

# INTERIM GROUP REPORT

JANUARY 1 TO MARCH 31, 2014



LIFE IS FOR SHARING.

## SELECTED FINANCIAL DATA OF THE GROUP.

millions of €

	Q1 2014	Q1 2013	Change %	FY 2013
<b>REVENUE AND EARNINGS</b>				
Net revenue	14,894	13,785	8.0%	60,132
Of which: domestic	41.3	45.7		42.2
Of which: international	58.7	54.3		57.8
Profit from operations (EBIT)	3,142	1,692	85.7%	4,930
Net profit (loss)	1,817	564	n.a.	930
Net profit (loss) (adjusted for special factors)	587	767	(23.5)%	2,755
EBITDA	5,638	4,079	38.2%	15,834
EBITDA (adjusted for special factors)	4,121	4,288	(3.9)%	17,424
EBITDA margin (adjusted for special factors)	27.7	31.1		28.9
Earnings per share basic/diluted	€ 0.41	0.13	n.a.	0.21
<b>STATEMENT OF FINANCIAL POSITION</b>				
Total assets	117,343	108,837	7.8%	118,148
Shareholders' equity	32,766	31,013	5.7%	32,063
Equity ratio	27.9	28.5		27.1
Net debt	37,964	37,119	2.3%	39,093
<b>CASH FLOWS</b>				
Net cash from operating activities	2,962	2,952	0.3%	13,017
Cash capex	(2,197)	(3,024)	27.3%	(11,068)
Free cash flow (before dividend payments, spectrum investment) <sup>a</sup>	983	1,038	(5.3)%	4,606
Net cash used in investing activities	(348)	(2,829)	87.7%	(9,896)
Net cash (used in) from financing activities	(2,906)	481	n.a.	1,022

<sup>a</sup> And before effects in connection with the AT&T transaction and compensation payments for MetroPCS employees.

## NUMBER OF FIXED-NETWORK AND MOBILE CUSTOMERS.

millions

	Mar. 31, 2014	Dec. 31, 2013	Change Mar. 31, 2014/ Dec. 31, 2013 %	Mar. 31, 2013	Change Mar. 31, 2014/ Mar. 31, 2013 %
Mobile customers	145.4	142.5	2.0%	128.4	13.2%
Fixed-network lines <sup>a</sup>	30.5	30.8	(1.0)%	31.8	(4.1)%
Broadband lines <sup>a, b</sup>	17.2	17.1	0.6%	17.0	1.2%

<sup>a</sup> The fixed-network customers 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.

<sup>b</sup> Excluding wholesale.

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

# CONTENTS.

## 4 — TO OUR SHAREHOLDERS

- 4 Developments in the Group
- 6 Deutsche Telekom at a glance
- 6 The T-Share
- 7 Highlights in the first quarter of 2014

## 9 — INTERIM GROUP MANAGEMENT REPORT

- 9 Group structure, strategy, and management
- 9 The economic environment
- 10 Development of business in the Group
- 15 Development of business in the operating segments
- 29 Events after the reporting period
- 29 Forecast
- 30 Risk situation

## 31 — INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- 31 Consolidated statement of financial position
- 32 Consolidated income statement
- 33 Consolidated statement of comprehensive income
- 34 Consolidated statement of changes in equity
- 36 Consolidated statement of cash flows
- 37 Significant events and transactions
  
- 48 Responsibility statement
- 49 Review report

## 50 — ADDITIONAL INFORMATION

- 50 Reconciliation of pro forma figures
- 53 Glossary
- 54 Disclaimer
- 55 Financial calendar

# TO OUR SHAREHOLDERS.

## DEVELOPMENTS IN THE GROUP.

### NET REVENUE.

- Net revenue increased substantially by 8.0 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 imposed in some cases last year by regulatory authorities, intense competition, and the still strained economic situation in some European countries had a negative effect on our revenue.
- The general downward trend in prices for IT and communications services had a negative impact on revenue in our Systems Solutions operating segment.
- Adjusted for effects of changes in the composition of the Group as well as negative exchange rate effects totaling EUR 0.6 billion, net revenue increased by EUR 0.6 billion.

### PROPORTION OF NET REVENUE GENERATED INTERNATIONALLY.

- The proportion of net revenue generated internationally increased to 58.7 percent, compared with 54.3 percent in the first quarter of 2013.
- The proportion of net revenue generated by our United States operating segment increased by 8.4 percentage points.
- 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.

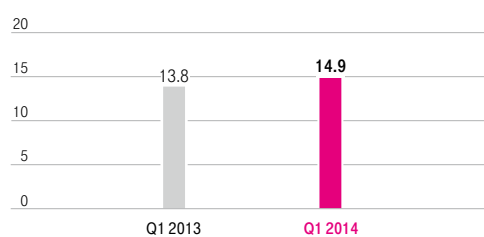
- Adjusted EBITDA decreased by 3.9 percent.
- The inclusion of MetroPCS' operations since May 2013 in particular had a positive effect on adjusted EBITDA.
- Adjusted EBITDA was reduced by higher costs incurred for the IP migration and the integrated network build-out in Germany, higher market investments in the United States, and operational EBITDA decreases in some European countries. The negative effects were partially offset by our comprehensive cost management.

### NET PROFIT.

- Net profit increased substantially to EUR 1.8 billion.
- The increase was in particular due to income from divestitures in connection with the disposal of shares in the Scout24 group totaling EUR 1.7 billion.
- This effect was offset by a EUR 0.1 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.

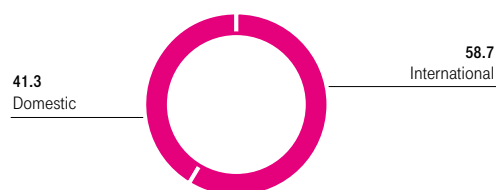
### Net revenue.

billions of €



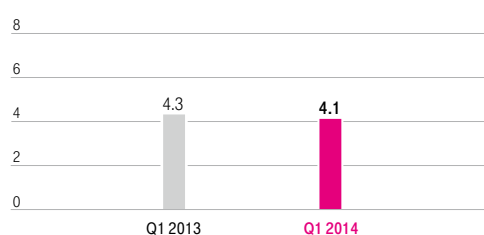
### Proportion of net revenue generated internationally.

%



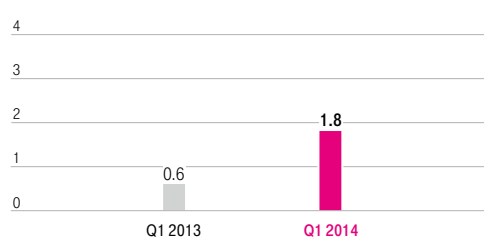
### Adjusted EBITDA.

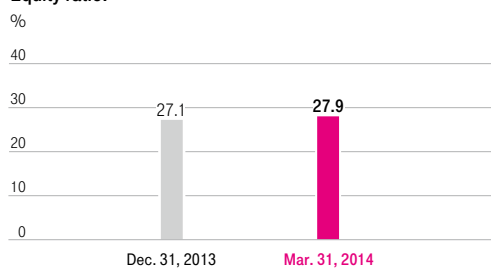
billions of €



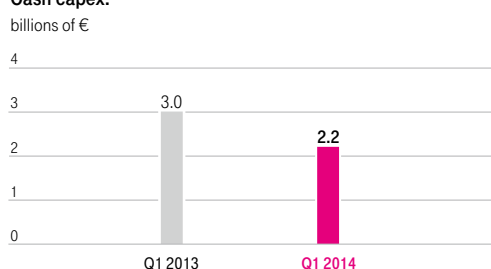
### Net profit.

billions of €

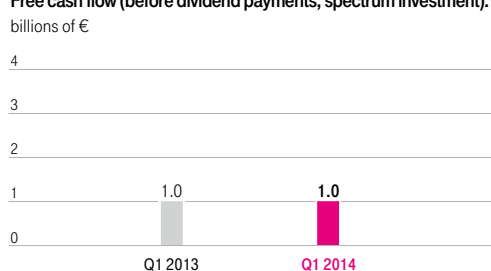


**Equity ratio.****EQUITY RATIO.**

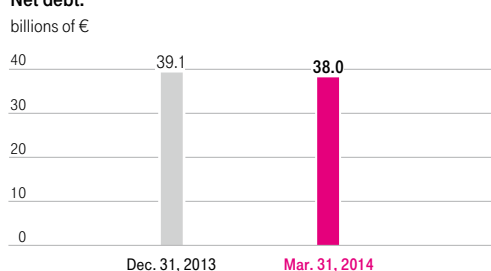
- Total assets decreased only slightly by 0.7 percent compared with the end of 2013.
- Shareholders' equity increased by EUR 0.7 billion compared with December 31, 2013 to EUR 32.8 billion, due to a profit of EUR 1.9 billion. The acquisition of the remaining shares in T-Mobile Czech Republic for EUR 0.8 billion and actuarial losses (after taxes) of EUR 0.2 billion recognized directly in equity, by contrast, had a decreasing effect.
- As a result, the equity ratio increased to 27.9 percent, thus remaining within our target range of 25 to 35 percent.

**Cash capex.****CASH CAPEX.**

- Cash capex (including spectrum investments) was reduced to EUR 2.2 billion.
- The year-on-year decrease was mainly a result of the mobile licenses acquired in the Netherlands for EUR 0.9 billion in 2013. The decrease was partially offset by mobile spectrum acquired in the first quarter of 2014 totaling EUR 0.1 billion (primarily in the Czech Republic).
- Adjusted for the effects of spectrum acquisition, cash capex was at prior-year level.

**Free cash flow (before dividend payments, spectrum investment).<sup>a</sup>****FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS, SPECTRUM INVESTMENT).<sup>a</sup>**

- Free cash flow remained stable at EUR 1.0 billion.
- This was due to both the stable year-on-year trend in net cash from operating activities and cash capex (excluding spectrum investments).
- Net cash from operating activities was reduced by a EUR 0.1 billion increase in net interest payments. This effect was offset by a dividend payment received from the EE joint venture that was EUR 0.1 billion higher than in the prior year.

**Net debt.****NET DEBT.**

- Net debt decreased by EUR 1.1 billion compared with the end of 2013.
- Free cash flow (EUR 1.0 billion) as well as the sale of the shares in the Scout24 group (EUR 1.6 billion) reduced net debt.
- The acquisition of the remaining shares in T-Mobile Czech Republic (EUR 0.8 billion), the acquisition of mobile spectrum (EUR 0.1 billion), and the buy-back of shares at OTE (EUR 0.1 billion) increased net debt.

<sup>a</sup> And before effects in connection with the AT&T transaction and compensation payments for MetroPCS employees (see page 14).

For a more detailed explanation, please refer to the section "Development of business in the Group," page 10 et seq.

## DEUTSCHE TELEKOM AT A GLANCE.

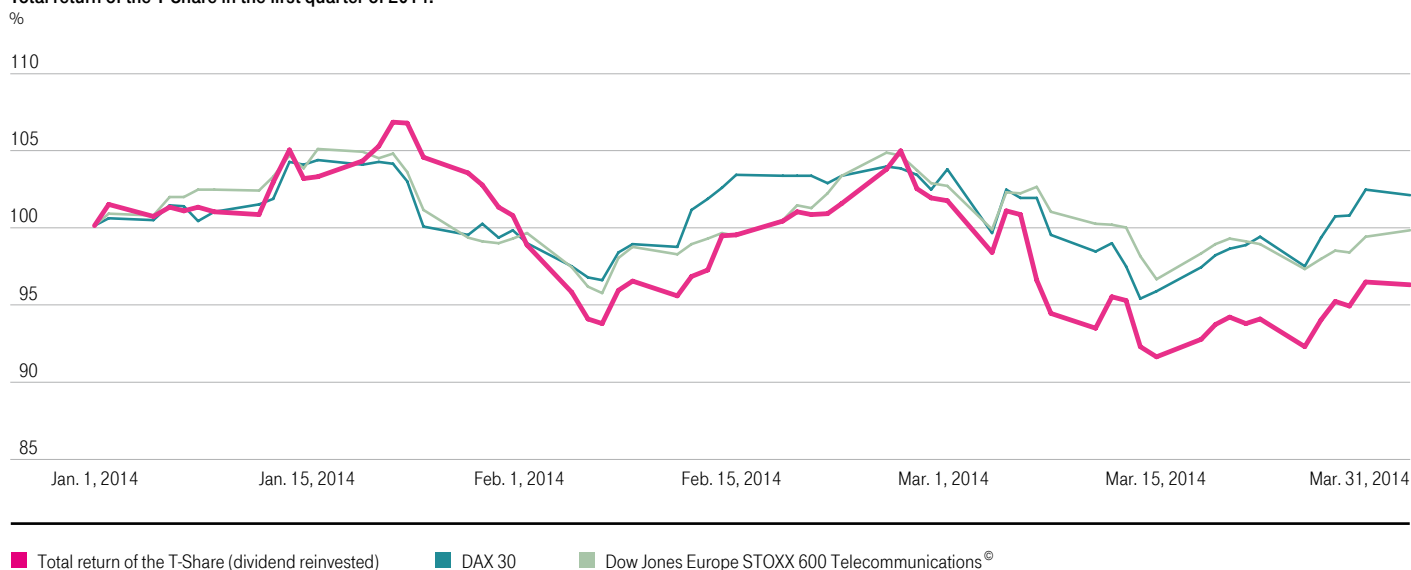
Deutsche Telekom made a successful start to 2014 in the first quarter. Net revenue increased substantially by 8.0 percent. In addition to the inclusion of the MetroPCS operations since May of last year, a key factor in this increase was the sustained strong revenue growth in the United States operating segment, where Deutsche Telekom saw record growth in new customers in the first quarter. Revenue in our Germany operating segment continued to decrease slightly showing signs of stabilizing, while in our Europe operating segment, the substantial price changes imposed in some cases last year by regulatory authorities, intense competition, and the still strained economic situation in some European countries continued to have a negative effect on our revenue.

As a result of the decline in revenue, adjusted EBITDA decreased in Germany and Europe. Despite the inclusion of MetroPCS, the U.S. operations did not compensate for the costs for strong customer additions and negative trends in Germany and Europe. Overall, however, adjusted EBITDA was within expectations. Consequently, Deutsche Telekom maintains its full-year guidance for adjusted EBITDA in the Group.

At first glance, cash capex was significantly lower than in the prior-year period. However, the previous year included considerable cash outflows for the acquisition of mobile spectrum. Adjusted for this effect, cash capex was at prior-year level. Free cash flow also remained stable at EUR 1.0 billion. In view of this development, Deutsche Telekom confirms its full-year guidance for free cash flow.

## THE T-SHARE.

### Total return of the T-Share in the first quarter of 2014.

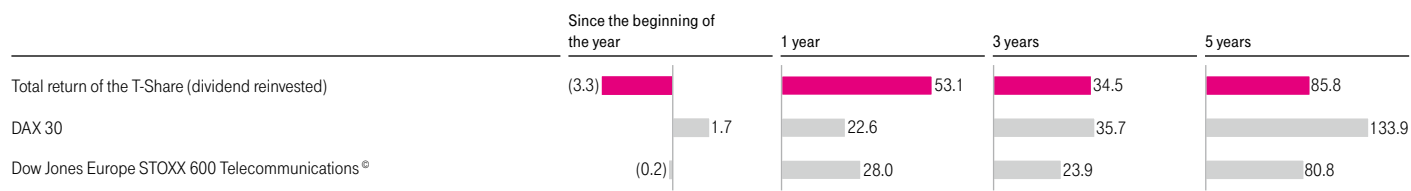


### T-Share performance.

		Q1 2014	Q1 2013	FY 2013
<b>XETRA CLOSING PRICES</b>				
Share price on the last trading day	€	11.73	8.25	12.43
Year high	€	12.83	9.14	12.60
Year low	€	11.28	8.01	8.01
<b>WEIGHTING OF THE T-SHARE IN MAJOR STOCK INDEXES</b>				
DAX 30	%	4.3	3.6	4.6
Dow Jones Euro STOXX 50®	%	1.7	1.6	1.2
Dow Jones Europe STOXX 600 Telecommunications®	%	11.6	9.7	11.7
Market capitalization	billions of €	52.2	35.6	55.3
Number of shares issued	millions	4,451	4,321	4,451

**Historical performance of the T-Share as of March 31, 2014.**

%



Overall, the international stock markets moved sideways in the first quarter of 2014. The optimism felt in the first half of January on account of the anticipated global economic recovery and the continuation of the policy of cheap money did not last. As the quarter progressed, pessimism and optimism prevailed in equal measure. Concerns about the effects of the Ukraine crisis and a possible battle of sanctions between Russia and the West also played a part in the stagnation of share prices. While the DAX 30 increased marginally by 1.7 percent and the Dow Jones Euro STOXX 50<sup>®</sup> also showed a slight improvement, the Nikkei in Japan lost ground, and the Dow Jones closed the quarter more or less unchanged, up 0.1 percent.

The European telecommunications sector performed in line with this general market trend. As of March 31, 2014, the Dow Jones Europe STOXX 600 Telecommunications<sup>®</sup> index was around 0.2 percent lower than at the start of the year. The reporting season from the end of February to the start of March failed to inject any additional momentum into the sector.

In this environment, the T-Share declined slightly. It ended the quarter down 3.3 percent. The publication of our full-year figures on March 6, 2014 and, in particular, the ongoing outlook for the business had a slightly negative impact on the share price performance. Although our business development in 2013 was in line with expectations, the outlook for 2015, which included additional investments in our United States operating segment and the expenses for restructuring the Systems Solutions operating segment, gave rise to a slight course correction.

**HIGHLIGHTS IN THE FIRST QUARTER OF 2014.****DEVELOPMENTS AT SENIOR MANAGEMENT LEVEL.**

On May 15, 2013, the Supervisory Board appointed **Timotheus Höttges** as René Obermann's successor as Chairman of our 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.

**CORPORATE TRANSACTIONS.**

On February 12, 2014, we completed the sale of a 70-percent stake in **Scout24 Holding GmbH** to Hellman & Friedman LLC (H&F) on the basis of an enterprise value of EUR 2.0 billion. The relevant authorities gave their approval on January 23, 2014. Since then, we have directly and indirectly retained a stake of approximately 30 percent in the Scout24 group, which is assigned to the Group Headquarters & Group Services segment, and, as such, are profiting from Scout24's future value accretion. 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 total sale price for both transactions amounted to EUR 1.6 billion. Income from divestitures amounted to EUR 1.7 billion.

On February 7, 2014, we signed a purchase agreement for the acquisition of the remaining 39.23 percent of shares in **T-Mobile Czech Republic**, which we did not yet own, for a purchase price of EUR 0.8 billion. The transaction was completed on February 25, 2014. The acquisition of the remaining shares from a consortium of investors furthers our development to become the leading pan-European integrated telecommunications provider. T-Mobile Czech Republic had already been fully consolidated in the Europe operating segment. The transaction was not subject to regulatory approval.

**PARTNERSHIPS.**

Thanks to an extensive partnership with **ProSiebenSat.1 Media AG**, which we entered into in February 2014, Entertain customers will also be able to use the broadcasting group's on-demand services from the middle of the year. The maxdome subscription package offers access to more than 50,000 titles from Germany's biggest online video store. In addition, Entertain customers will be able to view more than 1,000 items of content from the broadcasting group's media-center portfolio free of charge.

We attracted additional platform and sales partners to our smart-home platform **QIVICON** in the first quarter. New partners include ENTEGA, one of the largest providers of green electricity in Germany, as well as wholesalers/specialist retailers Herweck, Cyberport, and Euronics. The platform now has more than 30 partners from a range of industries to offer consumers solutions for energy efficiency, security, and convenience.

**INVESTMENTS IN NETWORKS AND SPECTRUM.**

In January 2014, T-Mobile US entered into an **agreement** with Verizon Wireless for the **acquisition** of 700 MHz A-block spectrum **licenses** for approximately USD 2.4 billion in cash and the exchange of certain Advanced Wireless Service (AWS) and Personal Communication Service (PCS) spectrum licenses. The acquired spectrum covers more than 150 million inhabitants in 23 markets, which corresponds to approximately 50 percent of the U.S. population or 70 percent of T-Mobile US' existing customer base. The transaction was closed in April 2014.

**NEW PRODUCTS.**

For CeBIT, we launched our **SME initiative** with the aim of offering a standardized, cost-effective portfolio of IT and telecommunications services tailored to the needs of small and medium-sized enterprises (SMEs). One key element of the initiative is the increase in the number of integrated products and cloud solutions on offer. New cloud offerings are, for example, "DeutschlandLAN PABX from the Net," Managed Workplace, i.e., hosted desktops from the private cloud, and TeamLike, a social company network. The "secure data center network" is a new offer designed for larger SMEs.

In February 2014, we launched a comprehensive, graduated product portfolio for mobile **security and data protection solutions** in Germany. This portfolio allows our customers to determine for themselves how they want to deal with their personal and business data and which security level they would like to select for which corporate applications. It ranges from an app to protect against, for example, malware, through to the high-security cell phone SiMKo 3. The product range is in various stages of development and is to be further expanded in future.

**AWARDS.**

Deutsche Telekom was named as the most valuable German brand by **Brand Finance Global 500**. Our top ranking is primarily a result of the successful redesign of our umbrella brand. We were acclaimed as the most trusted German brand by **European Trusted Brands 2014**, the largest consumer study in Europe. We performed especially well in the Mobile Phone Network and Internet Service Provider categories. Readers of the trade magazines PC Magazin, PCgo, and Business&IT voted us the winner of three **Victor Awards** for best Internet provider, best host, and best M2M solutions.

**NEW CORPORATE CUSTOMER AGREEMENTS.**

T-Systems and **SABMiller**, one of the world's largest brewery groups and based in the United Kingdom, have concluded a corporate customer agreement on information and communications services for the next five years. In future, SABMiller's business locations around the world will be connected via our global high-speed network.

Our business customers arm, T-Systems, signed a contract with **Daimler AG** which has a three-digit million order volume. T-Systems will assume exclusive responsibility for the maintenance, development, and integration of numerous software applications in all major business units of the car manufacturer. Apart from cooperating in the traditional area of systems integration, both partners will work together in future-oriented areas, such as connected cars and cloud-based workstations.



# 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. In addition, 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 42).

## 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 development in the first quarter of 2014, the currently prevailing economic risks, the outlook, 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 positive in the first three months of 2014. In addition to strong growth in the United States, this was also thanks to the economic recovery in Europe. The International Monetary Fund (IMF) currently forecasts global economic growth of 3.6 percent in 2014.

Economic development in our core markets was mainly positive in the first quarter of 2014: In Germany, the economy grew by 1.9 percent compared with the prior-year quarter. The German Bundesbank cites the relatively mild winter and the recovery of the eurozone as reasons for this accelerated growth.

The United States economy saw an increase of 2.8 percent compared to the prior-year quarter. The labor market proved very robust despite what was in some cases a hard winter: 192,000 new positions were created in March. The budget deficit is at a seven-year low. In the first three months of 2014, the eurozone performed better than expected, growing by 0.9 percent. In France, Spain, and the Netherlands, the economic situation improved slowly but steadily. We also observe more positive developments in the United Kingdom and in the Eastern European countries of Romania, the Czech Republic, Poland, Hungary, and Slovakia. This estimate is based on sound economic growth, supported by rising exports, positive expectations in industry, and an increase in domestic demand. Greece and Croatia recorded a GDP decline in the first quarter of 2014.

### GDP growth rates in our core countries.

	Q1 2014 compared with Q1 2013
Germany	1.9
United States	2.8
Greece	(1.4)
Romania	2.9
Poland	2.6
Hungary	2.4
Czech Republic	2.7
Croatia	(1.2)
Netherlands	0.9
Slovakia	1.5
Austria	0.9
United Kingdom	3.2

Source: Oxford Economics, Forecast from April 2014.

### OUTLOOK.

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

### OVERALL ECONOMIC RISKS.

The global economic recovery, supported primarily by the growing trust in industrialized countries, could lead to increased outflow of capital from emerging markets. This latter development could slow national economies in these markets and also cause increased tensions in capital markets and burden global economic development.

A further substantial increase in tensions between Russia and the Ukraine could impact on the economic and financial stability primarily in Eastern European countries and result in negative effects for the global economy.

Growing imbalances, geopolitical tensions, and rising risks for the emerging economies will be the central issues for 2014.

#### TELECOMMUNICATIONS MARKET.

In its forecast of March 2014, EITO (European Information Technology Observatory) assumes that worldwide expenditure for IT and telecommunications will increase by 4.5 percent in 2014 compared with 2013. For 2014, the ICT industry in the United States is forecast to grow by 4.0 percent. In Europe, growth will be lower at 1.3 percent.

According to the current EITO forecast, the global telecommunications market will enjoy above-average growth of 5.0 percent to EUR 1.7 trillion in 2014. Revenue from telecommunications infrastructure will increase by 7.9 percent to EUR 0.4 trillion. Revenue from telecommunications services will grow 3.9 percent to EUR 1.3 trillion. Growth will be particularly fast in business with mobile data services, which will increase by 12.8 percent to EUR 347 billion.

#### REGULATION.

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

**Further rulings by the Federal Network Agency on vectoring are expected in the second quarter of 2014.** The Federal Network Agency had essentially already given the green light to the use of vectoring transmission technology in August 2013, although some provisions were subject to the provision of a certain wholesale offer (bitstream access). This offer, as well as other contractual regulations, must be defined by the Federal Network Agency in a further administrative procedure, which is not expected to be completed until the end of the second quarter of 2014. From this date, it will be possible to use vectoring in Germany.

#### ASSIGNMENT OF FREQUENCIES.

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

- In **Greece**, the Greek regulatory authority EETT carried out spectrum allocation proceedings for the 3.4 to 3.6 GHz and the 3.6 to 3.8 GHz frequency ranges. Both ranges have not previously been used for mobile broadband services, but are considered to be extension bands in the medium to long term for the use of mobile broadband technologies. In the short term, the 3.5 GHz band will continue to be used for fixed-wireless access services. OTE had taken part in the proceedings for this purpose. As there was no shortage of 3.5 GHz frequencies, OTE was able to secure the targeted spectrum of 2x 30 MHz at the minimum price of approximately EUR 2.5 million without taking part in an auction.
- In the meantime, there have been delays in preparations for the frequency auctions in **Hungary, Montenegro, and Poland**, where the publication of the final rules of award and the start of the bidding phase had been expected for the second quarter of 2014. These proceedings will now be postponed to the second half of 2014. Finally, spectrum is also expected to be awarded in **Albania** in the second half of the year.

### DEVELOPMENT OF BUSINESS IN THE GROUP.

#### RESULTS OF OPERATIONS OF THE GROUP.

##### NET REVENUE.

In the first three months of the 2014 financial year, we generated net revenue of EUR 14.9 billion, up by a substantial EUR 1.1 billion or 8.0 percent compared with the same period in the prior year. Our United States operating segment in particular contributed to this trend thanks to the revenue generated by MetroPCS, which was only taken into account from the second quarter due to its first-time inclusion as of May 1, 2013, and continued strong customer additions. The substantial price changes imposed in some cases last year by regulatory authorities, intense competition, and the still strained economic situation in some European countries had a negative effect on revenue. Our Germany operating segment held its own, particularly in the mobile market, in the prevailing regulatory and competitive environment, but recorded a slight decline in revenue overall. This was primarily due to the line losses in fixed-network business. The general downward trend in prices for IT and communications services had a negative impact on revenue in our Systems Solutions operating segment.

Adjusted for the effects of changes in the composition of the Group of EUR 0.8 billion in total, as well as negative exchange rate effects of EUR 0.2 billion, especially from the translation of U.S. dollars into euros, revenue was up EUR 0.6 billion or 4.2 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 15 et seq.).

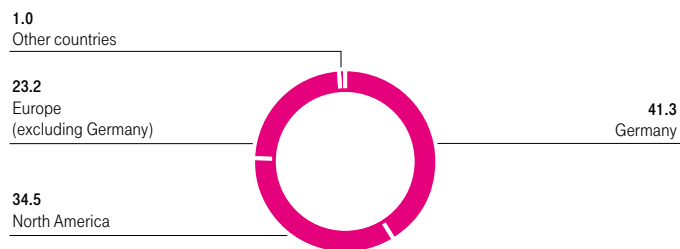
**Contribution of the segments to net revenue.**

millions of €

	Q1 2014	Q1 2013	Change	Change %	FY 2013
<b>NET REVENUE</b>	<b>14,894</b>	<b>13,785</b>	<b>1,109</b>	<b>8.0%</b>	<b>60,132</b>
Germany	5,483	5,566	(83)	(1.5)%	22,435
United States	5,074	3,541	1,533	43.3%	18,556
Europe	3,125	3,343	(218)	(6.5)%	13,704
Systems Solutions	2,052	2,226	(174)	(7.8)%	9,038
Group Headquarters & Group Services	622	691	(69)	(10.0)%	2,879
Intersegment revenue	(1,462)	(1,582)	120	7.6%	(6,480)

**Breakdown of revenue by region.**

%



At 34.5 percent, our Germany operating segment again provided the largest contribution to net revenue of the Group. Our United States operating segment substantially increased its share in net revenue by 8.4 percentage points year-on-year due in part to the inclusion of MetroPCS, whereas the contribution 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, up from 54.3 percent in the prior-year period to 58.7 percent in the reporting period.

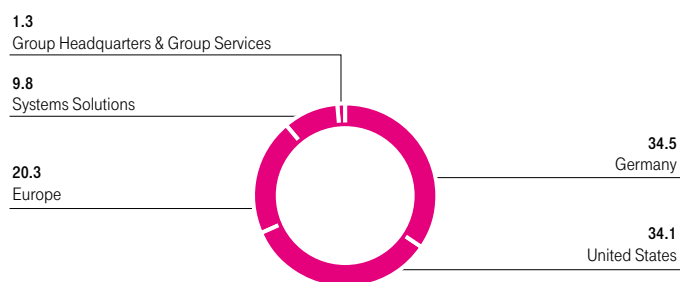
**EBITDA, ADJUSTED EBITDA.**

Our EBITDA increased year-on-year by EUR 1.6 billion to EUR 5.6 billion. Positive special factors amounting to EUR 1.5 billion were included in EBITDA in the first quarter of 2014. They were mainly attributable to income from the deconsolidation of the Scout24 group of EUR 1.7 billion in total. Expenses incurred in connection with staff-related measures and non-staff related restructuring expenses decreased by EUR 0.1 billion compared with the prior-year level.

Excluding special factors, adjusted EBITDA decreased year-on-year by EUR 0.2 billion to EUR 4.1 billion in the first quarter of 2014. 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 15 et seq.).

**Contribution of the segments to net revenue.**

%

**Contribution of the segments to adjusted Group EBITDA.**

millions of €

	Q1 2014	Q1 2013	Change	Change %	FY 2013
<b>EBITDA (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP</b>	<b>4,121</b>	<b>4,288</b>	<b>(167)</b>	<b>(3.9)%</b>	<b>17,424</b>
Germany	2,230	2,255	(25)	(1.1)%	8,936
United States	844	888	(44)	(5.0)%	3,874
Europe	1,027	1,097	(70)	(6.4)%	4,550
Systems Solutions	138	168	(30)	(17.9)%	774
Group Headquarters & Group Services	(118)	(99)	(19)	(19.2)%	(655)
Reconciliation	0	(21)	21	n.a.	(55)

**EBIT.**

Group EBIT increased substantially by EUR 1.7 billion to EUR 3.1 billion compared with the first quarter of 2013, primarily due to income from divestitures in connection with the disposal of the Scout24 group. This was offset by a EUR 0.1 billion increase in depreciation, amortization and impairment losses compared with the prior-year period, attributable to the inclusion of MetroPCS since May of last year as well as the roll-out of the LTE network as part of T-Mobile US' network modernization program.

**PROFIT BEFORE INCOME TAXES.**

Profit before income taxes increased by EUR 1.4 billion to EUR 2.4 billion year-on-year in the first quarter of 2014 as a result of the aforementioned effects. Loss from financial activities increased slightly year-on-year. This development was attributable to the inclusion of MetroPCS and local financing conditions for T-Mobile US.

**NET PROFIT.**

Net profit increased to EUR 1.8 billion. The tax expense for the current financial year amounted to EUR 0.6 billion. For further information, please refer to the interim consolidated financial statements (page 40).

Profit attributable to non-controlling interests decreased slightly year-on-year, due in part to the acquisition of the remaining shares in T-Mobile Czech Republic which we did not yet own.

**Number of employees (at the reporting date).**

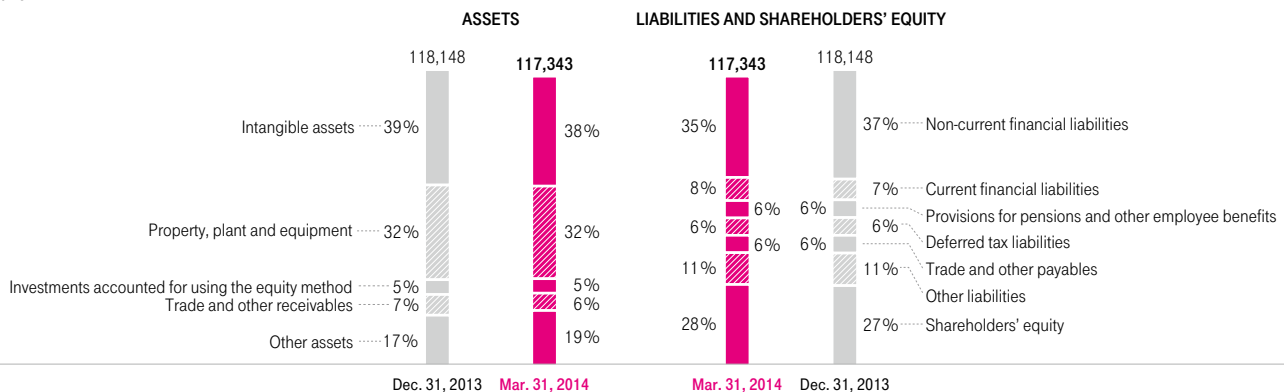
	Mar. 31, 2014	Dec. 31, 2013
Germany	67,318	66,725
United States	36,633	37,071
Europe <sup>a</sup>	52,982	53,265
Systems Solutions <sup>a</sup>	49,436	49,540
Group Headquarters & Group Services	20,871	21,995
<b>NUMBER OF EMPLOYEES IN THE GROUP</b>	<b>227,240</b>	<b>228,596</b>
Of which: civil servants (in Germany, with an active service relationship)	20,578	20,523

<sup>a</sup> 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 42).

The Group's headcount decreased by 0.6 percent compared with the end of 2013. Our segments showed countervailing trends to some extent. In the Germany operating segment, the headcount increased by 0.9 percent as staff were taken on primarily for the build-out and upgrade of our "networks of the future." In our United States operating segment the total number of employees decreased by 1.2 percent in the first quarter of 2014. This decrease compared with December 31, 2013 was on the one hand due to a decrease in customer acquisition employees, but on the other partially offset by an increase in customer support employees. In our Europe operating segment, staff levels decreased by 0.5 percent compared with December 31, 2013. This 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 also reduced the workforce. On the other hand, the number of employees in the fixed-network business in Greece increased. In our Systems Solutions operating segment, the headcount decreased slightly by just 0.2 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 5.1 percent compared with the end of 2013, due in particular to the deconsolidation of the Scout24 group. The personnel increase in the innovation areas of the DBU slightly counteracted this effect.

**FINANCIAL POSITION OF THE GROUP.****Structure of the statement of financial position.**

millions of €



The level of **total assets** decreased by EUR 0.8 billion compared with December 31, 2013. Our consolidated statement of financial position was mainly influenced by the following factors:

**Intangible assets** decreased by EUR 0.8 billion, mainly due to the recognition of amortization of EUR 0.9 billion and reclassifications of EUR 0.6 billion for mobile licenses of T-Mobile US to non-current assets and disposal groups held for sale. This decrease was offset by capital expenditure of EUR 0.7 billion.

**Property, plant and equipment** decreased by EUR 0.2 billion compared to the end of 2013 to EUR 37.3 billion. The carrying amount was reduced by depreciation of EUR 1.6 billion and increased by capital expenditure of EUR 1.4 billion.

The carrying amount of **investments accounted for using the equity method** increased by EUR 0.1 billion to EUR 6.3 billion in the first quarter of 2014. On the one hand, the carrying amount for the investments decreased by EUR 0.2 billion as a result of a dividend payment received from the EE joint venture; on the other, the recognition of the remaining stake in the Scout24 group as an investment accounted for using the equity method had an increasing effect of EUR 0.3 billion.

**Trade and other receivables** decreased by EUR 0.2 billion to EUR 7.5 billion, due in particular to factoring agreements concluded in the reporting period concerning monthly revolving sales of current trade receivables totaling EUR 0.4 billion. An increased percentage of terminal equipment sold under installment plans in our United States operating segment increased our receivables. This results from T-Mobile US' strategy to introduce new rate plans under which terminal equipment is no longer sold at a subsidized price, but on the basis of a financing plan.

As of March 31, 2014, **other assets** include the following significant effects: **Non-current assets and disposal groups held for sale** increased by EUR 0.2 billion, due to the recognition of EUR 0.6 billion for the exchange of mobile licenses at T-Mobile US with Verizon Communications and the derecognition of the shares in the Scout24 group totaling EUR 0.3 billion. **Inventories** increased by EUR 0.1 billion due to increased stock levels of terminal equipment (in particular smartphones) at T-Mobile US.

Current and non-current **financial liabilities** increased by EUR 2.0 billion compared with the end of 2013 to EUR 49.6 billion in total. For the main effects on financial liabilities, please refer to net cash used in/from financing activities on page 41 of the interim consolidated financial statements.

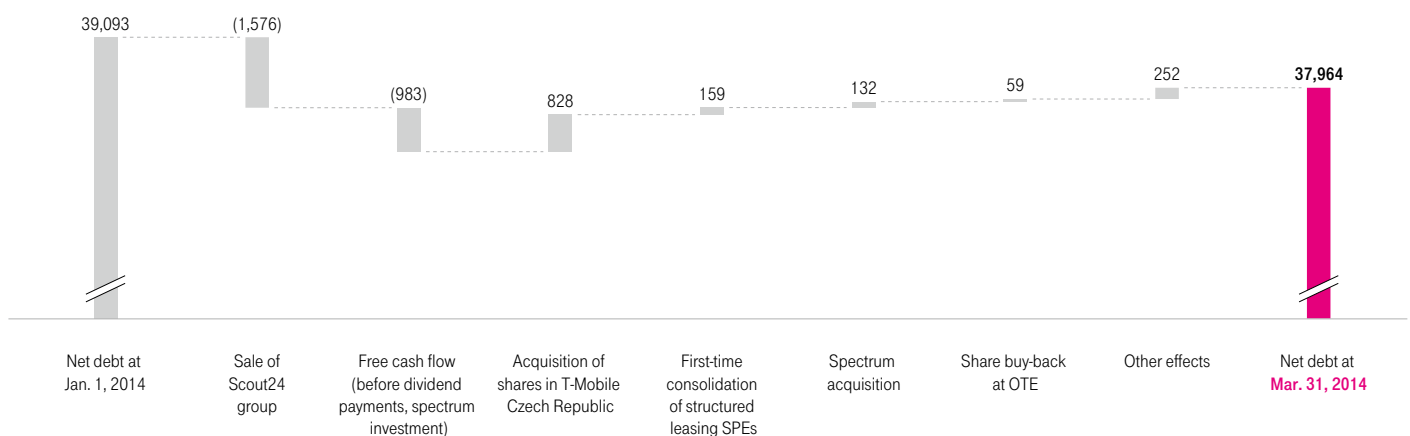
The EUR 0.3 billion increase in **provisions for pensions and other employee benefits** to EUR 7.3 billion was primarily attributable to actuarial losses recognized directly in equity as a result of the sustained decline in interest levels.

**Trade and other payables** decreased by EUR 0.6 billion compared with the end of 2013 to EUR 6.7 billion, due in part to lower procurement volumes in inventories and a slight reduction in capital expenditures in the Europe operating segment. Increased stock levels of terminal equipment (primarily smartphones) in the United States operating segment had an offsetting effect.

**Shareholders' equity** increased by EUR 0.7 billion compared with December 31, 2013 to EUR 32.8 billion, due to a profit of EUR 1.9 billion. This was contrasted by the following effects, which were recognized directly in equity: EUR 0.8 billion from the acquisition of the remaining shares in T-Mobile Czech Republic and EUR 0.2 billion from actuarial losses (after taxes).

#### Changes in net debt.

millions of €



Net debt decreased by EUR 1.1 billion to EUR 38.0 billion compared with the end of 2013, mainly due to the sale of shares in the Scout24 group and free cash flow totaling EUR 2.6 billion. The acquisition of the remaining shares in T-Mobile Czech Republic for EUR 0.8 billion, the first-time consolidation of four structured leasing special purpose entities (SPEs) accounting for EUR 0.2 billion, the acquisition of spectrum for EUR 0.1 billion (primarily in

the Czech Republic), and the buy-back of shares at OTE for EUR 0.1 billion increased net debt, as did other effects totaling EUR 0.3 billion.

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 50 et seq.).

#### Free cash flow (before dividend payments, spectrum investment).<sup>a</sup>

millions of €

	Q1 2014	Q1 2013	Change	Change %	FY 2013
<b>CASH GENERATED FROM OPERATIONS<sup>a</sup></b>	<b>3,860</b>	<b>3,811</b>	<b>49</b>	<b>1.3%</b>	<b>15,289</b>
Interest received (paid)	(898)	(764)	(134)	(17.5)%	(2,075)
<b>NET CASH FROM OPERATING ACTIVITIES<sup>a</sup></b>	<b>2,962</b>	<b>3,047</b>	<b>(85)</b>	<b>(2.8)%</b>	<b>13,214</b>
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment ( <b>CASH CAPEX</b> )	(2,065)	(2,087)	22	1.1%	(8,861)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	86	78	8	10.3%	253
<b>FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)<sup>a</sup></b>	<b>983</b>	<b>1,038</b>	<b>(55)</b>	<b>(5.3)%</b>	<b>4,606</b>

<sup>a</sup> 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 remained unchanged against the prior-year period at EUR 1.0 billion. This was due to both the stable year-on-year trend in net cash from operating activities and cash capex.

A dividend payment received from the EE joint venture, which was EUR 0.1 billion higher than in the prior year, had a positive effect on net cash from operating activities. During the reporting period, factoring agreements were concluded concerning the monthly revolving sales of current trade receivables. This resulted in a positive effect on net cash from operating activities of EUR 0.4 billion. A EUR 0.1 billion increase in net interest payments and higher market investments in the United States operating segment, by contrast, decreased net cash from operating activities.

For further information on the statement of cash flows, please refer to the interim consolidated financial statements, page 41.

#### 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 €

	Apr. 1, 2013 through Mar. 31, 2014	FY 2013
<b>REVENUE AND EARNINGS</b>		
Net revenue	61,241	60,132
Profit from operations (EBIT)	6,380	4,930
Depreciation, amortization and impairment losses	(11,013)	(10,904)
EBITDA	17,393	15,834
EBITDA (adjusted for special factors)	17,257	17,424
Net profit (loss)	2,183	930
Net profit (loss) (adjusted for special factors)	2,575	2,755
Earnings per share basic/diluted	€ 0.49	0.21
<b>CASH FLOWS</b>		
Net cash from operating activities <sup>a</sup>	13,129	13,214
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment (cash capex)	(8,839)	(8,861)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	261	253
Free cash flow (before dividend payments and spectrum investment) <sup>a</sup>	4,551	4,606

<sup>a</sup> Before effects in connection with the AT&T transaction and compensation payments for MetroPCS employees.

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

The increase of around EUR 1.5 billion in profit from operations (EBIT) mainly resulted from income from divestitures in connection with the disposal of shares in the Scout24 group in February 2014 totaling EUR 1.7 billion. This

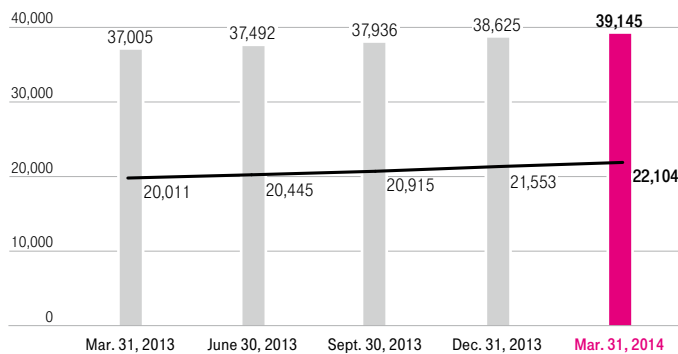
effect was offset by an increase of around EUR 0.1 billion in depreciation, amortization and impairment losses, attributable to the inclusion of MetroPCS since May of last year as well as the roll-out of the LTE network as part of T-Mobile US' network modernization program.

The aforementioned effect from the deconsolidation of the Scout24 group is also decisive for the changes in our other unadjusted financial figures.

## DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS.

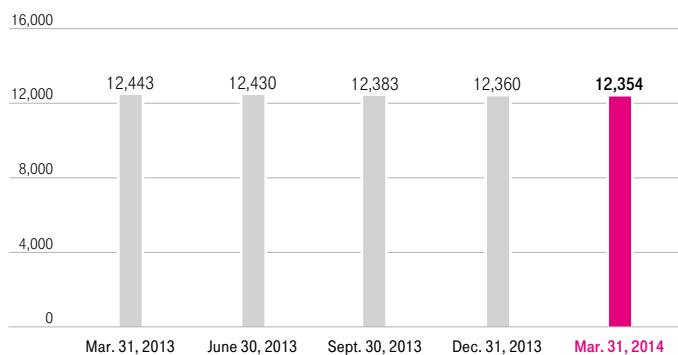
### GERMANY. CUSTOMER DEVELOPMENT.

#### Mobile customers. thousands

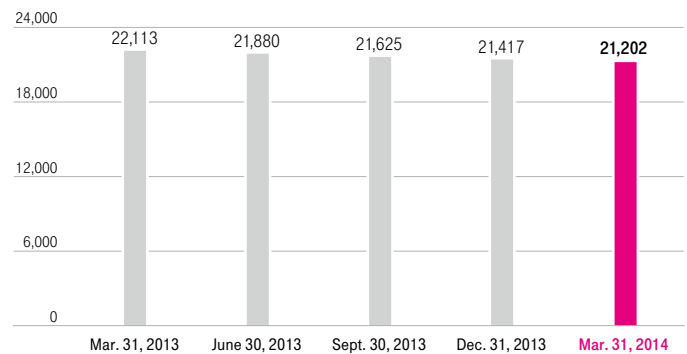


— Contract customers

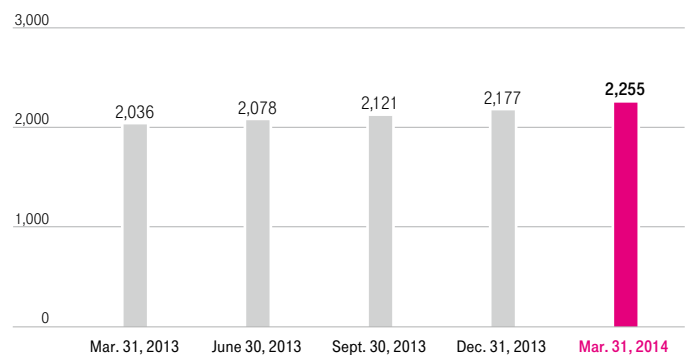
#### Broadband lines. thousands



#### Fixed-network lines. thousands



#### Television (IPTV, satellite).<sup>a</sup> thousands



<sup>a</sup> Customers connected.

thousands

	Mar. 31, 2014	Dec. 31, 2013	Change Mar. 31, 2014/ Dec. 31, 2013 %	Mar. 31, 2013	Change Mar. 31, 2014/ Mar. 31, 2013 %
<b>TOTAL</b>					
Mobile customers	39,145	38,625	1.3%	37,005	5.8%
Contract customers	22,104	21,553	2.6%	20,011	10.5%
Prepay customers	17,040	17,072	(0.2)%	16,994	0.3%
Fixed-network lines	21,202	21,417	(1.0)%	22,113	(4.1)%
Of which: IP-based	2,640	2,141	23.3%	1,215	n.a.
Broadband lines	12,354	12,360	–	12,443	(0.7)%
Of which: optical fiber	1,375	1,246	10.4%	1,015	35.5%
Television (IPTV, satellite)	2,255	2,177	3.6%	2,036	10.8%
Unbundled local loop lines (ULLs)	9,207	9,257	(0.5)%	9,422	(2.3)%
Wholesale bundled lines	362	390	(7.2)%	483	(25.1)%
Wholesale unbundled lines	1,675	1,564	7.1%	1,362	23.0%
Of which: optical fiber	367	274	33.9%	127	n.a.
<b>OF WHICH: CONSUMERS</b>					
Mobile customers	30,174	29,943	0.8%	29,064	3.8%
Contract customers	16,112	15,669	2.8%	14,396	11.9%
Prepay customers	14,061	14,275	(1.5)%	14,668	(4.1)%
Fixed-network lines	16,698	16,923	(1.3)%	17,536	(4.8)%
Of which: IP-based	2,407	1,960	22.8%	1,119	n.a.
Broadband lines	9,927	9,963	(0.4)%	10,035	(1.1)%
Of which: optical fiber	1,171	1,064	10.1%	866	35.2%
Television (IPTV, satellite)	2,071	2,001	3.5%	1,866	11.0%
<b>OF WHICH: BUSINESS CUSTOMERS</b>					
Mobile customers	8,971	8,682	3.3%	7,941	13.0%
Contract customers	5,992	5,885	1.8%	5,615	6.7%
Prepay customers (M2M)	2,979	2,797	6.5%	2,326	28.1%
Fixed-network lines	3,460	3,445	0.4%	3,515	(1.6)%
Of which: IP-based	216	164	31.7%	81	n.a.
Broadband lines	2,101	2,072	1.4%	2,083	0.9%
Of which: optical fiber	200	180	11.1%	147	36.1%
Television (IPTV, satellite)	182	174	4.6%	168	8.3%

### Total.

We have maintained our lead in the fixed network and aim to gain a permanent foothold in mobile communications as the number one provider. Our goal is to be the leading telecommunications provider with integrated IP networks in Germany. The IP transformation has already got off to a successful start. In the first quarter of 2014 alone, we migrated 499 thousand customers to IP-based lines, bringing the total number of migrations up to 2.6 million.

In the highly competitive mobile market, we gained 551 thousand mobile contract customers in the first quarter of 2014 with slightly lower market investments, thus asserting our leading position. Alongside customers gained via service providers, 204 thousand of these additions were attributable to business under our Telekom and “congstar” brands.

We recorded increased demand for our fiber-optic products VDSL and FTTH. The number of these lines rose by 222 thousand in three months to a total of 1.7 million. With the progress in fiber-optic roll-out and our innovative vectoring technology, we will drive forward the marketing of substantially higher bandwidths. We are rolling out vectoring-enabled VDSL lines to more and more cities as part of our network upgrade initiative, and, from the second half of 2014, we will double the maximum download speed from 50 Mbit/s to

up to 100 Mbit/s. In regions already covered by this technology, customers can now reserve vectoring-enabled lines which will then be upgraded to the faster speed in the second half of the year.

With our “contingent model” and its future refinement, we are creating incentives for 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: We recorded growth of 22.1 percent in the first quarter of 2014, currently having connected 83 thousand apartments to our network.

### Mobile communications.

**Mobile telephony and data services.** Thanks to our outstanding network coverage, our attractive rate plans, and our customers’ growing satisfaction, we added a total of 520 thousand new mobile customers. The Business Customers area and our second brand “congstar” developed particularly positive.

In the first quarter of 2014, we sold 1.4 million mobile terminal devices, with significant demand for premium equipment. The proportion of smartphones, especially Android devices and iPhones, totaled 69.3 percent. The trend of growing demand for mobile data rates thus continued.



### Fixed network.

**Telephony, Internet, and television.** In the broadband market, we are still competing intensely, especially with the cable operators. Nevertheless, the number of broadband lines remained almost stable in the first quarter of 2014 at 12.4 million. A total of 247 thousand customers use a mobile broadband connection. In total, 18.3 percent of our broadband customers are TV customers. In the traditional fixed network, the number of lines decreased by 1.0 percent compared with the end of 2013. Customers switched primarily to cable operators, but increasingly also to regional providers.

### Consumers.

**Connected life across all screens.** The number of mobile customers increased by 231 thousand in the first quarter of 2014 compared with the end of 2013. We won another 443 thousand contract customers, mainly from the reseller customer segment and under our second brand "congstar." The number of prepaid customers decreased by 1.5 percent in the reporting period, largely due to the decline in the reseller segment (service providers).

In particular, rate plans with integrated data flat rates for mobile Internet (Complete Comfort and Special Allnet) as well as pure data rate plans like Mobile Data and Combi Card Mobile Data developed positively. Call & Surf Comfort via Funk also performed very well, with 15 thousand net additions compared with the end of 2013.

In the fixed network, we migrated 447 thousand customers to IP-based lines and won another 70 thousand TV customers in the first quarter of 2014. Of the 9.9 million broadband lines, around 1.2 million customers use a fiber-optic line – 107 thousand of which were added in the first quarter of 2014. The line losses in the fixed network totaled 225 thousand, i.e., less than the 253 thousand recorded in the first quarter of 2013.

### Business Customers.

**Connected work with innovative solutions.** We were particularly successful in mobile communications in the first quarter of 2014 – with 107 thousand new contract customers – as well as in the machine-to-machine segment – with an increase of 182 thousand cards. In mobile Internet, customers are increasingly opting for plans with higher bandwidths, such as Complete Comfort and BusinessFlex, including high-quality terminal equipment. In both fixed-network and broadband lines, we recorded modest growth of 0.4 percent and 1.4 percent, respectively, in the first quarter of 2014 compared with the end of 2013.

Products in the area of connected work developed positively. As a consequence, we recorded further growth in our rate plans "DeutschlandLAN – the 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 111 thousand or 7.1 percent in the first quarter of 2014 was driven mainly by the high demand in connection with the "contingent model." However, the number of bundled wholesale lines declined by 28 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 50 thousand or 0.5 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	Q1 2013	Change	Change %	FY 2013
<b>TOTAL REVENUE</b>	5,483	5,566	(83)	(1.5)%	22,435
Consumers	2,928	2,982	(54)	(1.8)%	12,122
Business Customers	1,404	1,391	13	0.9%	5,676
Wholesale	952	959	(7)	(0.7)%	3,811
Value-Added Services	63	80	(17)	(21.3)%	288
Other	136	154	(18)	(11.7)%	538
Profit from operations (EBIT)	1,249	1,152	97	8.4%	4,435
EBIT margin %	22.8	20.7			19.8
Depreciation, amortization and impairment losses	(956)	(966)	10	1.0%	(3,966)
EBITDA	2,205	2,118	87	4.1%	8,401
Special factors affecting EBITDA	(25)	(137)	112	81.8%	(535)
<b>EBITDA (ADJUSTED FOR SPECIAL FACTORS)</b>	2,230	2,255	(25)	(1.1)%	8,936
EBITDA margin (adjusted for special factors) %	40.7	40.5			39.7
<b>CASH CAPEX</b>	(705)	(594)	(111)	(18.7)%	(3,411)

**Total revenue.**

Revenue decreased by 1.5 percent year-on-year in the first quarter of 2014. This was precipitated by the 3.0-percent decline in revenue in the fixed-network business, which was partly compensated by the 1.6-percent increase in revenue from mobile communications – largely driven by higher sales of mobile devices. Mobile service revenues increased by 0.2 percent year-on-year in spite of high competitive pressure. This is especially attributable to the strong development in the Business Customers area and to the increase in contract customers under our second brand “congstar.” 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 resulting from line losses in the broadband and fixed-network business.

Revenue from **Consumers** decreased by 1.8 percent, mainly due to a volume- and price-related downturn in the fixed network. Mobile revenue remained at the prior-year level. While mobile service revenues decreased by 1.7 percent owing to a decline in voice telephony and lower revenues from text messages, especially in the prepaid segment, we recorded a substantial 32.0-percent increase in data revenues. Our strong smartphone marketing, which increased revenue from mobile devices by 12.1 percent, also compensated for the decline in mobile service revenues.

Revenue in the **Business Customers** area rose by 0.9 percent. This positive trend primarily resulted from growth in mobile service revenues, especially in data revenue. The decline in revenue from traditional voice telephony had an offsetting effect.

The slight decrease in **Wholesale** revenue of 0.7 percent is attributable to volume and price effects, mainly for interconnection calls and lines. This was partly compensated by the positive trend in unbundled lines.

The decrease in revenue from **Value-Added Services** of 21.3 percent mainly resulted from weaker use of premium rate call numbers and the decline in revenue attributable to the exit from the digital out-of-home advertising business in the fourth quarter of 2013.

**EBITDA, adjusted EBITDA.**

EBITDA adjusted for special factors decreased slightly by 1.1 percent year-on-year as a result of higher costs for the IP transformation and for the integrated network build-out. This was in line with our expectations. With an adjusted EBITDA margin of 40.7 percent, we are above our target corridor of 40 percent. EBITDA in the first quarter of 2014 amounted to EUR 2.2 billion, an increase of 4.1 percent on the prior-year quarter, 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 8.4 percent year-on-year to EUR 1.2 billion. This was primarily attributable to lower special factors in the first quarter of 2014 compared with the prior-year period.

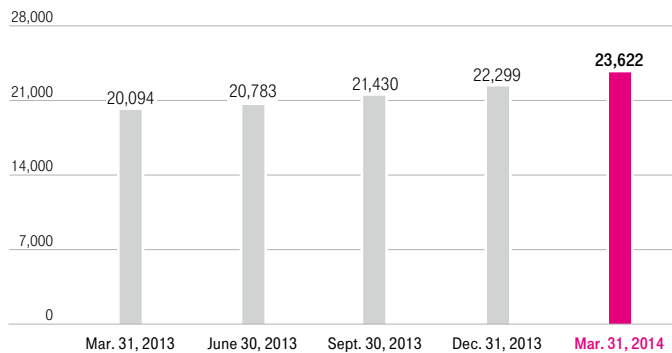
**Cash capex.**

Cash capex increased by 18.7 percent in the first quarter of 2014 compared with the prior-year period. During the first quarter of 2014, we increased our investments in the fiber-optic roll-out, our IP transformation, and our LTE infrastructure as part of our integrated network strategy.

## UNITED STATES. CUSTOMER DEVELOPMENT.

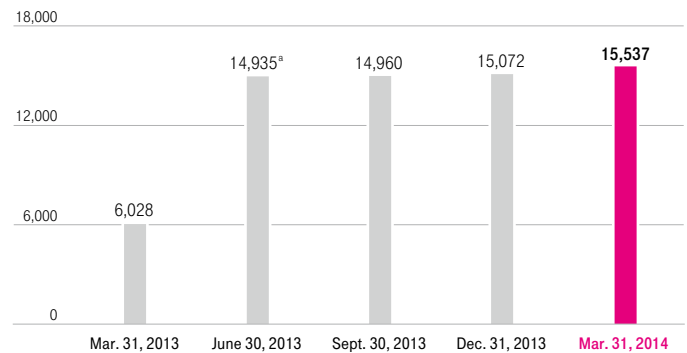
### Branded postpaid customers.

thousands



### Branded prepay customers.

thousands



<sup>a</sup> On May 1, 2013, the number of prepay customers increased by 8,918 thousand in connection with the acquisition of MetroPCS.

thousands

	Mar. 31, 2014	Dec. 31, 2013	Change Mar. 31, 2014/ Dec. 31, 2013 %	Mar. 31, 2013	Change Mar. 31, 2014/ Mar. 31, 2013 %
<b>UNITED STATES</b>					
Mobile customers	49,075	46,684	5.1%	33,968	44.5%
Branded customers	39,159	37,371	4.8%	26,122	49.9%
Branded postpaid	23,622	22,299	5.9%	20,094	17.6%
Branded prepay	15,537	15,072	3.1%	6,028	n.a.
Wholesale customers	9,916	9,313	6.5%	7,846	26.4%
M2M	3,822	3,602	6.1%	3,290	16.2%
MVNOs	6,094	5,711	6.7%	4,556	33.8%

At March 31, 2014, the United States operating segment (T-Mobile US) had 49.1 million customers compared to 46.7 million customers at December 31, 2013. This increase in net customers of 2.4 million was an improvement compared to a net increase of 579 thousand for the three months ended March 31, 2013. In the three months ended March 31, 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 1,323 thousand for the three months ended March 31, 2014, compared to 199 thousand branded postpaid net customer losses for the three months ended March 31, 2013. The significant improvement in customer development was attributable to increased new customer activations and improved branded postpaid churn. Growth in branded postpaid net customer additions resulted primarily from strong response to the company's Un-carrier value proposition and the sales of popular devices.

Branded prepay net customer additions were 465 thousand for the three months ended March 31, 2014, compared to 202 thousand branded prepay net customer additions for the three months ended March 31, 2013. The improvement was attributable to higher branded prepay gross customer additions primarily due to the acquisition and subsequent expansion of the MetroPCS brand, including the launch in 30 additional markets, partially offset by higher branded prepay customer deactivations as a result of the robust competitive environment in the prepay market and more branded prepay customers upgrading to branded postpaid plans.

**Wholesale customers.** Wholesale net customer additions were 603 thousand for the three months ended March 31, 2014, compared to wholesale net customer additions of 576 thousand for the three months ended March 31, 2013. The increase in wholesale net customer additions was primarily the result of MVNO growth in monthly plans and government subsidized Lifeline programs offered by the company's MVNO partners. Both MVNO and M2M customers continued to grow in the three months ended March 31, 2014.

**DEVELOPMENT OF OPERATIONS.**

millions of €

	Q1 2014	Q1 2013	Change	Change %	FY 2013
<b>TOTAL REVENUE</b>	5,074	3,541	1,533	43.3%	18,556
Profit from operations (EBIT)	154	458	(304)	(66.4)%	1,404
EBIT margin %	3.0	12.9			7.6
Depreciation, amortization and impairment losses	(641)	(396)	(245)	(61.9)%	(2,238)
EBITDA	795	854	(59)	(6.9)%	3,642
Special factors affecting EBITDA	(49)	(34)	(15)	(44.1)%	(232)
<b>EBITDA (ADJUSTED FOR SPECIAL FACTORS)</b>	844	888	(44)	(5.0)%	3,874
EBITDA margin (adjusted for special factors) %	16.6	25.1			20.9
<b>CASH CAPEX</b>	(690)	(852)	162	19.0%	(3,279)

**Total revenue.**

Total revenue for our United States operating segment of EUR 5.1 billion in the first quarter of 2014 increased by 43.3 percent compared to EUR 3.5 billion in the first quarter of 2013. In U.S. dollars, T-Mobile US total revenues increased by 48.8 percent year-on-year due primarily to the inclusion of MetroPCS results since May 2013. Excluding MetroPCS operating results, service revenues increased due primarily to an increase in the average number of branded postpaid customers driven by the success of the company's Un-carrier value proposition partially offset by decreased average revenue per branded postpaid customer as a result of growth in Value/Simple Choice plans, which have lower priced rate plans than other branded postpaid rate plans. In addition, increases in equipment sales, including those sold on installment plans, driven by the continued growth in smartphones sales in all distribution channels have contributed to the increase in total revenue.

**EBITDA, adjusted EBITDA, adjusted EBITDA margin.**

Adjusted EBITDA decreased in the first quarter of 2014 by 5.0 percent to EUR 844 million compared to EUR 888 million in the first quarter of 2013. Adjusted EBITDA in the first quarter of 2014 excludes EUR 49 million in expenses primarily associated with stock-based compensation and integration-related costs associated with the business combination with MetroPCS. In U.S. dollars, adjusted EBITDA decreased by 1.3 percent, but benefited from

the inclusion of MetroPCS activity since May 2013. Excluding the results of MetroPCS, adjusted EBITDA would have further decreased due primarily to a higher loss on equipment sales from increased smartphone sales volumes, which have a higher per unit cost, and higher commission expense from increased gross customer additions. Additionally, adjusted EBITDA was negatively impacted by higher promotional costs and the reimbursement of new customer's early termination fees from other carriers associated with Un-carrier phase 4.0, which was launched in the first quarter of 2014. Adjusted EBITDA margin decreased year-on-year due to the factors described above.

**EBIT.**

EBIT decreased by 66.4 percent to EUR 154 million in the first quarter of 2014 from EUR 458 million in the first quarter of 2013 driven by the factors described above and higher depreciation expense due to the inclusion of MetroPCS operating results and the deployment of LTE network assets related to the network modernization program.

**Cash capex.**

Cash capex decreased 19.0 percent year-on-year to EUR 690 million in the first quarter of 2014 compared to EUR 852 million in the first quarter of 2013 related to timing of network spend in connection with the T-Mobile US LTE network modernization program.

## EUROPE.

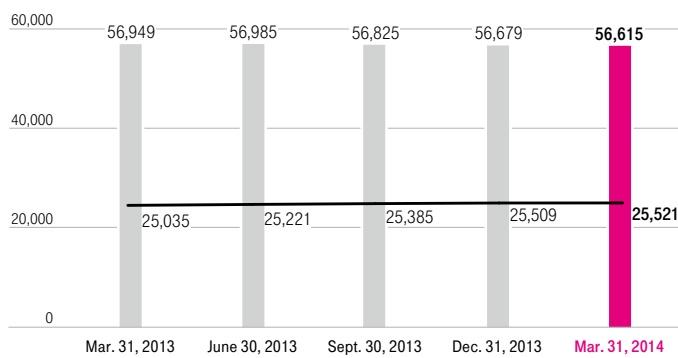
The ICSS/GNF business of the local business units (LBUs), which had previously been organizationally assigned to the Systems Solutions operating segment, was brought together as of January 1, 2014 and is now reported under the Europe operating segment. In addition, as of January 1,

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 42).

### CUSTOMER DEVELOPMENT.

#### Mobile customers.

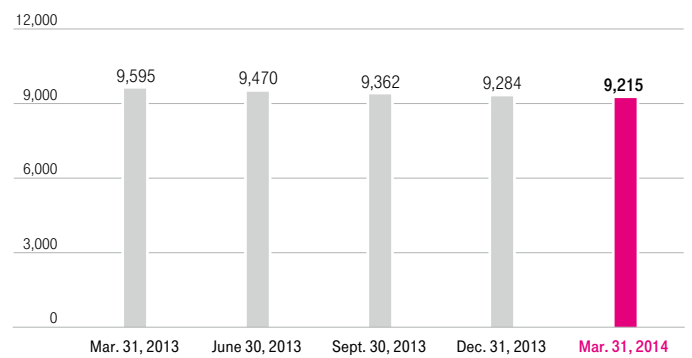
thousands



— Contract customers

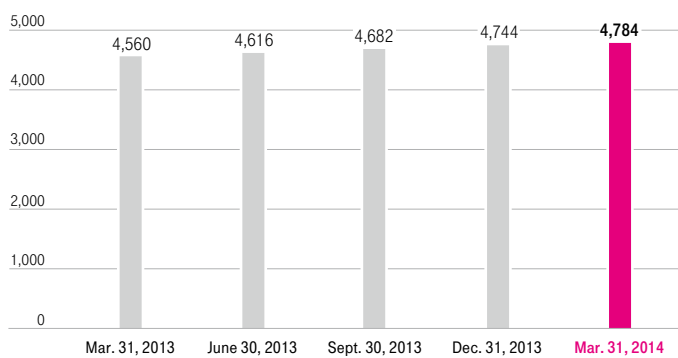
#### Fixed-network lines.<sup>a</sup>

thousands



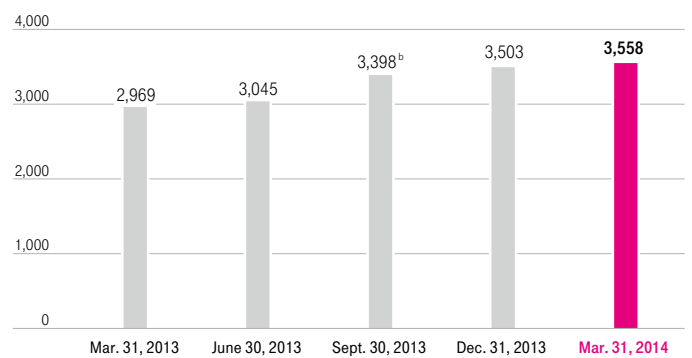
#### Retail broadband lines.<sup>a</sup>

thousands



#### Television (IPTV, satellite, cable).<sup>a</sup>

thousands



<sup>a</sup> The fixed-network customers 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.

<sup>b</sup> The number of TV customers increased as of September 1, 2013 in connection with the acquisition of Digi Slovakia.

thousands

		Mar. 31, 2014	Dec. 31, 2013	Change Mar. 31, 2014/ Dec. 31, 2013 %	Mar. 31, 2013	Change Mar. 31, 2014/ Mar. 31, 2013 %
<b>EUROPE, TOTAL<sup>a</sup></b>	Mobile customers	56,615	56,679	(0.1)%	56,949	(0.6)%
	Fixed-network lines	9,215	9,284	(0.7)%	9,595	(4.0)%
	Of which: IP-based	2,680	2,472	8.4%	1,803	48.6%
	Retail broadband lines	4,784	4,744	0.8%	4,560	4.9%
	Television (IPTV, satellite, cable)	3,558	3,503	1.6%	2,969	19.8%
	Unbundled local loop lines (ULLs)/wholesale PSTN	2,261	2,230	1.4%	2,186	3.4%
	Wholesale bundled lines	158	150	5.3%	154	2.6%
	Wholesale unbundled lines	113	101	11.9%	80	41.3%
<b>GREECE</b>	Mobile customers	7,416	7,477	(0.8)%	7,632	(2.8)%
	Fixed-network lines	2,702	2,746	(1.6)%	2,900	(6.8)%
	Broadband lines	1,299	1,286	1.0%	1,234	5.3%
<b>ROMANIA</b>	Mobile customers	6,080	6,153	(1.2)%	6,155	(1.2)%
	Fixed-network lines	2,341	2,369	(1.2)%	2,409	(2.8)%
	Broadband lines	1,200	1,193	0.6%	1,142	5.1%
<b>HUNGARY</b>	Mobile customers	4,878	4,887	(0.2)%	4,845	0.7%
	Fixed-network lines	1,595	1,596	(0.1)%	1,626	(1.9)%
	Broadband lines	936	922	1.5%	884	5.9%
<b>POLAND</b>	Mobile customers	15,748	15,563	1.2%	15,919	(1.1)%
<b>CZECH REPUBLIC</b>	Mobile customers	5,912	5,831	1.4%	5,570	6.1%
	Fixed-network lines	130	129	0.8%	123	5.7%
	Broadband lines	131	129	1.6%	123	6.5%
<b>CROATIA</b>	Mobile customers	2,272	2,303	(1.3)%	2,309	(1.6)%
	Fixed-network lines	1,138	1,133	0.4%	1,192	(4.5)%
	Broadband lines	678	670	1.2%	664	2.1%
<b>NETHERLANDS</b>	Mobile customers	4,343	4,441	(2.2)%	4,622	(6.0)%
<b>SLOVAKIA</b>	Mobile customers	2,257	2,262	(0.2)%	2,289	(1.4)%
	Fixed-network lines	914	922	(0.9)%	945	(3.3)%
	Broadband lines	532	521	2.1%	488	9.0%
<b>AUSTRIA</b>	Mobile customers	4,105	4,091	0.3%	4,090	0.4%
<b>OTHER<sup>b</sup></b>	Mobile customers	3,604	3,671	(1.8)%	3,518	2.4%
	Fixed-network lines	396	390	1.5%	400	(1.0)%
	Broadband lines	278	274	1.5%	259	7.3%

<sup>a</sup> The fixed-network customers 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.

<sup>b</sup> Other includes national companies of Albania, the F.Y.R.O. Macedonia, and Montenegro.

## Total.

As of March 31, 2014, customer numbers in the markets of our Europe operating segment showed a promising year-on-year development. Despite ongoing intense competition, slight improvements in the economic situation in some countries of our operating segment gave rise to initial slightly positive effects on customer numbers, especially in relation to our mobile contract customers as well as our broadband customers. The number of mobile customers remained stable at the prior-year level. Thanks above all to our strategic focus on gradually rolling out broadband technology, the positive trends of the past financial year continued, with the number of broadband lines increasing compared with the end of 2013. At 4.9 percent, this growth was particularly prominent compared with the figure as of March 31, 2013. Our broadband products based on fiber-optic technology are becoming increasingly important. TV business in particular profited from this trend, growing 1.6 percent compared with December 31, 2013 and by just under 20 percent compared with the end of the prior-year quarter. The number of IP lines grew by 8.4 percent compared with the end of 2013, also due to the successful migration of traditional PSTN lines to IP technology in many countries of our Europe operating segment.

## Mobile communications.

**Mobile telephony and data services.** As of the end of the first quarter of 2014, we had around 56.6 million mobile customers in total, i.e., unchanged against the prior-year level. 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 want to offer 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 includes almost all markets of the countries in our operating segment. Especially in view of the Business Customer area, our mobile networks constitute an identifiable competitive advantage. This is particularly clear in contract customer business: With around 25.5 million customers in total as of March 31, 2014, business customers as a proportion of the total number of contract customers increased to around 31 percent. Compared with the end of the prior year, the number of business customers grew, thereby more than offsetting the slight decline in consumers. Most countries of our operating segment made a positive contribution to this growth, especially the Czech Republic.

Our innovative bundled product offerings combined with the speed of our networks further increased sales of mobile terminal equipment. Smartphones in particular continue to be highly popular in all countries of our operating segment.

As of March 31, 2014, the number of prepay customers was more or less unchanged against the end of the prior year. Compared with the end of the first quarter of 2013, the number of prepay customers decreased, due, on the one hand, to intense competition and, on the other, to the implementation of our long-term strategy of focusing on high-value contract customers.

#### Fixed network.

**Telephony, Internet, and television.** Our TV business once again proved to be a consistent growth driver at the end of the first quarter of 2014, with a total TV customer base of 3.6 million. The majority of the 55 thousand net additions in total were satellite TV customers, especially in Greece. Growth was also achieved in the IPTV customer base, especially in Hungary, as well as in cable TV lines, e.g., in Romania.

The number of our IP-based lines grew by 8.4 percent as of March 31, 2014 compared with the end of the prior year to a total of around 2.7 million

lines. This growth was largely attributable to the successful migration to IP technology in the integrated countries, i.e., those countries where we offer both mobile and fixed-network services. In the F.Y.R.O. Macedonia, we thus successfully completed the migration of our customers to IP-based lines on January 15, 2014. We have also migrated a substantial proportion of lines in Slovakia, Croatia, and Hungary. As of March 31, 2014, IP lines accounted for 29 percent of all lines overall.

The number of retail broadband lines grew to around 4.8 million, up slightly by 0.8 percent compared with December 31, 2013 and by as much as 4.9 percent compared with the end of the prior-year quarter. This growth was primarily driven by innovative rate plans that bundle television with Internet services. The majority of this year-on-year increase is attributable to DSL business, especially in Greece, followed by broadband cable lines in Hungary. Other access technologies such as optical fiber, also recorded encouraging growth compared with the end of 2013, e.g., in Romania.

As of March 31, 2014, around 9.2 million customers in our Europe operating segment used a fixed-network line. This is more or less stable compared with the end of 2013. The first signs of a quarter-on-quarter slowdown in line losses have become apparent since the third quarter of 2013.

## DEVELOPMENT OF OPERATIONS.

millions of €

	Q1 2014	Q1 2013	Change	Change %	FY 2013
<b>TOTAL REVENUE</b>	3,125	3,343	(218)	(6.5)%	13,704
Greece	691	713	(22)	(3.1)%	2,988
Romania	261	243	18	7.4%	1,017
Hungary	366	393	(27)	(6.9)%	1,563
Poland	350	385	(35)	(9.1)%	1,584
Czech Republic	214	238	(24)	(10.1)%	973
Croatia	210	224	(14)	(6.3)%	929
Netherlands	393	393	-	-	1,666
Slovakia	197	192	5	2.6%	828
Austria	192	203	(11)	(5.4)%	828
Other <sup>a</sup>	301	408	(107)	(26.2)%	1,548
Profit from operations (EBIT)	401	438	(37)	(8.4)%	972
EBIT margin %	12.8	13.1			7.1
Depreciation, amortization and impairment losses	(611)	(701)	90	12.8%	(3,399)
EBITDA	1,012	1,139	(127)	(11.2)%	4,371
Special factors affecting EBITDA	(15)	42	(57)	n.a.	(179)
<b>EBITDA (ADJUSTED FOR SPECIAL FACTORS)</b>	1,027	1,097	(70)	(6.4)%	4,550
Greece	260	282	(22)	(7.8)%	1,165
Romania	66	63	3	4.8%	283
Hungary	94	93	1	1.1%	438
Poland	134	140	(6)	(4.3)%	599
Czech Republic	92	109	(17)	(15.6)%	425
Croatia	82	88	(6)	(6.8)%	404
Netherlands	148	114	34	29.8%	495
Slovakia	78	84	(6)	(7.1)%	337
Austria	44	55	(11)	(20.0)%	192
Other <sup>a</sup>	32	69	(37)	(53.6)%	216
EBITDA margin (adjusted for special factors) %	32.9	32.8			33.2
<b>CASH CAPEX</b>	(585)	(1,384)	799	57.7%	(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.

<sup>a</sup> 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 LBU, GNF (Global Network Factory), Europe Headquarters, and Group Technology.

**Total revenue.**

In the first quarter of 2014, our Europe operating segment generated total revenue of EUR 3.1 billion, down 6.5 percent compared with the prior-year quarter. At an operational level excluding consolidation and exchange rate effects, segment revenue decreased by just 2.6 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 as of September 1, 2013 had a slight positive impact on revenue development.

In operational terms, decisions by regulatory authorities had a substantial negative impact on our segment revenue: Mobile termination rates that were reduced in 2013 and roaming regulations in almost all countries of our Europe operating segment were responsible for more than half of the decline in our revenue from operations. In addition, competition-induced price reductions put further pressure on our mobile and fixed-network revenue.

Considering segment revenue by country, mobile business in Poland was hit hardest by declining revenues in the first quarter of 2014, especially as a result of the reduction in mobile termination rates in 2013. Mobile business in Greece was also strongly affected, mainly due to the declining market. The other countries of our operating segment, including Croatia and Austria, also sustained regulation- and market-induced revenue losses. At segment level, consumer and wholesale business were impacted overall by declining revenues.

At segment level, we recorded slight offsetting effects in some countries, such as Romania. Here we were able to generate higher revenues in B2B/ICT business and also in fixed-network wholesale business thanks to increased volumes. In mobile communications too, revenue grew thanks, on the one hand, to text messaging and, on the other, to increased revenue from terminal equipment.

Due to the consistent focus on the growth areas in the countries of our Europe operating segment, we partially compensated the negative revenue effects from voice telephony at segment level. Revenue from mobile data business grew by around 17 percent overall or EUR 54 million (excluding consolidation and exchange rate effects) compared with the prior-year quarter, increasing in all countries of our operating segment, especially in the Netherlands, the Czech Republic, and Austria. The majority of this revenue was attributable to consumer business. Thanks to attractive rate plans combined with our broad portfolio of terminal equipment, such as smartphones and tablets, we gained more contract customers, as is also reflected in the increased use of data services. In TV business, the positive trend of the past few quarters continued: In the first quarter of 2014, revenue from TV business increased by around 32 percent compared with the prior-year quarter and adjusted for the acquisition of DIGI Slovakia by 27 percent. As a result of our broadband roll-out in the fixed network and in mobile communications, we won significantly more customers with our TV offering – around 20 percent compared with the same quarter in the prior year – especially in Greece, Romania, and Hungary. Thanks to the expansion of our product and service portfolio, B2B/ICT also made a positive contribution to revenue.

In addition to the growth areas, there was also a positive trend in revenue from terminal equipment sales compared with the prior-year quarter. This 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 1.0 billion in the first quarter of 2014, a year-on-year decrease of 6.4 percent. Excluding consolidation effects and the negative exchange rate effects compared with the euro, adjusted EBITDA decreased by just 2.3 percent. This remaining operational decline at segment level was largely attributable to the Greek mobile business, as well as to the Czech Republic, Austria, and Slovakia. It was partially offset by increased adjusted EBITDA contributions, for example, from the Netherlands and Hungary as well as the mobile business in Romania, which had a slightly positive impact overall on the development of adjusted EBITDA at segment level.

The overall decrease in revenue at segment level had a negative impact on the development of EBITDA compared with the prior-year quarter. Changes in legislation, taxes and duties, and national austerity programs put additional pressure on the development of earnings. By systematically reducing indirect costs through our efficiency enhancement measures, we partially offset the negative effect from the decline in revenue. Lower personnel costs in the Greek fixed-network business in particular made a positive contribution. In addition, our direct costs decreased overall thanks to targeted measures for customer retention and acquisition. These savings are attributable in part to the positive effects from the alternative model for terminal equipment. Furthermore, at segment level, the regulation-induced reduction in interconnection costs resulted in a slightly positive contribution to adjusted 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 in Greece totaled EUR 691 million in the first quarter of 2014, a year-on-year decline of 3.1 percent. Adjusted for the revenue lost since April 1, 2013 in connection with the sale of Hellas Sat, revenue decreased by 2.1 percent. This remaining decline in revenue from operations was largely due to mobile business. In particular, voice revenue came under further pressure, due among other factors to lower pricing. Despite the difficult economic environment, revenue from mobile data services increased by around 5 percent compared with the prior-year quarter. This was due to both increased use of data services and a higher number of data rate plans sold. Slightly higher revenue from terminal equipment sales had a positive effect on revenue. Fixed-network operations were also affected by



declining revenues. Voice services in particular came under further pressure from line losses in traditional telephony of around 7 percent. The low price level, especially in the broadband business, reduced revenue further. This was only partially offset by growth in DSL lines. TV business continued its encouraging growth trend in the first quarter of 2014, even doubling its revenue year-on-year. We won many new customers with our expanded TV offering, which now also includes exclusive soccer content, for example.

In Greece, adjusted EBITDA decreased to EUR 260 million in the first quarter of 2014, a year-on-year decline of 7.8 percent. Excluding the effects from the deconsolidation of Hellas Sat, adjusted EBITDA decreased by 6.1 percent, mainly due to the negative revenue effects, especially in mobile business. Higher direct costs, partly as a result of higher interconnection costs due to increased volumes, were only partially offset by more targeted measures for mobile customer acquisition. In terms of indirect costs, we partially compensated the negative revenue effects with our programs to enhance efficiency in fixed-network and mobile operations. The success of these programs can be seen in particular in the fixed network with lower personnel costs due to lower staff levels and lower costs for goods and services purchased.

**Slovakia (junior leader).** Our Slovakian subsidiary generated revenue of EUR 197 million in the first quarter of 2014, up 2.6 percent compared with the same quarter in the prior year. Excluding the effects from the inclusion of DIGI Slovakia as of September 1, 2013, revenue decreased by 1.0 percent. This decline relates entirely to mobile business, driven by regulation-induced reductions in termination rates. In addition, revenues were reduced by lower price levels underlying mobile voice revenues, due in particular to intense competition on the Slovakian mobile market. This was only partially offset by increased use of voice services. Mobile data services remained a constant driver of growth again in the first quarter of 2014. Thanks to the higher number of customers using data services and the ongoing strong appeal of smartphone use, we increased revenue by 12 percent. This is also reflected in higher terminal equipment sales. Fixed-network revenue increased compared with the prior-year period, despite the losses in voice telephony attributable to the line losses in traditional telephony and lower prices. The main driver for revenue growth was TV business, as a result of the acquisition of DIGI Slovakia last year. B2B/ICT business also increased significantly against the prior year. Our Slovakian subsidiary made substantial progress in the migration of PSTN lines to the forward-looking IP technology. As of March 31, 2014, we recorded a migration rate of around 70 percent.

Adjusted EBITDA amounted to EUR 78 million in the first quarter of 2014, down 7.1 percent year-on-year. Excluding the effects from the acquisition of DIGI Slovakia, adjusted EBITDA decreased by 9.5 percent. The positive revenue effects were offset again by higher direct costs overall, for example for the B2B/ICT business.

**Poland (mobile runner-up).** In the first quarter of 2014, our revenue in Poland totaled EUR 350 million, down 9.1 percent year-on-year. Excluding the slightly negative exchange rate performance of the Polish zloty against the euro, revenue decreased by 8.3 percent. This operational decline was mainly driven by regulation-induced reductions in termination rates in 2013. The remaining decline was market-related. Despite customer additions and increased usage of voice services, 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 first quarter of 2013 as a result of a lower average price, coupled with reduced use of the text messaging service. The sale of terminal equipment decreased slightly year-on-year in the first quarter of 2014, due to the fact that terminal equipment sales had been particularly high in the first quarter of 2013. The increase in mobile data business had a slightly offsetting effect.

Adjusted EBITDA amounted to EUR 134 million in the first quarter of 2014, down 4.3 percent year-on-year. Excluding the slightly negative exchange rate effects, the decrease was 3.6 percent. Revenue-driven declines were 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 quarter of 2014, we generated revenue of EUR 393 million in the Netherlands, which was on a par with the level of the prior-year quarter. This is the result of offsetting effects: On the one hand, revenue decreased due to the sale of the shares in Euronet Communications as of January 2, 2014. On the other hand, revenue from terminal equipment sales to branded and wholesale customers increased. Mobile data business also made a positive contribution to revenue due to the new rate plans introduced in September last year as well as the increased usage by customers as a result of the ongoing high demand for smartphones. These factors offset the regulation-induced decreases in voice revenue.

Adjusted EBITDA rose by 29.8 percent year-on-year in the first quarter of 2014 to EUR 148 million. This was attributable to expenses no longer incurred as a result of the sale of shares in Euronet Communications, reduced direct costs, primarily due to more targeted measures for customer retention and acquisition as well as regulation-induced lower interconnection costs. In addition, savings in indirect costs, for example, in costs for goods and services purchased, made a positive contribution to EBITDA.

#### **EBIT.**

EBIT in our Europe operating segment totaled EUR 401 million in the first quarter of 2014, down 8.4 percent year-on-year, mainly as a result of the decline in EBITDA. The decline was also attributable to the gain resulting from deconsolidation of Hellas Sat in the first quarter of 2013. Lower depreciation and amortization as a result of the sale of our subsidiaries in Bulgaria as well as of restrained capital expenditure initiatives in most countries of our operating segment counteracted the negative effects from the decline in EBITDA. Depreciation was reduced in particular in Poland and the Netherlands; in the latter due to the sale of the shares in Euronet Communications.

#### **Cash capex.**

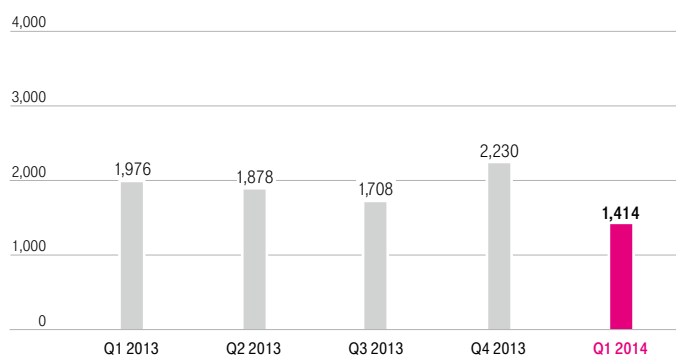
In the first quarter of 2014, our Europe operating segment reported cash capex of EUR 585 million, i.e., down by 57.7 percent, primarily due to the acquisition of the mobile license in the Netherlands in the first quarter of 2013. Adjusted for the effects of spectrum acquisition, cash capex at segment level decreased slightly compared with the prior-year level, since our national companies acted very prudently in their capital spending. The reasons for this included the difficult market situation, decisions by regulatory authorities, and additional financial burdens, such as taxes.

**SYSTEMS SOLUTIONS.**

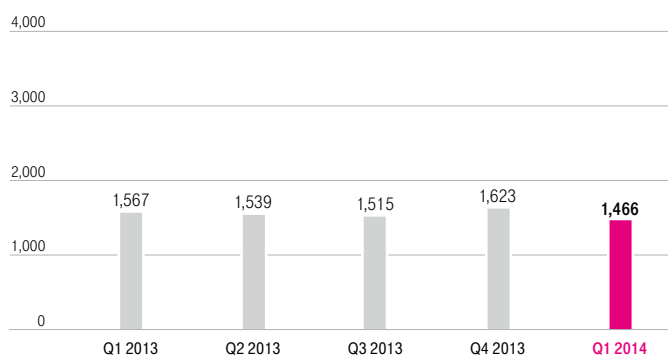
The ICSS/GNF business of the local business units (LBUs), which had previously been organizationally assigned to the Systems Solutions operating segment, was brought together as of January 1, 2014 and is now reported under the Europe operating segment. In addition, as of January 1, 2014, the local business 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 42).

**SELECTED KPIs.****Order entry.**

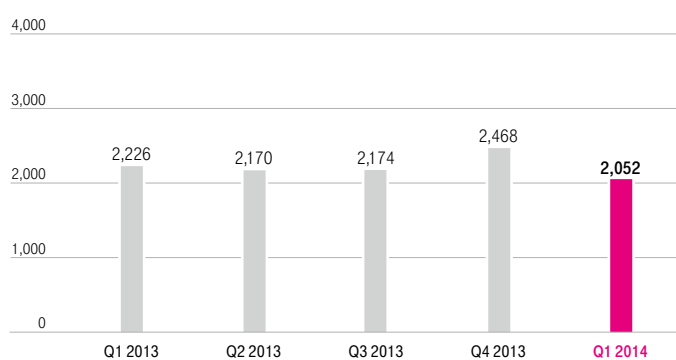
millions of €

**External revenue.**

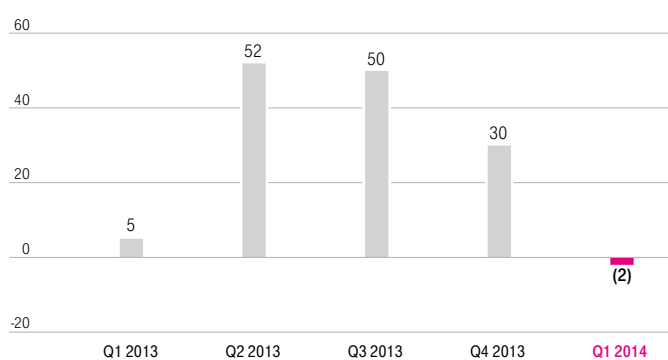
millions of €

**Revenue.**

millions of €

**Adjusted EBIT.**

millions of €



		Mar. 31, 2014	Dec. 31, 2013	Change Mar. 31, 2014/ Dec. 31, 2013 %	Mar. 31, 2013	Change Mar. 31, 2014/ Mar. 31, 2013 %
<b>ORDER ENTRY</b>	millions of €	1,414	7,792	n.a.	1,976	(28.4)%
<b>COMPUTING &amp; DESKTOP SERVICES</b>						
Number of servers managed and serviced	units	61,887	62,308	(0.7)%	56,721	9.1%
Number of workstations managed and serviced	millions	1.34	1.31	2.3%	1.36	(1.5)%
<b>SYSTEMS INTEGRATION</b>						
Hours billed	millions	1.7	6.6	n.a.	1.7	-
Utilization rate	%	82.8	82.5	0.3%p	81.4	1.4%p

### Development of business.

In the first quarter of 2014, we concluded new contracts in Germany and abroad, for example, with the brewery group SABMiller. This encouraging development did not compensate for the persistent cost pressure in the ICT market, however: Order entry was down 28.4 percent year-on-year in the reporting period. Nevertheless, our standard solutions in the growth area of cloud computing succeeded in the face of strong competition, winning us contracts with many of our corporate customers. 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 new deals result in increased requirements, which we are meeting by continuously modernizing and consolidating our ICT resources. The number of servers managed and serviced increased by 9.1 percent compared with the first quarter of 2013. We partially compensated for the greater demand for resources with higher-performance servers and improved utilization management. A similar trend was seen in data centers, where consolidation, e.g., in Magdeburg, is creating larger, higher-performance units. The number of workstations managed and serviced decreased mainly as a result of staff restructuring measures and IT cost-cutting initiatives within the Group.

### DEVELOPMENT OF OPERATIONS.

millions of €

	Q1 2014	Q1 2013	Change	Change %	FY 2013
<b>TOTAL REVENUE</b>	2,052	2,226	(174)	(7.8)%	9,038
Loss from operations (EBIT)	(59)	(69)	10	14.5%	(294)
Special factors affecting EBIT	(57)	(74)	17	23.0%	(431)
EBIT (adjusted for special factors)	(2)	5	(7)	n.a.	137
EBIT margin (adjusted for special factors)	% (0.1)	0.2			1.5
Depreciation, amortization and impairment losses	(140)	(177)	37	20.9%	(652)
EBITDA	81	108	(27)	(25.0)%	358
Special factors affecting EBITDA	(57)	(60)	3	5.0%	(416)
<b>EBITDA (ADJUSTED FOR SPECIAL FACTORS)</b>	138	168	(30)	(17.9)%	774
EBITDA margin (adjusted for special factors)	% 6.7	7.5			8.6
<b>CASH CAPEX</b>	(253)	(209)	(44)	(21.1)%	(1,066)

### Total revenue.

Total revenue in our Systems Solutions operating segment in the reporting period amounted to EUR 2.1 billion, a year-on-year decrease of 7.8 percent. This is largely due to substantial decreases in Telekom IT's revenue, which reflects the successful reduction of IT costs within our Group.

Revenue recognized at the Market Unit includes revenue generated with external customers as well as intragroup revenues for telecommunications services and international IT services that do not fall within the remit of Telekom IT. At EUR 1.7 billion, total revenue of the Market Unit was below the prior-year level. Both national and international revenue decreased compared

with prior-year period. The deconsolidation of T-Systems Italia, the sale of the SI business unit at T-Systems France in the first half of 2013, and exchange rate effects had a negative impact on revenue. The increased number of new deals concluded and our multi-annual contracts from prior periods had a positive effect on total revenue. However, this trend did not fully offset the general negative price trend in the IT and telecommunications business.

In the Telekom IT business unit, which pools all of the Group's internal domestic IT projects, revenue was down against the prior year by 12.7 percent, primarily reflecting the Group's targeted savings in IT costs.

**EBITDA, adjusted EBITDA.**

Adjusted EBITDA in our Systems Solutions operating segment declined by EUR 30 million in the reporting period. Increased profitability in operations was more than offset by expenses required to expand the business model, with the aim of ensuring future profitable growth. The adjusted EBITDA margin decreased from 7.5 percent in the prior-year period to 6.7 percent in the first quarter of 2014. EBITDA decreased by EUR 27 million compared with the same quarter in the prior year due to the aforementioned effects.

**EBIT, adjusted EBIT.**

Adjusted EBIT for the first quarter of 2014 was EUR 7 million lower than in the prior-year period. The key factors were the effects described under EBITDA. Offsetting factors in the reporting period were lower depreciation and amortization as a result of lower investments thanks to increased efficiency and extended useful lives in the prior quarters. The adjusted EBIT margin declined from plus 0.2 percent in the prior year to minus 0.1 percent.

**Cash capex.**

Cash capex was up by EUR 44 million year-on-year to EUR 253 million in the reporting period. This increase was due to the investments needed in connection with our new contracts and customer relationships and was only partly compensated for by enhanced efficiency, for example, as a result of the standardization of the ICT platform. Telekom IT management aims to reduce its own capital expenditure in the long term. Cash outflows include payments for the expansion of the Dynamic Computing platform and for technical upgrades in connection with new deals.

**GROUP HEADQUARTERS & GROUP SERVICES.**

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

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

As of March 31, 2014, Vivento had a workforce of around 8,900 employees (December 31, 2013: around 8,000), of which around 3,800 were deployed externally, mainly in the public sector, for example at the Federal Employment Agency. Another 3,000 or so employees were employed within the Group, especially in service centers. Around 2,100 employees were placed in Vivento's operational and strategic units or continued to be managed by Vivento. In the reporting period, Vivento took on a total of around 1,200 new employees, while around 300 employees left the personnel service provider to pursue new opportunities.

**DEVELOPMENT OF OPERATIONS.**

millions of €

	Q1 2014	Q1 2013	Change	Change %	FY 2013
<b>TOTAL REVENUE</b>	622	691	(69)	(10.0)%	2,879
Of which: Digital Business Unit	156	213	(57)	(26.8)%	970
Profit (loss) from operations ( <b>EBIT</b> )	1,395	(284)	1,679	n.a.	(1,582)
Depreciation, amortization and impairment losses	(149)	(164)	15	9.1%	(699)
EBITDA	1,544	(120)	1,664	n.a.	(883)
Special factors affecting EBITDA	1,662	(21)	1,683	n.a.	(228)
<b>EBITDA (ADJUSTED FOR SPECIAL FACTORS)</b>	(118)	(99)	(19)	(19.2)%	(655)
Of which: Digital Business Unit	1	30	(29)	(96.7)%	121
<b>CASH CAPEX</b>	(65)	(77)	12	15.6%	(411)

**Total revenue.**

Total revenue in the Group Headquarters & Group Services segment in the first quarter of 2014 decreased by 10.0 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 completed in early February 2014. Revenue in the remaining parts of the Digital Business Unit (DBU) increased slightly, primarily due to sales of tofino eReaders and tofino tablets. This was contrasted by slightly lower revenue from Group Services.

**EBITDA, adjusted EBITDA.**

Adjusted EBITDA at Group Headquarters & Group Services declined by EUR 19 million year-on-year in the first quarter of 2014, mainly due to the loss of the operating results of the Scout24 group. Since the closing of the transaction, the earnings from the remaining 30 percent stake are reported under profit/loss from financial activities as share of profit/loss of associates and joint ventures accounted for using the equity method. The DBU's intragroup earnings also declined due to efficiency enhancement measures. Increased income from real estate sales as a result of our continued optimization of the real estate portfolio as well as lower external consulting expenses had a positive impact on adjusted EBITDA.

Overall, EBITDA was impacted by positive special factors of around EUR 1.7 billion in the reporting period, which mainly resulted from the income generated in connection with the deconsolidation of the Scout24 group. Expenses, especially for staff-related measures such as early retirement and severance payments, had a slightly offsetting effect. In the prior-year quarter, EBITDA was negatively impacted by special factors of EUR 21 million, primarily in connection with staff-related measures.

**EBIT.**

The year-on-year increase in profit from operations by around EUR 1.7 billion is mainly due to the income from the deconsolidation of the Scout24 group.

**Cash capex.**

Cash capex decreased year-on-year by 15.6 percent, largely due to the procurement of fewer vehicles.

**EVENTS AFTER THE REPORTING PERIOD (MARCH 31, 2014).**

**Agreed acquisition of the GTS Central Europe group.** On April 15, 2014, we received approval from the European Commission for the takeover of GTS without conditions. The acquisition was announced in November 2013. The transaction is expected to be closed in May 2014.

**Collective agreements for Group Headquarters and Telekom Deutschland.**

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

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

**Agreed sale of Individual Desktop Solutions (IDS).** In April 2014, we agreed with the Aurelius group on the sale of IDS, which belongs to our Systems Solutions operating segment. The transaction is still subject to approval by the relevant authorities and is expected to be closed in mid-2014. The sale price and income from divestiture is not expected to be material.

**Agreements on the acquisition and exchange of mobile licenses in the United States.** In January 2014, T-Mobile US entered into agreements with Verizon Wireless for the acquisition of 700 MHz A-Block spectrum licenses for cash and the transfer of certain AWS spectrum and PCS spectrum. In addition, in November 2013, the company entered into an agreement with Verizon Wireless to exchange certain AWS spectrum and PCS spectrum. The closing for the acquisition of 700 MHz A-Block spectrum licenses was completed on April 30, 2014. The closing for the exchange of AWS spectrum and PCS spectrum was completed on April 29, 2014.

For information on the ongoing legislative process with regard to the regulation of **international roaming**, please refer to the section "Risk situation," page 30.

For explanations on the settlement agreed on April 16, 2014 with regard to the class actions in Texas (United States) brought against the business combination of **MetroPCS** and T-Mobile USA, please refer to the section "Risk situation," page 30.

**FORECAST.**

The statements in this section reflect the current views of our management. To date, there is no evidence that the forecasts published in the 2013 combined management report have significantly changed (2013 Annual Report, page 127 et seq.). Accordingly, the 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.

## RISK SITUATION.

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

### LITIGATION.

**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, totaling around EUR 340 million plus interest.

**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.

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 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 reported legal action against the merger of MetroPCS and T-Mobile USA is concluded.

### REGULATION.

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

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

### ASSESSMENT OF THE AGGREGATE RISK POSITION.

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

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

millions of €

	Mar. 31, 2014	Dec. 31, 2013	Change	Change %	Mar. 31, 2013
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>	<b>22,270</b>	<b>21,963</b>	<b>307</b>	<b>1.4%</b>	<b>15,862</b>
Cash and cash equivalents	7,706	7,970	(264)	(3.3)%	4,540
Trade and other receivables	7,536	7,712	(176)	(2.3)%	6,423
Current recoverable income taxes	146	98	48	49.0%	113
Other financial assets	2,695	2,745	(50)	(1.8)%	1,696
Inventories	1,139	1,062	77	7.3%	1,111
Other assets	1,837	1,343	494	36.8%	1,762
Non-current assets and disposal groups held for sale	1,211	1,033	178	17.2%	217
<b>NON-CURRENT ASSETS</b>	<b>95,073</b>	<b>96,185</b>	<b>(1,112)</b>	<b>(1.2)%</b>	<b>92,975</b>
Intangible assets <sup>a</sup>	45,157	45,967	(810)	(1.8)%	42,811
Property, plant and equipment <sup>a</sup>	37,255	37,427	(172)	(0.5)%	37,135
Investments accounted for using the equity method	6,257	6,167	90	1.5%	6,288
Other financial assets	1,265	1,362	(97)	(7.1)%	1,780
Deferred tax assets	4,841	4,960	(119)	(2.4)%	4,630
Other assets	298	302	(4)	(1.3)%	331
<b>TOTAL ASSETS</b>	<b>117,343</b>	<b>118,148</b>	<b>(805)</b>	<b>(0.7)%</b>	<b>108,837</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>	<b>23,490</b>	<b>22,496</b>	<b>994</b>	<b>4.4%</b>	<b>22,783</b>
Financial liabilities	8,891	7,891	1,000	12.7%	8,919
Trade and other payables	6,696	7,259	(563)	(7.8)%	6,091
Income tax liabilities	295	308	(13)	(4.2)%	441
Other provisions	3,315	3,120	195	6.3%	2,924
Other liabilities	4,293	3,805	488	12.8%	4,361
Liabilities directly associated with non-current assets and disposal groups held for sale	-	113	(113)	n.a.	47
<b>NON-CURRENT LIABILITIES</b>	<b>61,087</b>	<b>63,589</b>	<b>(2,502)</b>	<b>(3.9)%</b>	<b>55,041</b>
Financial liabilities	40,737	43,708	(2,971)	(6.8)%	35,835
Provisions for pensions and other employee benefits	7,285	7,006	279	4.0%	7,113
Other provisions	2,083	2,071	12	0.6%	1,834
Deferred tax liabilities	7,103	6,916	187	2.7%	6,263
Other liabilities	3,879	3,888	(9)	(0.2)%	3,996
<b>LIABILITIES</b>	<b>84,577</b>	<b>86,085</b>	<b>(1,508)</b>	<b>(1.8)%</b>	<b>77,824</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>32,766</b>	<b>32,063</b>	<b>703</b>	<b>2.2%</b>	<b>31,013</b>
Issued capital	11,395	11,395	0	0.0%	11,063
Treasury shares	(54)	(54)	0	0.0%	(6)
	11,341	11,341	0	0.0%	11,057
Capital reserves	50,996	51,428	(432)	(0.8)%	51,506
Retained earnings including carryforwards	(36,670)	(37,437)	767	2.0%	(34,361)
Total other comprehensive income	(2,502)	(2,383)	(119)	(5.0)%	(2,346)
Net profit (loss)	1,817	930	887	95.4%	564
<b>ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>24,982</b>	<b>23,879</b>	<b>1,103</b>	<b>4.6%</b>	<b>26,420</b>
Non-controlling interests	7,784	8,184	(400)	(4.9)%	4,593
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>117,343</b>	<b>118,148</b>	<b>(805)</b>	<b>(0.7)%</b>	<b>108,837</b>

<sup>a</sup> Intangible assets and property, plant and equipment at T-Mobile US as of March 31, 2013 were adjusted retrospectively (2013 Annual Report, page 195).

## CONSOLIDATED INCOME STATEMENT.

millions of €

	Q1 2014	Q1 2013	Change	Change %	FY 2013
<b>NET REVENUE</b>	<b>14,894</b>	<b>13,785</b>	<b>1,109</b>	<b>8.0%</b>	<b>60,132</b>
Cost of sales	(9,134)	(7,954)	(1,180)	(14.8)%	(36,255)
<b>GROSS PROFIT</b>	<b>5,760</b>	<b>5,831</b>	<b>(71)</b>	<b>(1.2)%</b>	<b>23,877</b>
Selling expenses	(3,301)	(3,145)	(156)	(5.0)%	(13,797)
General and administrative expenses	(970)	(1,156)	186	16.1%	(4,518)
Other operating income	1,957	356	1,601	n.a.	1,326
Other operating expenses	(304)	(194)	(110)	(56.7)%	(1,958)
<b>PROFIT FROM OPERATIONS</b>	<b>3,142</b>	<b>1,692</b>	<b>1,450</b>	<b>85.7%</b>	<b>4,930</b>
Finance costs	(597)	(522)	(75)	(14.4)%	(2,162)
Interest income	75	65	10	15.4%	228
Interest expense	(672)	(587)	(85)	(14.5)%	(2,390)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(27)	(80)	53	66.3%	(71)
Other financial income (expense)	(117)	(78)	(39)	(50.0)%	(569)
<b>PROFIT (LOSS) FROM FINANCIAL ACTIVITIES</b>	<b>(741)</b>	<b>(680)</b>	<b>(61)</b>	<b>(9.0)%</b>	<b>(2,802)</b>
<b>PROFIT BEFORE INCOME TAXES</b>	<b>2,401</b>	<b>1,012</b>	<b>1,389</b>	<b>n.a.</b>	<b>2,128</b>
Income taxes	(550)	(391)	(159)	(40.7)%	(924)
<b>PROFIT (LOSS)</b>	<b>1,851</b>	<b>621</b>	<b>1,230</b>	<b>n.a.</b>	<b>1,204</b>
<b>PROFIT (LOSS) ATTRIBUTABLE TO</b>					
Owners of the parent (net profit (loss))	1,817	564	1,253	n.a.	930
Non-controlling interests	34	57	(23)	(40.4)%	274
<b>INCLUDED IN CONSOLIDATED INCOME STATEMENT</b>					
Personnel costs	(3,627)	(3,652)	25	0.7%	(15,144)
Depreciation, amortization and impairment losses	(2,496)	(2,387)	(109)	(4.6)%	(10,904)
Of which: amortization and impairment of intangible assets	(893)	(757)	(136)	(18.0)%	(4,176)
Of which: depreciation and impairment of property, plant and equipment	(1,603)	(1,630)	27	1.7%	(6,728)

## EARNINGS PER SHARE.

	Q1 2014	Q1 2013	Change	Change %	FY 2013
Profit (loss) attributable to the owners of the parent (net profit (loss))	1,817	564	1,253	n.a.	930
Weighted average number of ordinary shares (basic/diluted)	4,430	4,300	130	3.0%	4,370
<b>EARNINGS PER SHARE BASIC/DILUTED</b>	<b>0.41</b>	<b>0.13</b>	<b>0.28</b>	<b>n.a.</b>	<b>0.21</b>



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

millions of €

	Q1 2014	Q1 2013	Change	FY 2013
<b>PROFIT (LOSS)</b>	<b>1,851</b>	<b>621</b>	<b>1,230</b>	<b>1,204</b>
Items not reclassified to the income statement retrospectively				
Gain (loss) from the remeasurement of defined benefit plans	(274)	147	(421)	48
Share of profit (loss) of investments accounted for using the equity method	0	(17)	17	(17)
Income taxes relating to components of other comprehensive income	82	(46)	128	(16)
	<b>(192)</b>	<b>84</b>	<b>(276)</b>	<b>15</b>
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	(3)	0	(3)	0
Change in other comprehensive income (not recognized in income statement)	(61)	(186)	125	(901)
Available-for-sale financial assets				
Recognition of other comprehensive income in income statement	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	(3)	9	(12)	(4)
Gains (losses) from hedging instruments				
Recognition of other comprehensive income in income statement	9	91	(82)	178
Change in other comprehensive income (not recognized in income statement)	(89)	(70)	(19)	(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
Change in other comprehensive income (not recognized in income statement)	1	(2)	3	(37)
Income taxes relating to components of other comprehensive income	27	(8)	35	(5)
	<b>(119)</b>	<b>(166)</b>	<b>47</b>	<b>(931)</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>(311)</b>	<b>(82)</b>	<b>(229)</b>	<b>(916)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1,540</b>	<b>539</b>	<b>1,001</b>	<b>288</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>				
Owners of the parent	1,524	494	1,030	197
Non-controlling interests	16	45	(29)	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)
<b>BALANCE AT JANUARY 1, 2013</b>	<b>11,063</b>	<b>(6)</b>	<b>51,506</b>	<b>(29,106)</b>	<b>(5,353)</b>
Changes in the composition of the Group					
Unappropriated profit (loss) carried forward				(5,353)	5,353
Dividends					
Capital increase from share-based payment					
Share buy-back				(2)	
Profit (loss)					564
Other comprehensive income				101	
<b>TOTAL COMPREHENSIVE INCOME</b>					
Transfer to retained earnings				(1)	
<b>BALANCE AT MARCH 31, 2013</b>	<b>11,063</b>	<b>(6)</b>	<b>51,506</b>	<b>(34,361)</b>	<b>564</b>
<b>BALANCE AT JANUARY 1, 2014</b>	<b>11,395</b>	<b>(54)</b>	<b>51,428</b>	<b>(37,437)</b>	<b>930</b>
Changes in the composition of the Group					
Transactions with owners			(475)		
Unappropriated profit (loss) carried forward				930	(930)
Dividends					
Capital increase from share-based payment			43		
Share buy-back					
Profit (loss)					1,817
Other comprehensive income				(188)	
<b>TOTAL COMPREHENSIVE INCOME</b>					
Transfer to retained earnings				25	
<b>BALANCE AT MARCH 31, 2014</b>	<b>11,395</b>	<b>(54)</b>	<b>50,996</b>	<b>(36,670)</b>	<b>1,817</b>

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
						0	2	2
						0		0
						0	(57)	(57)
						0		0
						(2)		(2)
						564	57	621
(174)		9	21	(19)	(8)	(70)	(12)	(82)
						494	45	539
	1					0		0
(2,622)	(35)	52	348	23	(112)	26,420	4,593	31,013
(2,603)	(39)	38	343	(12)	(110)	23,879	8,184	32,063
						0	1	1
11						(464)	(417)	(881)
						0		0
						0	(21)	(21)
						43	21	64
						0		0
						1,817	34	1,851
(50)		(2)	(80)	1	26	(293)	(18)	(311)
						1,524	16	1,540
	(25)					0		0
(2,642)	(64)	36	263	(11)	(84)	24,982	7,784	32,766

## CONSOLIDATED STATEMENT OF CASH FLOWS.

millions of €

	Q1 2014	Q1 2013	FY 2013
<b>PROFIT (LOSS)</b>	<b>1,851</b>	<b>621</b>	<b>1,204</b>
Depreciation, amortization and impairment losses	2,496	2,387	10,904
Income tax expense (benefit)	550	391	924
Interest income and interest expense	597	522	2,162
Other financial income (expense)	117	78	569
Share of (profit) loss of associates and joint ventures accounted for using the equity method	27	80	71
(Profit) loss on the disposal of fully consolidated subsidiaries	(1,709)	(55)	(131)
Other non-cash transactions	53	3	101
(Gain) loss from the disposal of intangible assets and property, plant and equipment	(26)	20	138
Change in assets carried as working capital	(496)	(348)	(1,266)
Change in provisions	153	(108)	(195)
Change in other liabilities carried as working capital	188	199	696
Income taxes received (paid)	(178)	(184)	(648)
Dividends received	237	110	273
Net payments from entering into or canceling interest rate derivatives	0	0	290
<b>CASH GENERATED FROM OPERATIONS</b>	<b>3,860</b>	<b>3,716</b>	<b>15,092</b>
Interest paid	(1,134)	(918)	(2,961)
Interest received	236	154	886
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>2,962</b>	<b>2,952</b>	<b>13,017</b>
Cash outflows for investments in			
Intangible assets <sup>a</sup>	(822)	(1,440)	(4,498)
Property, plant and equipment <sup>a</sup>	(1,375)	(1,584)	(6,570)
Non-current financial assets	(51)	(170)	(667)
Payments to acquire control of subsidiaries and associates	(60)	(1)	(48)
Proceeds from disposal of			
Intangible assets	2	5	8
Property, plant and equipment	84	73	245
Non-current financial assets	4	2	54
Proceeds from the loss of control of subsidiaries and associates	1,590	31	650
Net change in cash and cash equivalents due to the first-time full consolidation of MetroPCS	-	-	1,641
Net change in short-term investments and marketable securities and receivables	277	301	(701)
Other	3	(46)	(10)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(348)</b>	<b>(2,829)</b>	<b>(9,896)</b>
Proceeds from issue of current financial liabilities	1,504	3,227	10,874
Repayment of current financial liabilities	(3,550)	(5,525)	(18,033)
Proceeds from issue of non-current financial liabilities	58	2,969	9,334
Repayment of non-current financial liabilities	(2)	(127)	(129)
Dividends	-	(17)	(2,243)
DTAG share buy-back	-	(2)	(2)
Repayment of lease liabilities	(40)	(43)	(172)
Stock options of other T-Mobile US shareholders (previous MetroPCS programs)	10	-	102
T-Mobile US capital increase	-	-	1,313
Acquisition of the remaining shares in T-Mobile Czech Republic	(828)	-	-
OTE share buy-back	(59)	-	-
Other	1	(1)	(22)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(2,906)</b>	<b>481</b>	<b>1,022</b>
Effect of exchange rate changes on cash and cash equivalents	(4)	7	(167)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	32	(97)	(32)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(264)</b>	<b>514</b>	<b>3,944</b>
<b>CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD</b>	<b>7,970</b>	<b>4,026</b>	<b>4,026</b>
<b>CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD</b>	<b>7,706</b>	<b>4,540</b>	<b>7,970</b>

<sup>a</sup> Cash outflows for investments in intangible assets and property, plant and equipment at T-Mobile US as of March 31, 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 March 31, 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 the consolidation standards IFRS 10, IFRS 12, and IAS 27 in November 2012. The amendments relate to the consolidation of investment companies. The provisions were endorsed by the European Union in November 2013 and are effective for the first time for financial years beginning on or after January 1, 2014. The adoption of the new and amended IFRSs does not have a material impact on Deutsche Telekom's results of operations, financial position, cash flows, or the composition of the Group. The introduction of IFRS 12 results in additional disclosures in Deutsche Telekom's financial statements. The revised IAS 27 does not have an impact on Deutsche Telekom, because this standard now exclusively relates to separate financial statements under IFRS, which in application of § 325 (2a) HGB Deutsche Telekom does not prepare.

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

- IFRS 11 “Joint Arrangements” replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers.” It governs the accounting for joint ventures and joint operations. Proportionate consolidation for joint ventures will no longer be permissible as a result of the discontinuation of IAS 31. The amended IAS 28 “Interests in Associates and Joint Ventures” governs the application of the equity method when accounting for investments in both associates and joint ventures. In case of a joint operation, the share of assets, liabilities, expenses, and income is directly recognized in the consolidated financial statements and annual financial statements of the joint operator.
- IFRS 12 “Disclosure of Interests in Other Entities” combines all disclosures to be made in the consolidated financial statements regarding subsidiaries, joint arrangements, and associates, as well as unconsolidated structured entities.
- The revised IAS 27 “Separate Financial Statements” exclusively governs the accounting for subsidiaries, joint ventures, and associates in the annual financial statements and the corresponding notes (separate financial statements according to § 325 (2a) HGB).
- The revised IAS 28 “Investments in Associates and Joint Ventures” governs the accounting of investments in associates and joint ventures using the equity method.

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

In May 2013, the IASB issued IFRIC Interpretation 21 “Levies.” The core issue in the Interpretation is the question of when to recognize a liability to pay a levy imposed by a government. The IFRIC clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the obligation to pay the levy in accordance with the relevant legislation. However, an “economic compulsion” to continue to operate in a future period under the going concern assumption expressly does not constitute an obligating event. The new requirements are applied retrospectively for financial years beginning on or after January 1, 2014. They have not yet been endorsed by the European Union and as such have not yet been applied. Application would not have a material impact on 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 of this objective, in the future all standardized OTC derivatives will 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 on page 168 et seq. of the 2013 Annual Report.

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

### **SALE OF SCOUT24 HOLDING GMBH AND SCOUT24 INTERNATIONAL MANAGEMENT AG.**

On February 12, 2014, Deutsche Telekom completed 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 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 QUARTER 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.

In the first quarter of 2014, Deutsche Telekom sold Euronet Communications B.V., The Hague/Netherlands, which up to then had been part of the Europe operating segment, effective January 2, 2014. 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 quarter of 2014.

millions of €

	Germany	United States	Europe	Systems Solutions	Group Headquarters & Group Services	Reconciliation	Total
Net revenue	(8)	951	(97)	(26)	(58)	0	762
Cost of sales	5	(628)	57	36	10	0	(520)
<b>GROSS PROFIT (LOSS)</b>	<b>(3)</b>	<b>323</b>	<b>(40)</b>	<b>10</b>	<b>(48)</b>	<b>0</b>	<b>242</b>
Selling expenses	0	(207)	37	1	29	0	(140)
General and administrative expenses	1	(18)	6	4	8	0	1
Other operating income	0	2	(61)	0	0	0	(59)
Other operating expenses	5	0	(1)	0	0	0	4
<b>PROFIT (LOSS) FROM OPERATIONS</b>	<b>3</b>	<b>100</b>	<b>(59)</b>	<b>15</b>	<b>(11)</b>	<b>0</b>	<b>48</b>
Finance costs	0	(58)	4	0	0	0	(54)
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	40	38	0	6	0	109
<b>PROFIT (LOSS) FROM FINANCIAL ACTIVITIES</b>	<b>25</b>	<b>(18)</b>	<b>42</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>55</b>
<b>PROFIT (LOSS) BEFORE INCOME TAXES</b>	<b>28</b>	<b>82</b>	<b>(17)</b>	<b>15</b>	<b>(5)</b>	<b>0</b>	<b>103</b>
Income taxes	0	0	4	0	1	0	5
<b>PROFIT (LOSS)</b>	<b>28</b>	<b>82</b>	<b>(13)</b>	<b>15</b>	<b>(4)</b>	<b>0</b>	<b>108</b>

#### 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 40.

#### SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

##### NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE.

The increase in non-current assets and disposal groups held for sale compared with December 31, 2013 is primarily attributable to two effects: A transaction agreed in January 2014 to exchange mobile licenses with Verizon Communications, Inc. to improve T-Mobile US' network coverage

had an increasing effect of EUR 0.6 billion. The transaction agreed is expected to result in a non-cash gain. The sale of the Scout24 group in the Group Headquarters & Group Services segment completed in February 2014 had an offsetting effect of EUR 0.3 billion.

EUR 0.6 billion attributable to another transaction at T-Mobile US agreed with Verizon back in the 2013 financial year for an exchange of mobile licenses is also still included under non-current assets and disposal groups held for sale as of March 31, 2014.

##### INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT.

Intangible assets decreased by EUR 0.8 billion, mainly due to the recognition of amortization of EUR 0.9 billion and reclassifications of EUR 0.6 billion for mobile licenses of T-Mobile US to non-current assets and disposal groups held for sale. This decrease was offset by capital expenditure of EUR 0.7 billion.

Property, plant and equipment decreased by EUR 0.2 billion year-on-year to EUR 37.3 billion. Depreciation charges reduced the carrying amount by EUR 1.6 billion. Capital expenditure had an increasing effect of EUR 1.4 billion on the carrying amount.

##### INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD.

The carrying amount of investments accounted for using the equity method increased by EUR 0.1 billion to EUR 6.3 billion in the first quarter of 2014. On the one hand, the carrying amount for the investments decreased by EUR 0.2 billion as a result of a dividend payment received from the EE joint venture; on the other, the recognition of the remaining stake in the Scout24 group as an investment accounted for using the equity method had an increasing effect of EUR 0.3 billion.

**FINANCIAL LIABILITIES.**

Financial liabilities decreased by EUR 2.0 billion to a total of EUR 49.6 billion compared with the end of 2013.

The following table shows the composition and maturity structure of financial liabilities as of March 31, 2014:

millions of €				
	Mar. 31, 2014	Due within 1 year	Due > 1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	40,101	5,473	10,997	23,631
Liabilities to banks	3,234	981	1,914	339
Finance lease liabilities	1,415	162	542	711
Liabilities to non-banks from promissory notes	1,037	89	685	263
Other interest-bearing liabilities	725	413	210	102
Other non-interest-bearing liabilities	1,751	1,663	85	3
Derivative financial liabilities	1,365	110	452	803
<b>FINANCIAL LIABILITIES</b>	<b>49,628</b>	<b>8,891</b>	<b>14,885</b>	<b>25,852</b>

**SHAREHOLDERS' EQUITY.**

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
<b>Transactions with owners</b>	<b>(464)</b>	<b>(417)</b>	<b>(881)</b>
Acquisition of the remaining shares in T-Mobile Czech Republic	(455)	(373)	(828)
Other effects	(9)	(44)	(53)

**SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT.****OTHER OPERATING INCOME.**

millions of €		
	Q1 2014	Q1 2013
Income from reimbursements	99	158
Income from the reversal of impairment losses on non-current financial assets in accordance with IFRS 5	-	1
Income from the disposal of non-current assets	46	25
Income from insurance compensation	12	19
Income from divestitures	1,709	60
Miscellaneous other operating income	91	93
	<b>1,957</b>	<b>356</b>

Income from divestitures increased year-on-year by EUR 1.6 billion, due to the sale of the Scout24 group totaling EUR 1.7 billion. The portion of income attributable to the recognition of the shares remaining at Deutsche Telekom at their fair value at the date when control is lost, amounts to EUR 0.5 billion. In the prior-year period, other operating income had included gains of EUR 0.1 billion from the sale of Hellas Sat. Miscellaneous other operating income includes a large number of smaller individual items.

**OTHER OPERATING EXPENSES.**

millions of €		
	Q1 2014	Q1 2013
Losses on disposal of non-current assets	(21)	(45)
Impairment losses	(1)	(25)
Losses from divestitures	-	(5)
Miscellaneous other operating expenses	(282)	(119)
	<b>(304)</b>	<b>(194)</b>

Miscellaneous other operating expenses include a large number of individual items accounting for marginal amounts.

**PROFIT/LOSS FROM FINANCIAL ACTIVITIES.**

Loss from financial activities totaling EUR 0.7 billion increased only marginally compared with the prior-year period. This development was attributable to the inclusion of MetroPCS and local financing conditions for T-Mobile US.

**INCOME TAXES.**

A tax expense of EUR 0.6 billion was recorded in the first quarter of 2014. The comparatively low tax rate is a consequence of the low tax burden with regard to the income from the sale of the shares in the Scout24 group to be taken account of in interim reporting.



**OTHER DISCLOSURES.****DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES.**

Depreciation, amortization and impairment losses increased by EUR 0.1 billion to EUR 2.5 billion compared with the prior-year period. This increase was due to depreciation and amortization attributable to 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.

**NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS.****Net cash from operating activities.**

A dividend payment received from the EE joint venture, which was EUR 0.1 billion higher than in the prior year, had a positive effect on net cash from operating activities. During the reporting period, factoring agreements were concluded concerning the monthly revolving sales of current trade receivables. This resulted in a positive effect on net cash from operating activities of EUR 0.4 billion. A EUR 0.1 billion increase in net interest payments and higher market investments in the United States operating segment, by contrast, decreased net cash from operating activities.

**Net cash used in investing activities.**

millions of €	Q1 2014	Q1 2013
Cash capex		
Germany operating segment	(705)	(594)
United States operating segment	(690)	(852)
Europe operating segment	(585)	(1,384)
Systems Solutions operating segment	(253)	(209)
Group Headquarters & Group Services	(65)	(77)
Reconciliation	101	92
Sale of the Scout24 group	1,576	-
Net cash flows for collateral deposited for hedging transactions	198	77
Acquisition of government bonds (net)	7	(52)
Other	68	170
	<b>(348)</b>	<b>(2,829)</b>

Cash capex was reduced by EUR 0.8 billion to EUR 2.2 billion. The year-on-year decrease was mainly a result of the mobile licenses acquired in the Netherlands for EUR 0.9 billion in 2013. The decrease was partially offset by mobile spectrum acquired in the first quarter of 2014 totaling EUR 0.1 billion (primarily in the Czech Republic).

**Net cash used in/from financing activities.**

millions of €	Q1 2014	Q1 2013
Promissory notes (net)	(1,043)	(99)
Acquisition of the remaining shares in T-Mobile Czech Republic	(828)	-
Repayment of bonds	(496)	(775)
Net repayment of cash deposits from the EE joint venture	(199)	(407)
Repayment of financial liabilities from financed capex	(184)	-
OTE share buy-back	(59)	-
Net cash flows for collateral deposited for hedging transactions	50	(250)
Repayment of financial liabilities to Sireo	-	(534)
Repayment of credit line by OTE	-	(400)
Repayment of EIB loans	-	(32)
Repayment of medium-term notes	-	(29)
Issuance of bonds	-	2,843
Issuance of medium-term notes	-	100
Other	(147)	64
	<b>(2,906)</b>	<b>481</b>

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

In the first quarter of 2014, Deutsche Telekom chose financing options totaling EUR 0.1 billion which extended the period of payment for trade payables by involving banks in the process. These liabilities are now shown under financial liabilities in the statement of financial position. As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

**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 quarters of 2014 and 2013.

The segments structure was changed as follows in the first quarter of 2014:

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. In addition, 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 50 et seq., of this Interim Group Report.

For details on the development of operations in the operating segments and at Group Headquarters & Group Services, please refer to the section "Development of business in the operating segments" in the interim Group management report, page 15 et seq.

**Segment information in the first quarter.**

millions of €

		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets <sup>a</sup>	Segment liabilities <sup>a</sup>	Investments accounted for using the equity method <sup>a</sup>
Germany	Q1 2014	5,146	337	5,483	1,249	(956)	0	28,733	21,271	18
	Q1 2013	5,216	350	5,566	1,152	(966)	0	30,738	23,200	17
United States	Q1 2014	5,073	1	5,074	154	(641)	0	39,094	27,156	200
	Q1 2013	3,540	1	3,541	458	(396)	0	38,830	26,888	198
Europe	Q1 2014	3,018	107	3,125	401	(611)	0	29,655	12,260	52
	Q1 2013	3,212	131	3,343	438	(700)	(1)	29,976	12,695	59
Systems Solutions	Q1 2014	1,466	586	2,052	(59)	(140)	0	8,590	5,515	22
	Q1 2013	1,567	659	2,226	(69)	(163)	(14)	8,428	5,279	24
Group Headquarters & Group Services	Q1 2014	191	431	622	1,395	(148)	(1)	79,938	45,744	5,966
	Q1 2013	250	441	691	(284)	(152)	(12)	83,596	51,219	5,869
<b>TOTAL</b>	Q1 2014	<b>14,894</b>	<b>1,462</b>	<b>16,356</b>	<b>3,140</b>	<b>(2,496)</b>	<b>(1)</b>	<b>186,010</b>	<b>111,946</b>	<b>6,258</b>
	Q1 2013	<b>13,785</b>	<b>1,582</b>	<b>15,367</b>	<b>1,695</b>	<b>(2,377)</b>	<b>(27)</b>	<b>191,568</b>	<b>119,281</b>	<b>6,167</b>
Reconciliation	Q1 2014	-	(1,462)	(1,462)	2	1	0	(68,667)	(27,369)	(1)
	Q1 2013	-	(1,582)	(1,582)	(3)	15	2	(73,420)	(33,196)	-
<b>GROUP</b>	Q1 2014	<b>14,894</b>	<b>-</b>	<b>14,894</b>	<b>3,142</b>	<b>(2,495)</b>	<b>(1)</b>	<b>117,343</b>	<b>84,577</b>	<b>6,257</b>
	Q1 2013	<b>13,785</b>	<b>-</b>	<b>13,785</b>	<b>1,692</b>	<b>(2,362)</b>	<b>(25)</b>	<b>118,148</b>	<b>86,085</b>	<b>6,167</b>

<sup>a</sup> Figures relate to the reporting dates of March 31, 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.

**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, totaling around EUR 340 million plus interest. As a result of a reexamination of the case, Deutsche Telekom no longer discloses the contingent liabilities 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 March 31, 2014:

millions of €	
	Mar. 31, 2014
Future obligations from operating leases	17,108
Purchase commitments regarding property, plant and equipment	1,314
Purchase commitments regarding intangible assets	2,252
Firm purchase commitments for inventories	6,296
Other purchase commitments and similar obligations	7,922
Payment obligations to the civil service pension fund	4,450
Purchase commitments for interests in other companies	589
Miscellaneous other obligations	1,648
	<b>41,579</b>

## 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 Mar. 31, 2014	Amounts recognized in the statement of financial position according to IAS 39			
			Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss
<b>ASSETS</b>						
Cash and cash equivalents	LaR	7,706	7,706			
Trade receivables	LaR	7,364	7,364			
Originated loans and receivables	LaR/n.a.	2,574	2,387			
Of which: collateral paid	LaR	800	800			
Other non-derivative financial assets						
Held-to-maturity investments	HtM	12	12			
Financial assets available for sale	AFS	727		356	371	
Derivative financial assets						
Derivatives without a hedging relationship	FAHFT	516				516
Of which: termination rights embedded in bonds issued	FAHFT	115				115
Derivatives with a hedging relationship	n.a.	131			89	42
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Trade payables	FLAC	6,675	6,675			
Bonds and other securitized liabilities	FLAC	40,101	40,101			
Liabilities to banks	FLAC	3,234	3,234			
Liabilities to non-banks from promissory notes	FLAC	1,037	1,037			
Other interest-bearing liabilities	FLAC	725	725			
Of which: collateral received	FLAC	77	77			
Other non-interest-bearing liabilities	FLAC	1,751	1,751			
Finance lease liabilities	n.a.	1,415				
Derivative financial liabilities						
Derivatives without a hedging relationship	FLHFT	404				404
Derivatives with a hedging relationship	n.a.	961			780	181
Of which: aggregated by category in accordance with IAS 39						
Loans and receivables	LaR	17,457	17,457			
Held-to-maturity investments	HtM	12	12			
Available-for-sale financial assets	AFS	727		356	371	
Financial assets held for trading	FAHFT	516				516
Financial liabilities measured at amortized cost	FLAC	53,523	53,523			
Financial liabilities held for trading	FLHFT	404				404

<sup>a</sup> The exemption provisions under IFRS 7.29a were applied for information on specific fair values.

Trade receivables include non-current receivables amounting to EUR 1.1 billion (December 31, 2013: EUR 1.0 billion) due in more than one year. The fair value generally equates to the carrying amount.

Amounts recognized in the statement of financial position according to IAS 17	Fair value Mar. 31, 2014 <sup>a</sup>	Amounts recognized in the statement of financial position according to IAS 39						Amounts recognized in the statement of financial position according to IAS 17	Fair value Dec. 31, 2013 <sup>a</sup>
		Category in accordance with IAS 39	Carrying amounts Dec. 31, 2013	Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss		
-	-	LaR	7,970	7,970				-	
-	-	LaR	7,580	7,580				-	
187	-	LaR/n.a.	2,672	2,469			203	-	
-	-	LaR	941	941				-	
-	-	HiM	12	12				-	
371	371	AfS	652		280	372		372	
516	516	FAHfT	596				596	596	
115	115	FAHfT	158				158	158	
131	131	n.a.	175			113	62	175	
-	-	FLAC	7,231	7,231				-	
44,706	44,706	FLAC	40,535	40,535				44,631	
3,346	3,346	FLAC	4,105	4,105				4,219	
1,196	1,196	FLAC	1,072	1,072				1,230	
761	761	FLAC	891	891				881	
-	-	FLAC	40	40				-	
-	-	FLAC	1,967	1,967				-	
1,415	1,745	n.a.	1,446				1,446	1,768	
404	404	FLHfT	581				581	581	
961	961	n.a.	1,002			726	276	1,002	
-	-	LaR	18,019	18,019				-	
-	-	HiM	12	12				-	
371	371	AfS	652		280	372		372	
516	516	FAHfT	596				596	596	
50,009	50,009	FLAC	55,801	55,801				50,961	
404	404	FLHfT	581				581	581	

**Financial instruments measured at fair value.**

millions of €

	Mar. 31, 2014				Dec. 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>								
Available-for-sale financial assets (AFS)	361	10		371	365	7		372
Financial assets held for trading (FAHFT)		516		516		596		596
Derivative financial assets with a hedging relationship		131		131		175		175
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>								
Financial liabilities held for trading (FLHFT)		404		404		581		581
Derivative financial liabilities with a hedging relationship		961		961		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 361 million (December 31, 2013: EUR 365 million) is recognized, the majority of which relates to listed government bonds, the fair values of which are the price quotations at the reporting date.

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

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

Since there are no market prices available for the derivative financial instruments held in the portfolio due to the fact that they are not listed on the market, the fair values are calculated using standard financial valuation models, based entirely on observable inputs. The fair value of derivatives is the value that Deutsche Telekom would receive or have to pay if the financial instrument were transferred at the reporting date. Interest rates of contractual partners relevant as of the reporting date are used in this respect. The middle rates applicable as of the reporting date are used as exchange rates. Current market volatilities are used in option pricing models.

In the case of interest-bearing derivatives, a distinction is made between the clean price and the dirty price. In contrast to the clean price, the dirty price also includes the interest accrued. The fair values carried correspond to the full fair value or the dirty price.

**Disclosures on credit risk.** In line with the contractual provisions, in the event of insolvency all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 77 million (December 31, 2013: EUR 40 million), which further reduced the credit risk. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 647 million as of the reporting date (December 31, 2013: EUR 771 million) had a maximum credit risk of EUR 2 million (December 31, 2013: EUR 3 million) as of March 31, 2014. There is no danger of default on the derivatives held.

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

**RELATED-PARTY DISCLOSURES.**

There were no significant changes at March 31, 2014 to the related-party disclosures reported in the consolidated financial statements as of December 31, 2013, with the exception of the following matter.

Net funds of EUR 0.2 billion that had been invested by the EE joint venture were repaid to the company by Deutsche Telekom effective March 31, 2014.

**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. Johannes Geismann, State Secretary in the Federal Ministry of Finance, was appointed as a new member of the Supervisory Board effective February 6, 2014 by the Bonn District Court (Amtsgericht). The appointment only applies until the Company's shareholders' meeting on May 15, 2014, where Johannes Geismann will be proposed to the shareholders for election.

**EVENTS AFTER THE REPORTING PERIOD (MARCH 31, 2014).**

**Agreed acquisition of the GTS Central Europe group.** On April 15, 2014, Deutsche Telekom received approval from the European Commission for the takeover of GTS without conditions. The acquisition was announced in November 2013. The transaction is expected to be closed in May 2014.

**Collective agreements for Group Headquarters and Telekom Deutschland.**

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

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

**Agreed sale of Individual Desktop Solutions (IDS).** In April 2014, Deutsche Telekom agreed with the Aurelius group on the sale of IDS, which belongs to the Systems Solutions operating segment. The transaction is still subject to approval by the relevant authorities and is expected to be closed in mid-2014. The sale price and income from divestiture is not expected to be material.

**Agreements on the acquisition and exchange of mobile licenses in the United States.** In January 2014, T-Mobile US entered into agreements with Verizon Wireless for the acquisition of 700 MHz A-Block spectrum licenses for cash and the transfer of certain AWS spectrum and PCS spectrum. In addition, in November 2013, the company entered into an agreement with Verizon Wireless to exchange certain AWS spectrum and PCS spectrum. The closing for the acquisition of 700 MHz A-Block spectrum licenses was completed on April 30, 2014. The closing for the exchange of AWS spectrum and PCS spectrum was completed on April 29, 2014.

## 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, May 8, 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 March 31, 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, May 8, 2014

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Harald Kayser  
Wirtschaftsprüfer

Uwe Schwalm  
Wirtschaftsprüfer

# 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:

	EBITDA Q1 2014	EBIT Q1 2014	EBITDA Q1 2013	EBIT Q1 2013	EBITDA FY 2013	EBIT FY 2013
millions of €						
<b>EBITDA/EBIT</b>	<b>5,638</b>	<b>3,142</b>	<b>4,079</b>	<b>1,692</b>	<b>15,834</b>	<b>4,930</b>
<b>GERMANY</b>	<b>(25)</b>	<b>(25)</b>	<b>(137)</b>	<b>(137)</b>	<b>(535)</b>	<b>(540)</b>
Staff-related measures	(23)	(23)	(123)	(123)	(506)	(506)
Non-staff-related restructuring	0	0	(1)	(1)	(16)	(16)
Effects of deconsolidations, disposals and acquisitions	0	0	(10)	(10)	(23)	(23)
Other	(2)	(2)	(3)	(3)	10	5
<b>UNITED STATES</b>	<b>(49)</b>	<b>(49)</b>	<b>(34)</b>	<b>(34)</b>	<b>(232)</b>	<b>(329)</b>
Staff-related measures	(46)	(46)	(23)	(23)	(179)	(179)
Non-staff-related restructuring	0	0	(1)	(1)	(1)	(1)
Effects of deconsolidations, disposals and acquisitions	(3)	(3)	(10)	(10)	(52)	(52)
Impairment losses	-	0	-	0	-	(97)
Other	0	0	0	0	0	0
<b>EUROPE</b>	<b>(15)</b>	<b>(15)</b>	<b>42</b>	<b>42</b>	<b>(179)</b>	<b>(793)</b>
Staff-related measures	(15)	(15)	(17)	(17)	(327)	(327)
Non-staff-related restructuring	1	1	0	0	3	3
Effects of deconsolidations, disposals and acquisitions	0	0	59	59	183	183
Impairment losses	-	0	-	0	-	(614)
Other	(1)	(1)	0	0	(38)	(38)
<b>SYSTEMS SOLUTIONS</b>	<b>(57)</b>	<b>(57)</b>	<b>(60)</b>	<b>(74)</b>	<b>(416)</b>	<b>(431)</b>
Staff-related measures	(28)	(28)	(30)	(30)	(212)	(212)
Non-staff-related restructuring	(28)	(28)	(29)	(43)	(128)	(130)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	(71)	(84)
Other	(1)	(1)	(1)	(1)	(5)	(5)
<b>GROUP HEADQUARTERS &amp; GROUP SERVICES</b>	<b>1,662</b>	<b>1,662</b>	<b>(21)</b>	<b>(21)</b>	<b>(228)</b>	<b>(228)</b>
Staff-related measures	(14)	(14)	(22)	(22)	(226)	(226)
Non-staff-related restructuring	(1)	(1)	(2)	(2)	(34)	(34)
Effects of deconsolidations, disposals and acquisitions	1,705	1,705	0	0	40	40
Other	(28)	(28)	3	3	(8)	(8)
<b>GROUP RECONCILIATION</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>
Staff-related measures	0	0	0	0	(1)	(1)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	0	0	1	1	1	1
Other	1	1	0	0	0	0
<b>TOTAL SPECIAL FACTORS</b>	<b>1,517</b>	<b>1,517</b>	<b>(209)</b>	<b>(223)</b>	<b>(1,590)</b>	<b>(2,321)</b>
<b>EBITDA/EBIT (ADJUSTED FOR SPECIAL FACTORS)</b>	<b>4,121</b>	<b>1,625</b>	<b>4,288</b>	<b>1,915</b>	<b>17,424</b>	<b>7,251</b>
Profit (loss) from financial activities (adjusted for special factors)		(686)		(677)		(2,772)
<b>PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)</b>		<b>939</b>		<b>1,238</b>		<b>4,479</b>
Income taxes (adjusted for special factors)		(304)		(443)		(1,364)
<b>PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)</b>		<b>635</b>		<b>795</b>		<b>3,115</b>
<b>PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO</b>						
Owners of the parent (net profit (loss)) (adjusted for special factors)		587		767		2,755
Non-controlling interests (adjusted for special factors)		48		28		360

**GROSS AND NET DEBT.**

Deutsche Telekom considers net debt to be a key financial figure for investors, analysts, and rating agencies.

millions of €

	Mar. 31, 2014	Dec. 31, 2013	Change	Change %	Mar. 31, 2013
Financial liabilities (current)	8,891	7,891	1,000	12.7%	8,919
Financial liabilities (non-current)	40,737	43,708	(2,971)	(6.8)%	35,835
<b>FINANCIAL LIABILITIES</b>	<b>49,628</b>	<b>51,599</b>	<b>(1,971)</b>	<b>(3.8)%</b>	<b>44,754</b>
Accrued interest	(893)	(1,091)	198	18.1%	(816)
Other	(917)	(881)	(36)	(4.1)%	(725)
<b>GROSS DEBT</b>	<b>47,818</b>	<b>49,627</b>	<b>(1,809)</b>	<b>(3.6)%</b>	<b>43,213</b>
Cash and cash equivalents	7,706	7,970	(264)	(3.3)%	4,540
Available-for-sale/held-for-trading financial assets	299	310	(11)	(3.5)%	15
Derivative financial assets	647	771	(124)	(16.1)%	982
Other financial assets	1,202	1,483	(281)	(18.9)%	557
<b>NET DEBT</b>	<b>37,964</b>	<b>39,093</b>	<b>(1,129)</b>	<b>(2.9)%</b>	<b>37,119</b>

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

millions of €

	Total revenue	Profit (loss) from operations (EBIT)	EBITDA	Adjusted EBITDA	Depreciation and amortization	Impairment losses	Segment assets <sup>a</sup>	Segment liabilities <sup>a</sup>
<b>Q1 2013/MARCH 31, 2013</b>								
PRESENTATION AS OF MARCH 31, 2013 – AS REPORTED								
Germany	5,566	1,152	2,118	2,255	(966)	-	30,738	23,200
United States	3,541	458	854	888	(396)	-	38,830	26,888
Europe	3,327	435	1,131	1,089	(696)	-	35,552	12,601
Systems Solutions	2,319	(66)	115	175	(168)	(13)	8,705	5,381
Group Headquarters & Group Services	691	(284)	(120)	(99)	(152)	(12)	91,594	51,218
<b>TOTAL</b>	<b>15,444</b>	<b>1,695</b>	<b>4,098</b>	<b>4,308</b>	<b>(2,378)</b>	<b>(25)</b>	<b>205,419</b>	<b>119,288</b>
Reconciliation	(1,659)	(3)	(19)	(20)	16	-	(87,271)	(33,203)
<b>GROUP</b>	<b>13,785</b>	<b>1,692</b>	<b>4,079</b>	<b>4,288</b>	<b>(2,362)</b>	<b>(25)</b>	<b>118,148</b>	<b>86,085</b>
<b>Q1 2013/MARCH 31, 2013</b>								
+/- CHANGE IN DISCLOSURE OF LOCAL BUSINESS UNITS								
AS OF JANUARY 1, 2014								
Germany	-	-	-	-	-	-	-	-
United States	-	-	-	-	-	-	-	-
Europe	16	3	8	8	(4)	(1)	268	94
Systems Solutions	(93)	(3)	(7)	(7)	5	(1)	(277)	(102)
Group Headquarters & Group Services	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>(77)</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>(2)</b>	<b>(9)</b>	<b>(8)</b>
Reconciliation	77	-	(1)	(1)	(1)	2	9	8
<b>GROUP</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Q1 2013/MARCH 31, 2013</b>								
+/- 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
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,842)</b>	<b>1</b>
Reconciliation	-	-	-	-	-	-	13,842	(1)
<b>GROUP</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Q1 2013/MARCH 31, 2013</b>								
= PRESENTATION AS OF MARCH 31, 2014								
Germany	5,566	1,152	2,118	2,255	(966)	-	30,738	23,200
United States	3,541	458	854	888	(396)	-	38,830	26,888
Europe	3,343	438	1,139	1,097	(700)	(1)	29,976	12,695
Systems Solutions	2,226	(69)	108	168	(163)	(14)	8,428	5,279
Group Headquarters & Group Services	691	(284)	(120)	(99)	(152)	(12)	83,596	51,219
<b>TOTAL</b>	<b>15,367</b>	<b>1,695</b>	<b>4,099</b>	<b>4,309</b>	<b>(2,377)</b>	<b>(27)</b>	<b>191,568</b>	<b>119,281</b>
Reconciliation	(1,582)	(3)	(20)	(21)	15	2	(73,420)	(33,196)
<b>GROUP</b>	<b>13,785</b>	<b>1,692</b>	<b>4,079</b>	<b>4,288</b>	<b>(2,362)</b>	<b>(25)</b>	<b>118,148</b>	<b>86,085</b>

<sup>a</sup> Figures relate to the reporting date December 31, 2013.

## GLOSSARY.

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

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

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

## DISCLAIMER.

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

Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom's control. They include, for instance, the progress of Deutsche Telekom's workforce reduction initiative and the impact of other significant strategic or business initiatives, including acquisitions, dispositions, and business combinations. In addition, movements in exchange rates and interest rates, regulatory rulings, stronger than expected competition, technological change, litigation and regulatory developments, among other factors, may have a material

adverse effect on costs and revenue development. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, Deutsche Telekom's actual results may be materially different from those expressed or implied by such statements. Deutsche Telekom can offer no assurance that its expectations or targets will be achieved. Without prejudice to existing obligations under capital market law, Deutsche Telekom does not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

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

**FINANCIAL CALENDAR.<sup>a</sup>**

<b>May 8, 2014</b>	<b>May 15, 2014</b>	<b>June 11, 2014</b>	<b>August 7, 2014</b>
Publication of the Interim Group Report as of March 31, 2014	2014 Shareholders' meeting	Dividend payment <sup>b</sup>	Publication of the Interim Group Report as of June 30, 2014
<b>November 6, 2014</b>	<b>February 26, 2015</b>	<b>May 13, 2015</b>	
Publication of the Interim Group Report as of September 30, 2014	Publication of the 2014 Annual Report	Publication of the Interim Group Report as of March 31, 2015	

<sup>a</sup> For more dates, an updated schedule, and information on webcasts, please go to [www.telekom.com](http://www.telekom.com).

<sup>b</sup> Deutsche Telekom is considering paying out the dividend either in cash or in the form of shares again. The cash dividend is expected to be paid out on June 11, 2014. Subject to approval by the relevant bodies and the fulfillment of other legal provisions.

**CONTACTS.**

Deutsche Telekom AG  
Corporate Communications  
53262 Bonn, Germany

Phone +49 (0) 228 181 4949  
Fax +49 (0) 228 181 94004  
E-mail [media@telekom.de](mailto:media@telekom.de)  
[www.telekom.com](http://www.telekom.com)

Please refer all questions relating to the T-Share to:

Phone +49 (0) 228 181 88880  
Fax +49 (0) 228 181 88899  
E-mail [investor.relations@telekom.de](mailto:investor.relations@telekom.de)

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

Our Annual Report is available online at:  
[www.telekom.com/geschaeftsbericht2013](http://www.telekom.com/geschaeftsbericht2013)  
[www.telekom.com/annualreport2013](http://www.telekom.com/annualreport2013)

The English version of the Interim Group Report for January 1 to March 31, 2014 is a translation of the German version of the Interim Group Report. The German version is legally binding.

This Interim Group Report is a publication of Deutsche Telekom AG.

KNr. 642 200 245A (German)  
KNr. 642 200 246A (English)

Printed on chlorine-free bleached paper using mineral oil-free inks.

If your mobile phone has QR recognition software you can directly access our Investor Relations website by scanning this code.

