC	55,801	55,801					50,961
	489	FLHfT	581				581		581

Financial instruments measured at fair value.
millions of €

	Sept. 30, 2014				Dec. 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
Available-for-sale financial assets (AfS)	315	6		**321**	365	7		**372**
Financial assets held for trading (FAHfT)		599		**599**		596		**596**
Derivative financial assets with a hedging relationship		323		**323**		175		**175**
LIABILITIES AND SHAREHOLDERS' EQUITY								
Financial liabilities held for trading (FLHfT)		489		**489**		581		**581**
Derivative financial liabilities with a hedging relationship		555		**555**		1,002		**1,002**

Of the available-for-sale financial assets (AfS) carried under other non-derivative financial assets, the instruments presented in Level 1 and Level 2 constitute separate classes. In Level 1, EUR 315 million (December 31, 2013: EUR 365 million) is recognized, the majority of which relates to listed government bonds, the fair values of which are the price quotations at the reporting date.

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

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

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

Disclosures on credit risk. In line with the contractual provisions, in the event of insolvency all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 294 million (December 31, 2013: EUR 40 million), which further reduced the credit risk. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 922 million as of the reporting date (December 31, 2013: EUR 771 million) had a maximum credit risk [a] of EUR 53 million (December 31, 2013: EUR 3 million) as of September 30, 2014. There is no danger of default on the derivatives held.

When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom provided cash collateral to counterparties pursuant to collateral contracts. The corresponding receivables of EUR 616 million (December 31, 2013: EUR 941 million) were thus not exposed to any credit risks as of the reporting date. No other significant agreements reducing the maximum exposure to the credit risks of financial assets existed. The maximum exposure to credit risk of the other financial assets thus corresponds to their carrying amounts. The collateral paid, which is reported under originated loans and receivables within other financial assets, is not subject to a credit risk and therefore constitutes a separate class of financial assets. Likewise, the collateral received, which is reported under financial liabilities, constitutes a separate class of financial liabilities on account of its connection to the corresponding derivatives.

[a] Due to the excellent credit worthiness of the banks the credit risk is deemed to be low.

RELATED-PARTY DISCLOSURES.

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

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

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

EXECUTIVE BODIES.

Changes in the composition of the Board of Management.

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

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

Changes in the composition of the Supervisory Board.

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

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

Early redemption of T-Mobile US senior notes. In October 2014, T-Mobile US redeemed USD 1.0 billion of 7.875-percent senior notes due 2018.

For explanations on the October 15, 2014 ruling imposing a fine as part of the European Commission proceedings against Slovak Telekom and Deutsche Telekom, and the changes in October 2014 regarding the claims by partnering publishers of telephone directories and the proceedings concerning the billing for premium SMS content, please refer to the section "Contingent liabilities," page 49.

RESPONSIBILITY STATEMENT.

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

Bonn, November 6, 2014

Deutsche Telekom AG
Board of Management

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

REVIEW REPORT.

To Deutsche Telekom AG, Bonn.

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement and statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to September 30, 2014, which are part of the quarterly financial report pursuant to § 37x (3) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to the interim financial reporting as adopted by the EU and to the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

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

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

Frankfurt/Main, November 6, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Kayser	Verena Heineke
Wirtschaftsprüfer	Wirtschaftsprüferin

ADDITIONAL INFORMATION.

RECONCILIATION OF PRO FORMA FIGURES.

SPECIAL FACTORS.

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

millions of €

	EBITDA Q1–Q3 2014	EBIT Q1–Q3 2014	EBITDA Q1–Q3 2013	EBIT Q1–Q3 2013	EBITDA FY 2013	EBIT FY 2013
EBITDA/EBIT	**14,062**	**6,276**	**12,579**	**5,113**	**15,834**	**4,930**
GERMANY	**(152)**	**(152)**	**(362)**	**(362)**	**(535)**	**(540)**
Staff-related measures	(138)	(138)	(376)	(376)	(506)	(506)
Non-staff-related restructuring	(7)	(7)	(13)	(13)	(16)	(16)
Effects of deconsolidations, disposals and acquisitions	0	0	(10)	(10)	(23)	(23)
Other	(7)	(7)	37	37	10	5
UNITED STATES	**134**	**134**	**(143)**	**(143)**	**(232)**	**(329)**
Staff-related measures	(110)	(110)	(124)	(124)	(179)	(179)
Non-staff-related restructuring	0	0	(1)	(1)	(1)	(1)
Effects of deconsolidations, disposals and acquisitions	240	240	(18)	(18)	(52)	(52)
Impairment losses	–	0	–	0	–	(97)
Other	4	4	0	0	0	0
EUROPE	**(81)**	**(81)**	**143**	**143**	**(179)**	**(793)**
Staff-related measures	(57)	(57)	(52)	(52)	(327)	(327)
Non-staff-related restructuring	3	3	10	10	3	3
Effects of deconsolidations, disposals and acquisitions	(1)	(1)	182	182	183	183
Impairment losses	–	0	–	0	–	(614)
Other	(26)	(26)	3	3	(38)	(38)
SYSTEMS SOLUTIONS	**(343)**	**(349)**	**(298)**	**(312)**	**(416)**	**(431)**
Staff-related measures	(159)	(159)	(136)	(136)	(212)	(212)
Non-staff-related restructuring	(139)	(145)	(91)	(92)	(128)	(130)
Effects of deconsolidations, disposals and acquisitions	(23)	(23)	(71)	(84)	(71)	(84)
Other	(22)	(22)	0	0	(5)	(5)
GROUP HEADQUARTERS & GROUP SERVICES	**1,379**	**1,379**	**(126)**	**(126)**	**(228)**	**(228)**
Staff-related measures	(96)	(96)	(128)	(128)	(226)	(226)
Non-staff-related restructuring	(26)	(26)	(10)	(10)	(34)	(34)
Effects of deconsolidations, disposals and acquisitions	1,660	1,660	16	16	40	40
Other	(159)	(159)	(4)	(4)	(8)	(8)
GROUP RECONCILIATION	**0**	**0**	**1**	**1**	**0**	**0**
Staff-related measures	0	0	1	1	(1)	(1)
Non-staff-related restructuring	(1)	(1)	1	1	0	0
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	1	1
Other	1	1	(1)	(1)	0	0
TOTAL SPECIAL FACTORS	**937**	**931**	**(785)**	**(799)**	**(1,590)**	**(2,321)**
EBITDA/EBIT (ADJUSTED FOR SPECIAL FACTORS)	**13,125**	**5,345**	**13,364**	**5,912**	**17,424**	**7,251**
Profit (loss) from financial activities (adjusted for special factors)		(1,995)		(2,089)		(2,772)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		**3,350**		**3,823**		**4,479**
Income taxes (adjusted for special factors)		(1,075)		(1,122)		(1,364)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		**2,275**		**2,701**		**3,115**
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		2,023		2,400		2,755
Non-controlling interests (adjusted for special factors)		252		301		360

GROSS AND NET DEBT.

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

millions of €

	Sept. 30, 2014	Dec. 31, 2013	Change	Change %	Sept. 30, 2013
Financial liabilities (current)	10,961	7,891	3,070	38.9 %	11,169
Financial liabilities (non-current)	42,398	43,708	(1,310)	(3.0) %	38,154
FINANCIAL LIABILITIES	**53,359**	**51,599**	**1,760**	**3.4 %**	**49,323**
Accrued interest	(915)	(1,091)	176	16.1 %	(929)
Other	(1,171)	(881)	(290)	(32.9) %	(803)
GROSS DEBT	**51,273**	**49,627**	**1,646**	**3.3 %**	**47,591**
Cash and cash equivalents	7,250	7,970	(720)	(9.0) %	5,675
Available-for-sale/held-for-trading financial assets	245	310	(65)	(21.0) %	301
Derivative financial assets	922	771	151	19.6 %	892
Other financial assets	1,047	1,483	(436)	(29.4) %	997
NET DEBT	**41,809**	**39,093**	**2,716**	**6.9 %**	**39,726**

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

millions of

	Total revenue	Profit (loss) from operations (EBIT)	EBITDA	Adjusted EBITDA	Depreciation and amortization	Impairment losses	Segment assets [a]	Segment liabilities [a]
Q1–Q3 2013/SEPTEMBER 30, 2013								
PRESENTATION AS OF SEPTEMBER 30, 2013 – AS REPORTED								
Germany	16,801	3,614	6,547	6,909	(2,932)	(1)	30,738	23,200
United States	13,474	1,225	2,757	2,900	(1,533)	1	38,830	26,888
Europe	10,183	1,477	3,502	3,358	(2,022)	(3)	35,552	12,601
Systems Solutions	6,878	(194)	301	599	(482)	(13)	8,705	5,381
Group Headquarters & Group Services	2,087	(1,004)	(491)	(365)	(464)	(49)	91,594	51,218
TOTAL	**49,423**	**5,118**	**12,616**	**13,401**	**(7,433)**	**(65)**	**205,419**	**119,288**
Reconciliation	(4,956)	(5)	(37)	(37)	34	(2)	(87,271)	(33,203)
GROUP	**44,467**	**5,113**	**12,579**	**13,364**	**(7,399)**	**(67)**	**118,148**	**86,085**
Q1–Q3 2013/SEPTEMBER 30, 2013								
+/– CHANGE IN DISCLOSURE OF LOCAL BUSINESS UNITS AS OF JANUARY 1, 2014								
Germany	–	–	–	–	–	–	–	–
United States	–	–	–	–	–	–	–	–
Europe	35	11	24	25	(13)	–	268	94
Systems Solutions	(308)	(11)	(24)	(24)	13	–	(277)	(102)
Group Headquarters & Group Services	–	–	–	–	–	–	–	–
TOTAL	**(273)**	**–**	**–**	**1**	**–**	**–**	**(9)**	**(8)**
Reconciliation	273	–	–	(1)	–	–	9	8
GROUP	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Q1–Q3 2013/SEPTEMBER 30, 2013								
+/– CHANGE IN DISCLOSURE OF EE JOINT VENTURE AS OF JANUARY 1, 2014								
Germany	–	–	–	–	–	–	–	–
United States	–	–	–	–	–	–	–	–
Europe	–	–	–	–	–	–	(5,844)	–
Systems Solutions	–	–	–	–	–	–	–	–
Group Headquarters & Group Services	–	–	–	–	–	–	(7,998)	1
TOTAL	**–**	**–**	**–**	**–**	**–**	**–**	**(13,842)**	**1**
Reconciliation	–	–	–	–	–	–	13,842	(1)
GROUP	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Q1–Q3 2013/SEPTEMBER 30, 2013								
= PRESENTATION AS OF SEPTEMBER 30, 2014								
Germany	16,801	3,614	6,547	6,909	(2,932)	(1)	30,738	23,200
United States	13,474	1,225	2,757	2,900	(1,533)	1	38,830	26,888
Europe	10,218	1,488	3,526	3,383	(2,035)	(3)	29,976	12,695
Systems Solutions	6,570	(205)	277	575	(469)	(13)	8,428	5,279
Group Headquarters & Group Services	2,087	(1,004)	(491)	(365)	(464)	(49)	83,596	51,219
TOTAL	**49,150**	**5,118**	**12,616**	**13,402**	**(7,433)**	**(65)**	**191,568**	**119,281**
Reconciliation	(4,683)	(5)	(37)	(38)	34	(2)	(73,420)	(33,196)
GROUP	**44,467**	**5,113**	**12,579**	**13,364**	**(7,399)**	**(67)**	**118,148**	**86,085**

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

GLOSSARY.

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

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

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

DISCLAIMER.

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

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

FINANCIAL CALENDAR.[a]

Date	Event
November 6, 2014	Publication of the Interim Group Report as of September 30, 2014
February 26, 2015	Publication of the 2014 Annual Report
February 26–27, 2015	2015 Capital Markets Day
May 13, 2015	Publication of the Interim Group Report as of March 31, 2015
May 21, 2015	2015 Shareholders' meeting
August 6, 2015	Publication of the Interim Group Report as of June 30, 2015
November 5, 2015	Publication of the Interim Group Report as of September 30, 2015

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

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

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

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

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