NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

SUMMARY OF ACCOUNTING POLICIES.

GENERAL INFORMATION.

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

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

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

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

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

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

The consolidated financial statements of Deutsche Telekom for the 2013 financial year were released for publication by the Board of Management on February 18, 2014.

BASIS OF PREPARATION.

The consolidated financial statements of Deutsche Telekom have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as well as with the regulations under commercial law as set forth in § 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB). However, the consolidated financial statements of Deutsche Telekom as of December 31, 2013 do not fully comply with IFRS as issued by the IASB. 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 (please refer to "Standards, interpretations and amendments issued, but not yet adopted," PAGES 170 and 171). In accordance with an IASB decision, these standards are to be applied for financial years beginning on or after January 1, 2013. Application of the provisions within the European Union is, however, not mandatory before financial years beginning on or after January 1, 2014. The term IFRS is consistently used in the following.

The financial year corresponds to the calendar year. Due to the retrospective application of amended IAS 19 "Employee Benefits," a further comparative year was included in the consolidated statement of financial position to show two prior years. The consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows include two comparative years.

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

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

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

In the 2013 financial year, Deutsche Telekom applied the following IASB pronouncements and/or amendments to such pronouncements for the first time:

T 055

Pronouncement	Title
IFRS 13	Fair Value Measurement
IAS 1	Presentation of Financial Statements
IAS 19	Employee Benefits
IFRS 7	Financial Instruments: Disclosures
Annual Improvements Project	Annual Improvements to IFRSs 2009 – 2011 Cycle
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets

In May 2011, the IASB issued IFRS 13 "Fair Value Measurement." With IFRS 13, the IASB has created a uniform, comprehensive standard for fair value measurement. IFRS 13 provides guidance on how to measure at fair value when other IFRSs require fair value measurement (or disclosure). A new definition of fair value applies which characterizes it as the selling price of an actual or hypothetical transaction between any independent market participants under normal market conditions on the reporting date. The standard is almost universally applicable, with the only exemptions being IAS 2 "Inventories," IAS 17 "Leases," and IFRS 2 "Share-based Payment." While the scope of the guidance remains virtually unchanged for financial instruments, the guidance for other items (e.g., investment property, intangible assets, and property, plant and equipment) is now more comprehensively and/or precisely defined. The established three-level fair value hierarchy has to be applied across the board. Accordingly, the hierarchical level to

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which the asset or liability is assigned in its entirety (Level 1, Level 2, or Level 3) is determined based on the lowest input parameter in the hierarchy. If measurement factors from different levels are used, the asset or liability is to be categorized in its entirety to the lowest level. The highest hierarchical level (Level 1) is assigned to inputs that are quoted prices in active markets and that the entity can access at the measurement date. The second-highest hierarchical level (Level 2) is assigned to inputs that are observable either directly or indirectly or can be derived, other than quoted market prices included within Level 1. The lowest hierarchical level (Level 3) is assigned to assets or liabilities the measurement of which is based at least on one input parameter that cannot be observed. The adoption of IFRS 13 results in additional disclosures in Deutsche Telekom's financial statements. The European Union endorsed the provisions in December 2012. IFRS 13 is effective for financial years beginning on or after January 1, 2013.

In June 2011, the IASB issued amendments to IAS 1 "Presentation of Financial Statements." The amendments require that the items listed under other comprehensive income be split into two categories, according to whether or not they will be recognized in the income statement in future periods (recycling). The amendments to IAS 1 are effective retrospectively for financial years beginning on or after July 1, 2012 and were endorsed by the European Union in June 2012.

In June 2011, the IASB also issued amendments to IAS 19 "Employee Benefits." The elimination of the corridor method has no relevance for Deutsche Telekom because actuarial gains and losses are already recognized directly and exclusively in equity in their full amount in accordance with the previously applicable version of the standard.

The new standard sets out that plan amendments leading to a change in the defined benefit obligation for employee service in prior periods are no longer accrued over their vesting period but must be recognized immediately. The changes in the recognition of past service cost do not have a material effect because due to the current structure of the pension entitlements, past service cost largely arises in connection with vested benefits.

When calculating net interest income from defined benefit plans, the same interest rate is to be used for the return on plan assets and for the calculation of the present value of the obligation. Two different interest rates were used under the previously applicable version of IAS 19. On account of the comparatively low value of plan assets, there are no material effects with regard to the amount and the presentation of net interest income from defined benefit plans.

The changes in the definition and recognition of termination benefits have material effects on the amounts recognized for personnel provisions and on personnel costs because, under certain circumstances, termination benefits may be recognized at a later date in accordance with IAS 19.166 (2011). In recent years, Deutsche Telekom has offered substantial severance packages to its employees in Germany on various legal bases and is likely to continue doing so in the future. The quantitative effects at the respective reporting dates will nevertheless depend to a large extent on the legal form and the timing of future programs. The effects of the different programs on Deutsche Telekom's consolidated income statement have been adjusted retrospectively for the comparative periods and are as follows:

- In the case of early retirement for civil servants, the new standard changes the time when the expense is recorded. Provisions are now only recognized when the civil servant accepts the offer, rather than when the overall program is communicated. This had no effect (before taxes) with regard to the consolidated income statements as of December 31, 2011 and December 31, 2012.

- The time when the expense is recorded also changes in the case of severance payments for non-civil servants. Here, too, the provision is only recognized when the employee accepts the offer, rather than when the overall program is communicated. This had no effect on earnings (before taxes) with regard to the consolidated income statement as of December 31, 2011. As of December 31, 2012, this had a negative effect on earnings of EUR 0.1 billion (before taxes) attributable to selling expenses.

- On account of the change in the definition, the top-up payments made as part of partial retirement programs may no longer be recognized as termination benefits and therefore have to be accrued over their vesting period. Owing to their special legal and financial characteristics, Deutsche Telekom's partial retirement programs offered after 2007 were not classified as termination benefits under the old version of IAS 19 either. For this reason, this amendment does not have any material effects for Deutsche Telekom. In the case of partial retirement, contracts concluded before 2007 were retrospectively adjusted. Under the new standard, the top-up payment is accrued in installments instead of the provision being recognized immediately in the full amount. No material effects (before taxes) arose for Deutsche Telekom in the consolidated income statements as of December 31, 2011 and December 31, 2012.

The retrospective application of IAS 19 has the following effects for Deutsche Telekom's consolidated statement of financial position and the consolidated income statement: As of December 31, 2011, current other provisions decreased by EUR 0.1 billion and retained earnings including carryforwards increased by EUR 0.1 billion. As of December 31, 2012, net loss increased by EUR 0.1 billion in shareholders' equity and retained earnings including carryforwards increased by EUR 0.1 billion. The adjustments to the carryforwards in shareholders' equity as of January 1, 2011 are shown in the consolidated statement of changes in equity, PAGES 164 and 165. Earnings per share for the 2011 financial year did not change. Earnings per share for the 2012 financial year decreased by EUR 0.02 per share to minus EUR 1.24 per share.

The application of the amended IAS 19 did not result in material effects for Deutsche Telekom's consolidated statement of financial position or consolidated income statement as of December 31, 2013 or for the 2013 financial year.

In addition, disclosure requirements for the pension provisions are also being extended, e. g., for characteristics of defined benefit plans and the risks arising from those plans. The amendments to IAS 19 are effective retrospectively for financial years beginning on or after January 1, 2013 and were endorsed by the European Union in June 2012.

In December 2011, the IASB issued extended disclosure requirements regarding offsetting rights in IFRS 7 "Financial Instruments: Disclosures." In addition to extended disclosures on offsetting activities actually carried out pursuant to IAS 32,

disclosure requirements on existing rights to set off are introduced regardless of whether the offsetting under IAS 32 is actually carried out. The new requirements shall be applied retrospectively for financial years beginning on or after January 1, 2013 and were endorsed by the European Union in December 2012.

The IASB issued "Annual Improvements to IFRSs 2009 – 2011 Cycle" in May 2012, which amended five standards. The amendments will not have any material effects on Deutsche Telekom. The amendment to IAS 1 "Presentation of Financial Statements" clarifies that when additional comparative information is provided in the financial statements on a voluntary basis, this information must also be presented in the related notes for that additional information. As a consequence of the amendment to IAS 16 "Property, Plant and Equipment," servicing equipment is recognized as property, plant and equipment or as inventory depending on their expected useful life. The amendment to IAS 32 "Financial Instruments: Presentation" clarifies that the tax effect of distributions to holders of an equity instrument and the transaction costs of an equity transaction must be accounted for in accordance with IAS 12. Pursuant to the amendment to IAS 34 "Interim Financial Reporting," information on segment assets and liabilities is only required to be disclosed if such information is regularly provided to the chief operating decision maker and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments to IFRS 1 "First-time Adoption of IFRS" do not have an impact on Deutsche Telekom. The new requirements shall be applied retrospectively for financial years beginning on or after January 1, 2013 and were endorsed by the European Union in March 2013.

In May 2013, the IASB published amendments to IAS 36 "Impairment of Assets" entitled "Recoverable Amount Disclosures for Non-Financial Assets." As a consequential amendment to IFRS 13, the IASB modified some of the disclosure requirements in IAS 36 regarding measurement of the recoverable amount of impaired assets which were broader than originally intended. Disclosure was always required regardless of whether impairment losses had been recognized in the reporting period in question. Following the amendment, however, the recoverable amount is required to be disclosed only for impaired assets or cash-generating units. It must also be stated whether the recoverable amount of the asset is its fair value less costs of disposal or its value in use. If the recoverable amount is fair value less costs of disposal, it is also required to disclose the level of the fair value hierarchy (according to IFRS 13) within which the fair value measurement of the asset is categorized and, for fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used to measure fair value less costs of disposal plus the discount rate used. The new requirements shall be applied for financial years beginning on or after January 1, 2014 and were endorsed by the European Union in December 2013. Deutsche Telekom applied the regulations earlier, in the 2013 financial year.

STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED, BUT NOT YET ADOPTED.

In November 2009, the IASB issued IFRS 9 "Financial Instruments." The issuance is the result of the first of three phases of the project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9. IFRS 9 governs the classification and measurement of financial assets. In October 2010, the IASB reissued IFRS 9, carrying over the requirements relating to the recognition and derecognition of financial liabilities as well as most of the requirements for classification and measurement unchanged from IAS 39. In November 2013, IFRS 9 was again revised. The amendments primarily relate to a fundamental revision of the provisions on hedge accounting, extending their scope of application. In addition, changes in the fair value of liabilities due to a change in the entity's credit risk are no longer to be recognized in profit or loss, but under other comprehensive income. The IASB also removed the previously mandatory date of initial application as of January 1, 2015. A new mandatory effective date will be determined once the project, which is still to be extended to include new provisions governing the impairment of financial assets, has been completed. The endorsement process has currently been suspended.

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 will be effective 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 will be effective for financial years beginning on or after January 1, 2014. The adoption of the new and amended IFRSs will not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, cash flows, or of the composition of the Group. The introduction of IFRS 12 will result in changes and extensions to the explanatory notes to the consolidated financial statements. The revised IAS 27 will 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. When IFRS 10 becomes effective, it will replace 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" will replace 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 revenues 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.

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- 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 shall be applied retrospectively for financial years beginning on or after January 1, 2014 and were endorsed by the European Union in December 2012. The amendments will 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 shall be applied retrospectively for financial years beginning on or after January 1, 2014 and have not yet been endorsed by the European Union. Deutsche Telekom is analyzing the resulting effects on the presentation of results of operations, financial position, or cash flows, but does not currently expect any major changes.

In July 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 shall be applied retrospectively for financial years beginning on or after January 1, 2014 and were endorsed by the European Union in December 2013. The amendments will not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.

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

The IASB issued **Annual Improvements to IFRSs 2010 – 2012 Cycle** and **Annual Improvements to IFRSs 2011 – 2013 Cycle** in December 2013 which amended nine standards in detail. The improvements primarily aim to provide clarifications. The date of initial application varies from standard to standard. These amendments, which have yet to be enforced by the European Union, will not have any material effects on Deutsche Telekom.

CHANGES IN ACCOUNTING POLICIES AND CHANGES IN THE REPORTING STRUCTURE.

With the exception of the standards, interpretations, and amendments of standards and interpretations that are effective for the first time in the financial year, Deutsche Telekom did not make any major changes in its accounting policies. Deutsche Telekom carried out the following changes in the report structure in the 2013 financial year:

The central management and service functions were realigned as of January 1, 2013. As part of this process, the Group Headquarters & Shared Services segment was renamed Group Headquarters & Group Services.

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

For further details, please refer to Note 32 in the section "Segment reporting," PAGE 220 ET SEQ.

ACCOUNTING POLICIES.

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

T 056

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

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

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

INTANGIBLE ASSETS (EXCLUDING GOODWILL).

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

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

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

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

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Mobile communications licenses	Years
FCC licenses	Indefinite
LTE licenses	11 to 26
UMTS licenses	7 to 18
GSM licenses	2 to 22

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

GOODWILL.

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

PROPERTY, PLANT AND EQUIPMENT.

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

On disposal of an item of property, plant and equipment or when no future economic benefits are expected from its use or disposal, the carrying amount of the item is derecognized. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognized as other operating income or other operating expenses when the item is derecognized. The useful lives of material asset categories are presented in TABLE 058:

T 058

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

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

BORROWING COSTS.

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

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

Impairments are identified by comparing the carrying amount with the recoverable amount. If no future cash flows generated independently of other assets can be allocated to individual assets, recoverability is assessed on the basis of the cash-generating unit to which the assets can be allocated. At each reporting date, Deutsche Telekom assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or cash-generating unit must be determined. In addition, annual impairment tests are carried out for intangible assets with indefinite useful lives (goodwill and FCC licenses) at regular intervals.

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

INVENTORIES.

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

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE.

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

EMPLOYEE BENEFITS.

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

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

In the past, Deutsche Telekom AG and its domestic subsidiaries agreed on partial retirement arrangements with varying terms and conditions, predominantly based on what is known as the block model. Two types of obligations, both measured at their present value in accordance with actuarial principles, arise and are accounted for separately. The first type of obligation relates to the cumulative outstanding

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settlement amount, which is recorded on a pro-rata basis during the active or working phase. The cumulative outstanding settlement amount is based on the difference between the employee's remuneration before entering partial retirement (including the employer's social security contributions) and the remuneration for the part-time service (including the employer's social security contributions, but excluding top-up payments). The second type of obligation relates to the employer's obligation to make top-up payments plus an additional contribution to the statutory pension scheme. Top-up payments are often hybrid in nature, i.e., although the agreement is often considered a form of compensation for terminating the employment relationship at an earlier date, payments to be made at a later date are subject to the performance of work in the future. Despite having the characteristics of severance payments, the top-up payments must be recognized ratably over the vesting period due to their dependency on the performance of work in the future. If the block model is used, the vesting period for top-up payments starts when the employee is granted the entitlement to participate in the partial retirement program and ends upon entry into the passive phase (leave from work).

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

OTHER PROVISIONS.

Other provisions are recognized for current legal or constructive obligations to third parties that are uncertain with regard to their maturities or their amount. Provisions are recognized for these obligations provided they relate to past transactions or events, will probably require an outflow of resources to settle, and this outflow can be reliably measured. Provisions are carried at their expected settlement amount, taking into account all identifiable risks. The settlement amount is calculated on the basis of a best estimate; suitable estimation methods and sources of information are used depending on the characteristics of the obligation. In case of a number of similar obligations, the group of obligations is treated as one single obligation. The expected value method is used as the estimation method. If there is a range of potential events with the same probability of occurrence, the average value is taken. Individual obligations (e.g., legal and litigation risks) are regularly evaluated based on the most probable outcome, provided an exceptional probability distribution does not mean that other estimates would lead to a more appropriate evaluation. The measurement of provisions is based on past experience, current costing and price information, as well as estimates and reports from experts. If experience or current costing or price information is used to determine the settlement amount, these values are extrapolated to the expected settlement date. Suitable price trend indicators (e.g., construction price indexes or inflation rates) are used for this purpose. Provisions are discounted when the effect of the time value of money is material. Provisions are discounted using pre-tax market interest rates that reflect the term of the obligation and the risk associated with it (insofar as not already taken into consideration in the calculation of the settlement amount). Reimbursement claims are not netted against provisions; they are recognized separately as soon as their realization is virtually certain.

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

FINANCIAL INSTRUMENTS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONTINGENCIES (CONTINGENT LIABILITIES AND ASSETS).

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

LEASES.

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

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

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

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

SHARE-BASED PAYMENT PROGRAMS.

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

NET REVENUE.

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

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

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

Revenue recognition at Deutsche Telekom is as follows:

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

The fixed-network business in the operating segments Germany and Europe provides narrow and broadband access to the fixed network as well as the Internet. Revenue generated from these types of access for the use of voice and data communications is recognized upon rendering of the service. The services rendered relate to use by customers (e.g., call minutes), availability over time (e.g., monthly service charges) or other agreed calling plans. Telecommunications equipment is also sold, leased, and serviced. Revenue and expenses associated with the

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sale of telecommunications equipment and accessories are recognized when the products are delivered, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. Revenue from rentals and operating leases is recognized monthly as the entitlement to the fees accrues. Revenues from customer activation fees are deferred over the average customer retention period. Revenues also result from charges for advertising and e-commerce. Advertising revenues are recognized in the period in which the advertisements are exhibited. Transaction revenues are recognized upon notification from the customer that qualifying transactions have occurred and collection of the resulting receivable is reasonably assured.

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

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

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

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

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

INCOME TAXES.

Income taxes include current income taxes as well as deferred taxes. Tax liabilities/tax receivables mainly comprise liabilities/receivables relating to domestic and foreign income taxes. They include liabilities/receivables for the current period as well as for prior periods. The liabilities/receivables are measured based on the applicable tax law in the countries Deutsche Telekom operates in.

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

JUDGMENTS AND ESTIMATES.

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

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

The determination of impairments of property, plant and equipment, and intangible assets involves the use of estimates that include, but are not limited to, the cause, timing, and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the telecommunications industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions, and

other changes in circumstances that indicate an impairment exists. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives, and residual values. Specifically, the estimation of cash flows underlying the fair values from the mobile business considers the continued investment in network infrastructure required to generate future revenue growth through the offering of new data products and services, for which only limited historical information on customer demand is available. If the demand for these products and services does not materialize as expected, this would result in less revenue, less cash flow and potential impairment. When determining the fair values, additional planning uncertainties are factored in that reflect the risks of macroeconomic development, which could adversely affect future operating results.

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

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

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

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

Deutsche Telekom is obligated, under the German Federal Posts and Telecommunications Agency Reorganization Act (Gesetz zur Reorganisation der Bundesanstalt für Post und Telekommunikation Deutsche Bundespost), to pay for its share of any operating cost shortfalls between the income of the Civil Service Health Insurance Fund (**Postbeamtenkrankenkasse**) and benefits paid. The Civil Service Health Insurance Fund provides services mainly in cases of illness, birth, or death for its members, who are civil servants employed by or retired from Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG, and their relatives. When Postreform II came into effect, participation in the Civil Service Health Insurance Fund was closed to new members. The insurance premiums collected by the Civil Service Health Insurance Fund may not exceed the insurance premiums imposed by alternative private health insurance enterprises for comparable insurance benefits, and, therefore, do not reflect the changing age distribution of the participants in the fund. Deutsche Telekom recognizes provisions in the amount of the actuarially determined present value of Deutsche Telekom's share in the fund's

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future deficit, using a discount rate and making assumptions about life expectancies and projections for contributions and future increases in general health care costs in Germany. Since the calculation of these provisions involves long-term projections over periods of more than 50 years, the present value of the liability may be highly sensitive even to small variations in the underlying assumptions.

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

REVENUE RECOGNITION.

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

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

CONSOLIDATION METHODS.

SUBSIDIARIES.

Subsidiaries are companies that are directly or indirectly controlled by Deutsche Telekom. Deutsche Telekom has control over an entity if it has the power to govern its financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other Group companies, are considered when assessing whether an entity is controlled.

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

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

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

JOINT VENTURES AND ASSOCIATES.

Joint ventures are companies jointly controlled by Deutsche Telekom and other companies. Associates are companies on which Deutsche Telekom has a significant influence, and that are neither subsidiaries nor joint ventures. As with joint ventures, associates are accounted for using the equity method.

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

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

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

BUSINESS COMBINATIONS.

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

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

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

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

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

In the 2013 financial year, Deutsche Telekom conducted the following transactions, which had an impact on the composition of the Group. Other changes to the composition of the Group not shown here were of no material significance for Deutsche Telekom's consolidated financial statements.

Acquisition of MetroPCS.

On October 3, 2012, Deutsche Telekom AG and MetroPCS Communications, Inc., Dallas/United States, (MetroPCS) concluded an agreement to combine their business activities in the United States.

MetroPCS offers mobile voice telephony and mobile Internet services over its own network in the United States. The products (e.g., phones and smartphones) and services (e.g., regular voice telephony, text messaging (SMS), multimedia messaging (MMS), multimedia streaming, e-mail, downloads) are marketed under the MetroPCS brand name via company-owned retail stores and independent sellers. Before the transaction, this company was the fifth-largest mobile communications provider in the United States in terms of subscribers. The combined company's improved position in terms of mobile spectrum and an expanded customer base mean that Deutsche Telekom will now be able to compete more aggressively with the other national mobile carriers in the United States.

The transaction was closed as of May 1, 2013 after the U.S. Department of Justice (DOJ), the U.S. Federal Communications Commission (FCC), and the Committee on Foreign Investment in the United States (CFIUS) had given the green light, and MetroPCS stockholders had approved the transaction at the company's shareholders' meeting on April 24, 2013. On April 10, 2013, Deutsche Telekom had submitted an improved offer to MetroPCS shareholders for their approval of the transaction at the MetroPCS shareholders' meeting. Compared with the original offer, the core elements were a reduction in the shareholder loan from Deutsche Telekom to T-Mobile USA by USD 3.8 billion in total, a lowering of the interest rates for the remaining shareholder loans by 0.5 percentage points, and the extension of the lock-up period for the sale of the shares in the combined company on the stock exchange to 18 months from the closing of the transaction. As part of this transaction, Deutsche Telekom AG contributed T-Mobile USA into the listed company MetroPCS in return for a 74.29-percent stake in the combined company following a capital increase. The combined company, trading under the name T-Mobile US, Inc., has been fully included in Deutsche Telekom's consolidated financial statements since May 1, 2013. The shares are listed on the New York Stock Exchange (NYSE).

In terms of economic substance, a 25.71-percent stake in the former T-Mobile USA was swapped for a 74.29-percent stake in MetroPCS. The value of the shares in the former T-Mobile USA surrendered corresponded to the value of the shares Deutsche Telekom acquired for a 74.29-percent stake in MetroPCS. On the date the transaction was closed, one MetroPCS share was traded at USD 11.84 at the close of trading. After the close of trading, MetroPCS performed a reverse stock split, which doubled the value per share to USD 23.68. In accordance with the agreement, MetroPCS made a total payment of USD 1.5 billion to its previous shareholders immediately before the closing of the transaction. The value of the shares allocable to Deutsche Telekom was thus reduced by 74.29 percent of this payment. This amount had to be subtracted to determine the value of the consideration transferred. Based on this payment, the share price before the start of trading was USD 15.58 per share at May 1, 2013. As of May 1, 2013, Deutsche Telekom thus owned 74.29 percent of the shares in the combined company, with the remaining 25.71 percent being held by former MetroPCS stockholders.

The consideration transferred at the acquisition date for the acquisition of MetroPCS breaks down as follows:

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millions of €

	Fair value of the consideration transferred at the acquisition date
Value of the shares in MetroPCS received (74.29 %)/ Value of the shares in the former T-Mobile USA surrendered (25.71 %)	2,492
74.29 % of the payment to previous MetroPCS shareholders	(852)
	1,640

The fair values of MetroPCS's acquired assets and liabilities recognized at the acquisition date are presented in TABLE 060. Following the original determination of fair values at the date of the transaction, the measurement basis for derivative financial instruments were adjusted within non-current financial assets and liabilities as of September 30, 2013. As a result, the carrying amounts of both items increased by EUR 90 million each. The purchase price allocation was completed on December 31, 2013.

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millions of €

	Fair value at the acquisition date
ASSETS	
CURRENT ASSETS	**1,980**
Cash and cash equivalents	1,639
Trade and other receivables	65
Other financial assets	10
Inventories	131
Other assets	135
NON-CURRENT ASSETS	**6,304**
Intangible assets	5,052
Of which: FCC licenses	2,920
Of which: goodwill	955
Of which: customer base	845
Of which: brand name	178
Of which: other	154
Property, plant and equipment	1,033
Other financial assets	216
Deferred tax assets	3
ASSETS	**8,284**
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES	**521**
Financial liabilities	43
Trade and other payables	205
Income tax liabilities	1
Other provisions	68
Other liabilities	204
NON-CURRENT LIABILITIES	**5,823**
Financial liabilities	5,037
Other provisions	161
Deferred tax liabilities	518
Other liabilities	107
LIABILITIES	**6,344**

The acquired current receivables of MetroPCS are not expected to give rise to significant bad debt losses in the future. The estimates are based on empirical values. The current receivables acquired therefore largely correspond to the gross amounts of the contractual receivables.

The acquired goodwill of EUR 1.0 billion to be recognized in Deutsche Telekom's consolidated statement of financial position is calculated as follows:

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millions of €

	Fair value at the acquisition date
Consideration transferred	1,640
Assets acquired for 100 % of the shares	(7,329)
Assets acquired for 25.71 % of the shares (non-controlling interests)	1,884
Liabilities acquired for 100 % of the shares	6,344
Liabilities acquired for 25.71 % of the shares (non-controlling interests)	(1,631)
MetroPCS stock option program	47
GOODWILL	**955**

In accordance with the option provided by IFRS 3.19, Deutsche Telekom only recognizes the goodwill of 74.29 percent attributable to Deutsche Telekom AG shareholders in its consolidated statement of financial position. The effect arising from the stock option programs to be added to goodwill is related to previous MetroPCS programs. Upon closing of the transaction, the stock options were allocated in full to the beneficiaries and can be exercised. In terms of economic substance, the transaction is a commitment entered into by Deutsche Telekom AG, which upon its fulfillment reduces the Group's share in shareholders' equity. Since this commitment neither had to be considered as part of the consideration transferred, nor in MetroPCS's transferred liabilities, the amount increased goodwill. The stock options were recognized at market value and disclosed in shareholders' equity under non-controlling interests at the date of first-time consolidation.

Goodwill is influenced by synergy effects arising from the merger of the two companies, especially as a result of cost savings in connection with the combination of networks, the added spectrum for the LTE roll-out, and the expanded customer base.

Goodwill developed as follows between the closing date and December 31, 2013:

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millions of €

	Development of goodwill
Goodwill on May 1, 2013	955
Exchange rate effects	(48)
GOODWILL ON DECEMBER 31, 2013	**907**

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

Deferred tax assets recognized on tax loss carryforwards at T-Mobile US in the amount of EUR 13 million were eliminated as a result of the business combination. This did not have an impact on the income statement, as these deferred tax assets had already been impaired.

Deutsche Telekom's net revenue in the reporting period increased by EUR 2,530 million on account of the acquisition of MetroPCS (please refer to TABLE 063). Had the business combination already occurred on January 1, 2013, net revenue would have been a further EUR 1,329 million higher, totaling EUR 3,859 million. Deutsche Telekom's profit/loss for the current reporting period includes profit from MetroPCS of EUR 32 million. Had the business combination already occurred on January 1, 2013, profit of the Deutsche Telekom Group would have been a further EUR 75 million higher, totaling EUR 107 million.

Transaction costs totaling EUR 36 million were incurred up to December 31, 2013, which were recorded under general and administrative expenses.

A new share-based compensation program (Restricted Stock Units) was resolved for the employees of the combined company in June 2013 (please also refer to Note 36 "Share-based payment," PAGES 228 and 229).

The combined company took over the stock option plans of MetroPCS. Beneficiaries can exercise the options resulting from these plans at any time. The vesting period ended upon acquisition of MetroPCS as of May 1, 2013 and no further expense has to be recognized (please also refer to Note 36 "Share-based payment," PAGES 228 and 229). The stake held by Deutsche Telekom AG in T-Mobile US was diluted by 0.87 percent as a result of the options exercised by December 31, 2013.

T-Mobile US carried out a capital increase in November 2013 by issuing 6.6 million shares to third parties. This diluted Deutsche Telekom AG's stake in T-Mobile US by 6.67 percent, reducing it to 66.75 percent as at December 31, 2013.

T-Mobile US swapped mobile spectrum with Verizon Communications, Inc. Due to the disclosure as asset held for sale, the intangible asset was written down to the fair value less costs of disposal as of December 31, 2013. As a result of the combination of the networks of T-Mobile USA and MetroPCS, items of construction in progress and network systems were derecognized. The expense of EUR 0.2 billion arising from the effects mentioned is disclosed under other operating expenses (please also refer to Note 21, PAGE 212).

Acquisition of DIGI Slovakia.
On May 14, 2013, Slovak Telekom concluded an agreement to buy all of the shares in DIGI SLOVAKIA, s.r.o. The purchase price was EUR 53 million. DIGI Slovakia offers digital TV via satellite, cable, and Internet access in Slovakia. The acquisition will expand Slovak Telekom's product portfolio in the area of digital TV. The transaction received the approval of the Slovak competition authority on July 31, 2013. DIGI Slovakia has been fully consolidated in the consolidated financial statements of Deutsche Telekom since September 1, 2013. Goodwill totals EUR 29 million.

Disposals.
As of March 31, 2013, OTE, which is part of the Europe operating segment, sold its equity interest in Hellas Sat S.A. for EUR 0.2 billion. This sale generated a deconsolidation gain of EUR 0.1 billion. Telekom Deutschland GmbH, which is part of the Germany operating segment, also sold its equity interest in SAF Forderungsmanagement GmbH as of March 31, 2013. The sale price and the consolidation gain were not material. T-Systems International GmbH, which is part of the Systems Solutions operating segment, sold T-Systems Italia S.p.A. as of April 30, 2013. A loss of EUR 0.1 billion was recognized in connection with this sale. The sale price was not material. The sale of Cosmo Bulgaria Mobile EAD (Globul) and Germanos Telecom Bulgaria AD (Germanos) by OTE, which is part of the Europe operating segment, to the Norwegian telecommunications provider Telenor, which has acquired 100 percent of the shares, was completed on July 31, 2013. The adjusted sale price was EUR 0.6 billion. Deconsolidation generated income of EUR 0.1 billion (before taxes).

Presentation of the quantitative effects on the composition of the Group.
TABLE 063 shows the effects of the aforementioned changes in the composition of the Group on the consolidated income statement and segment reporting for 2013 financial year:

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	Germany	United States	Europe	Systems Solutions	Group Headquarters & Group Services	Reconciliation	Total
Net revenue	(24)	2,530	(148)	(73)	0	2	2,287
Cost of sales	12	(1,730)	80	82	0	(2)	(1,558)
GROSS PROFIT (LOSS)	**(12)**	**800**	**(68)**	**9**	**0**	**0**	**729**
Selling expenses	1	(467)	55	4	0	0	(407)
General and administrative expenses	2	(77)	8	5	0	0	(62)
Other operating income	0	5	0	0	0	0	5
Other operating expenses	(1)	0	62	0	0	0	61
PROFIT (LOSS) FROM OPERATIONS	**(10)**	**261**	**57**	**18**	**0**	**0**	**326**
Finance costs	0	(154)	(1)	0	0	0	(155)
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)	0	(75)	0	0	0	0	(75)
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**0**	**(229)**	**(1)**	**0**	**0**	**0**	**(230)**
PROFIT (LOSS) BEFORE INCOME TAXES	**(10)**	**32**	**56**	**18**	**0**	**0**	**96**
Income taxes	0	0	0	0	0	0	0
PROFIT (LOSS)	**(10)**	**32**	**56**	**18**	**0**	**0**	**96**

Changes in the composition of the Group.
The composition of the Deutsche Telekom Group changed as follows in the 2013 financial year:

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	Domestic	International	Total
CONSOLIDATED SUBSIDIARIES			
January 1, 2013	68	167	235
Additions	5	32	37
Disposals (including mergers)	6	22	28
DECEMBER 31, 2013	**67**	**177**	**244**
ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD			
January 1, 2013	4	8	12
Additions	–	1	1
Disposals	–	–	–
DECEMBER 31, 2013	**4**	**9**	**13**
JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD			
January 1, 2013	3	5	8
Additions	–	2	2
Disposals	–	1	1
DECEMBER 31, 2013	**3**	**6**	**9**
TOTAL			
January 1, 2013	75	180	255
Additions	5	35	40
Disposals (including mergers)	6	23	29
DECEMBER 31, 2013	**74**	**192**	**266**

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

The following transactions will change the composition of the Deutsche Telekom Group in future.

Agreed acquisition of GTS Central Europe.
At the beginning of November 2013, Deutsche Telekom reached an agreement with a consortium of international private equity companies on the acquisition of the GTS Central Europe group (GTS) for EUR 546 million. GTS is a leading infrastructure-based provider of telecommunications services in Central and Eastern Europe and owns an extensive optical fiber network. The acquisition will improve Deutsche Telekom's options for offering innovative telecommunication services and integrated products in the European key markets in the future. The takeover is still subject to approval by the relevant authorities. The transaction is expected to be closed in the first half of 2014.

Sale of Scout24 Holding GmbH agreed.
In November 2013, Deutsche Telekom also agreed to sell 70 percent of the shares in Scout24 Holding GmbH to Hellman & Friedman LLC (H&F). Deutsche Telekom continues to hold a stake of 30 percent in the Scout24 group. For further information, please refer to Note 42 "Events after the reporting period," PAGE 247.

PRINCIPAL SUBSIDIARIES.

The Group's principal subsidiaries are presented in TABLE 065:

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Name and registered office	Deutsche Telekom share Dec. 31, 2013 %	Net revenue[c] 2013 millions of €	Profit (loss) from operations[c] 2013 millions of €	Shareholders' equity[c] 2013 millions of €	Average number of employees 2013
Telekom Deutschland GmbH, Bonn, Germany	100.00	21,990	4,562	4,671	12,834
T-Mobile US, Inc., Bellevue, Washington, United States[a,b]	66.75	18,556	1,404	11,942	32,962
T-Systems International GmbH, Frankfurt/Main, Germany	100.00	6,730	(265)	1,275	22,347
Hellenic Telecommunications Organization S.A. (OTE), Athens, Greece[a]	40.00	4,244	315	3,597	25,325
Magyar Telekom Public Limited Company, Budapest, Hungary[a,b]	59.23	2,145	193	2,151	14,493
T-Mobile Netherlands Holding B.V., The Hague, Netherlands[a,b]	100.00	1,666	181	2,252	1,658
T-Mobile Polska S.A., Warsaw, Poland[b]	100.00	1,584	348	2,199	4,721
T-Mobile Czech Republic a.s., Prague, Czech Republic[a,b]	60.77	988	271	1,540	3,360
Hrvatski Telekom d.d., Zagreb, Croatia[a,b]	51.00	929	202	1,920	5,606
T-Mobile Austria Holding GmbH, Vienna, Austria[a,b]	100.00	828	(510)	921	1,207
Slovak Telekom a.s., Bratislava, Slovakia[a,b]	51.00	828	69	1,903	3,811

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

CURRENCY TRANSLATION.

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

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

The exchange rates of certain significant currencies changed as follows:

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€

	Annual average rate			Rate at the reporting date	
	2013	2012	2011	Dec. 31, 2013	Dec. 31, 2012
100 Czech korunas (CZK)	3.85018	3.97740	4.06830	3.64929	3.98309
1 Pound sterling (GBP)	1.17714	1.23292	1.15203	1.20086	1.22643
100 Croatian kuna (HRK)	13.19720	13.29600	13.44360	13.12490	13.23580
1,000 Hungarian forints (HUF)	3.36771	3.45820	3.58103	3.36594	3.41775
100 Macedonian denars (MKD)	1.61831	1.62376	1.62472	1.62712	1.60626
100 Polish zlotys (PLN)	23.82270	23.89580	24.27060	24.08060	24.48640
1 U.S. dollar (USD)	0.75289	0.77820	0.71801	0.72597	0.75845

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NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

1 CASH AND CASH EQUIVALENTS.

Cash and cash equivalents have an original maturity of less than three months and mainly comprise fixed-term bank deposits. They also include small amounts of cash-in-hand and checks. Deutsche Telekom obtained cash collateral of EUR 40 million (December 31, 2012: EUR 729 million) on the basis of collateral contracts as surety for potential credit risks arising from derivative transactions.

In the reporting period, cash and cash equivalents increased by EUR 3.9 billion to EUR 8.0 billion. For further details, please refer to the consolidated statement of cash flows in Note 31, PAGES 219 and 220.

As of December 31, 2013, Deutsche Telekom reported cash and cash equivalents of EUR 23 million held by subsidiaries in the F.Y.R.O. Macedonia (December 31, 2012: EUR 7 million). These subsidiaries are subject to foreign exchange controls or other legal restrictions. As a result, the cash balances are not fully available for use by the parent or other Group companies.

2 TRADE AND OTHER RECEIVABLES.

T 067

millions of €

	Dec. 31, 2013	Dec. 31, 2012
Trade receivables	7,580	6,316
Other receivables	132	101
	7,712	**6,417**

Of the total of trade and other receivables, EUR 6,735 million (December 31, 2012: EUR 6,188 million) is due within one year.

The development in receivables is largely attributable to an increased percentage of terminal equipment sold under installment plans in the United States operating segment, as a result of the strategy pursued by T-Mobile US to sell handsets at full price on installment contracts, which are available to certain customer groups.

TABLE 068 shows the maturity structure of the trade receivables that are not impaired at the reporting date:

T 068

millions of €

Trade receivables	Of which: neither impaired nor past due on the reporting date	Of which: not impaired on the reporting date and past due in the following periods: Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
As of Dec. 31, 2013	**2,816**	**661**	**82**	**51**	**75**	**106**	**77**
As of Dec. 31, 2012	3,722	597	108	53	138	86	64

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

The allowances on trade receivables developed as follows:

T 069

millions of €

	2013	2012
ALLOWANCES AS OF JANUARY 1	**1,316**	**1,232**
Currency translation adjustments	(15)	2
Additions (allowances recognized as expense)	642	949
Use	(479)	(754)
Reversal	(120)	(113)
ALLOWANCES AS OF DECEMBER 31	**1,344**	**1,316**

TABLE 070 presents expenses for the full write-off of trade receivables as well as income from recoveries on trade receivables written off:

T 070

millions of €

	2013	2012	2011
Expenses for full write-off of receivables	129	138	107
Income from recoveries on receivables written off	46	103	28

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

3 INVENTORIES.

T 071

millions of €

	Dec. 31, 2013	Dec. 31, 2012
Raw materials and supplies	75	96
Work in process	40	59
Finished goods and merchandise	947	950
Advance payments	0	1
	1,062	**1,106**

Of the inventories reported as of December 31, 2013, write-downs of EUR 46 million (2012: EUR 58 million, 2011: EUR 69 million) on the net realizable value were recognized in profit or loss.

The carrying amount of inventories recognized as expense amounted to EUR 6,470 million (2012: EUR 5,519 million, 2011: EUR 5,905 million).

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

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

As of December 31, 2013, current assets recognized in the consolidated statement of financial position included EUR 1.0 billion in non-current assets and disposal groups held for sale. The increase of EUR 0.9 billion compared with December 31, 2012 is primarily attributable to the following agreed transactions: In the United States operating segment, this included EUR 0.6 billion for the mobile spectrum swap with Verizon Communications, Inc. to improve the mobile network coverage, and, in the Group Headquarters & Group Services segment, EUR 0.3 billion resulting from the agreed sale of the Scout24 group.

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

As of December 31, 2013, current liabilities included EUR 0.1 billion as liabilities directly associated with non-current assets and disposal groups held for sale. This increase was mainly a result from the agreed sale of the Scout24 group.

T 072

millions of €

	Dec. 31, 2013				
	T-Mobile US spectrum licenses	Scout24 group	Deutsche Telekom AG real estate	Other	Total
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE					
Cash and cash equivalents	–	32	–	–	**32**
Trade receivables	–	32	–	2	**34**
Other current assets	–	8	–	2	**10**
Intangible assets	597	174	–	5	**776**
Property, plant and equipment	–	18	72	39	**129**
Investments accounted for using the equity method	–	42	–	–	**42**
Deferred tax assets	–	9	–	–	**9**
Other non-current assets	–	1	–	–	**1**
TOTAL	**597**	**316**	**72**	**48**	**1,033**
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE					
Financial liabilities	–	3	–	–	**3**
Trade and other payables	–	15	–	9	**24**
Other current provisions	–	3	–	2	**5**
Other current liabilities	–	41	–	3	**44**
Other non-current provisions	–	2	–	–	**2**
Deferred tax liabilities	–	35	–	–	**35**
TOTAL	**–**	**99**	**–**	**14**	**113**

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According to IFRS 5, the following assets and disposal groups were no longer recognized at their carrying amounts, but at their fair value less costs of disposal as of December 31, 2013.

T 073

millions of €

	Dec. 31, 2013			
	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable	Total
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE				
T-Mobile US spectrum licenses	–	597	–	**597**
Deutsche Telekom AG real estate	–	–	50	**50**

In accordance with IFRS 13, the fair values of T-Mobile US's swapped spectrum licenses were determined using input parameters of the second level. Different tiers were defined depending on the size of the population in the respective local markets, and for each tier, the value per inhabitant and per megahertz of spectrum (known as MHz Pop) was calculated on the basis of recent market transactions for comparable licenses. The calculation was performed by an external expert. The spectrum licenses were written down by EUR 0.1 billion to the fair value less costs of disposal. The expense was recognized under other operating expenses.

Deutsche Telekom AG's real estate held for sale relates to sites no longer considered to be necessary for operations. The fair values are determined by means of internal expert opinions. An external expert is also called in if the preliminary market value for the property exceeds EUR 2 million. The fair value is measured on a regular basis using the earnings value method, taking into account local market estimates and specific characteristics of the property, including input parameters that cannot be observed in the market. If internal and external expert opinions result in different fair values, the higher of the two is generally used and the expected costs of disposal (currently usually around 10 percent of the fair value) are subtracted. The property is recognized at the lower of the carrying amount and fair value less costs of disposal. The real estate was written down by EUR 0.1 billion to the fair value less costs of disposal. The expense was recognized under other operating expenses.

5 INTANGIBLE ASSETS.

T 074

millions of €

	Internally generated intangible assets	Acquired intangible assets		
		Total	Acquired concessions, industrial and similar rights and assets	LTE licenses
COST				
AT DECEMBER 31, 2011	**3,481**	**45,176**	**834**	**1,355**
Currency translation	(12)	(222)	13	0
Changes in the composition of the Group	1	6	5	0
Other changes	0	0	0	0
Additions	78	2,102	7	0
Disposals	476	1,327	57	0
Change from non-current assets and disposal groups held for sale	0	(160)	0	0
Reclassifications	530	1,338	37	0
AT DECEMBER 31, 2012	**3,602**	**46,913**	**839**	**1,355**
Currency translation	(83)	(1,310)	(12)	0
Changes in the composition of the Group	0	3,654	104	0
Other changes	0	0	0	0
Additions	112	1,262	214	20
Disposals	456	1,151	30	0
Change from non-current assets and disposal groups held for sale	(18)	(1,165)	(119)	0
Reclassifications	961	2,268	10	1,075
AT DECEMBER 31, 2013	**4,118**	**50,471**	**1,006**	**2,450**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES				
AT DECEMBER 31, 2011	**2,163**	**14,764**	**636**	**66**
Currency translation	(10)	35	13	0
Changes in the composition of the Group	0	(3)	0	0
Additions (amortization)	720	2,451	20	92
Additions (impairment)	121	6,002	1	0
Disposals	473	1,225	57	0
Change from non-current assets and disposal groups held for sale	0	(18)	0	0
Reclassifications	(169)	167	1	0
AT DECEMBER 31, 2012	**2,352**	**22,173**	**614**	**158**
Currency translation	(63)	(432)	(2)	0
Changes in the composition of the Group	0	(331)	(71)	0
Additions (amortization)	995	2,460	52	146
Additions (impairment)	0	116	1	0
Disposals	454	1,131	29	0
Change from non-current assets and disposal groups held for sale	(11)	(438)	0	0
Reclassifications	1	16	2	10
AT DECEMBER 31, 2013	**2,820**	**22,433**	**567**	**314**
NET CARRYING AMOUNTS				
At December 31, 2012	1,250	24,740	225	1,197
AT DECEMBER 31, 2013	**1,298**	**28,038**	**439**	**2,136**

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Acquired intangible assets				Goodwill	Advance payments and intangible assets under development	
UMTS licenses	GSM licenses	FCC licenses (T-Mobile US)	Other acquired intangible assets			Total
10,023	**1,708**	**19,101**	**12,155**	**27,419**	**1,339**	**77,415**
26	24	(396)	111	67	2	(165)
0	0	0	1	0	0	7
0	0	0	0	0	0	0
3	45	1,587	460	8	1,891	4,079
2	0	93	1,175	0	42	1,845
0	0	(154)	(6)	0	0	(160)
(2)	0	0	1,303	0	(1,773)	95
10,048	**1,777**	**20,045**	**12,849**	**27,494**	**1,417**	**79,426**
(18)	(19)	(1,012)	(249)	(565)	(13)	(1,971)
(16)	(85)	2,920	731	1	(6)	3,649
0	0	0	0	0	0	0
13	174	271	570	984	3,859	6,217
32	365	0	724	2	63	1,672
0	0	(940)	(106)	(298)	(14)	(1,495)
(7)	(32)	0	1,222	0	(3,111)	118
9,988	**1,450**	**21,284**	**14,293**	**27,614**	**2,069**	**84,272**
4,584	**1,060**	**0**	**8,418**	**10,261**	**0**	**27,188**
9	17	(116)	112	(172)	0	(147)
0	0	0	(3)	0	0	(3)
605	134	0	1,600	0	0	3,171
0	0	5,822	179	2,965	0	9,088
2	0	0	1,166	0	0	1,698
0	0	(12)	(6)	0	0	(18)
0	0	0	166	0	0	(2)
5,196	**1,211**	**5,694**	**9,300**	**13,054**	**0**	**37,579**
(7)	(17)	(245)	(161)	(410)	0	(905)
3	(29)	0	(234)	0	0	(331)
603	105	0	1,554	0	0	3,455
0	0	104	11	605	0	721
32	351	0	719	0	0	1,585
0	0	(343)	(95)	(197)	0	(646)
(5)	(10)	0	19	0	0	17
5,758	**909**	**5,210**	**9,675**	**13,052**	**0**	**38,305**
4,852	566	14,351	3,549	14,440	1,417	41,847
4,230	**541**	**16,074**	**4,618**	**14,562**	**2,069**	**45,967**

The net carrying amount of the UMTS licenses of EUR 4.2 billion mainly relates to the Germany operating segment.

The statement of changes in intangible assets had to be adjusted at T-Mobile Polska in December 2013. When the company was consolidated for the first time, the reevaluated amounts for the opening balances of cost were reported as net figures. In subsequent periods the company presented the further development of historical cost and of cumulative depreciation and amortization at the historical gross amount before first-time consolidation. Consequently, the reported decreases in cost and depreciation, amortization and impairment losses were too high and the amounts for the closing balances thus too low, which in turn means the gross values were not correct. The net carrying amounts, however, were reported correctly. The statement of changes in intangible assets of Deutsche Telekom was therefore adjusted retrospectively as of December 31, 2013 for the prior periods. The closing balances of cost and cumulative amortization under intangible assets were both increased by EUR 0.1 billion as of December 31, 2011. No further material adjustments were made in the course of 2012. The adjustment resulted in increases in cost and in cumulative amortization as of December 31, 2012 of EUR 0.1 billion each. It did not have any effect on Deutsche Telekom's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, or consolidated statement of cash flows.

Inconsistencies were detected at T-Mobile US in December 2013 regarding the disclosure of advance payments and construction in progress under intangible assets. No distinction had been made between intangible assets and property, plant and equipment; rather, all entries were disclosed under advance payments and construction in progress under property, plant and equipment. The statement of changes in property, plant and equipment and the statement of changes in intangible assets of Deutsche Telekom were therefore adjusted retrospectively for the prior periods as of December 31, 2013 (please refer to Note 6 "Property, plant and equipment," PAGES 194 and 195).

Deutsche Telekom had commitments for the acquisition of intangible assets in the amount of EUR 0.7 billion (December 31, 2012: EUR 1.7 billion) as of the reporting date. The decrease is mainly attributable to an obligation included in the prior year for T-Mobile Netherlands to buy mobile licenses. The purchase was completed in the 2013 financial year.

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

T 075

millions of €

	Dec. 31, 2013	Dec. 31, 2012
GERMANY	**3,977**	**3,974**
UNITED STATES	**907**	**–**
EUROPE	**6,488**	**7,241**
Of which:		
Poland	1,573	1,600
Netherlands	1,312	1,317
Hungary	1,055	1,071
Czech Republic	610	666
Croatia	484	488
Slovakia	428	399
Greece – Mobile communications	422	422
Austria	324	866
Romania – Mobile communications	144	145
Bulgaria	–	75
Other	136	192
SYSTEMS SOLUTIONS	**3,162**	**3,171**
GROUP HEADQUARTERS & GROUP SERVICES	**28**	**54**
	14,562	**14,440**

In the 2013 financial year, the main changes in the carrying amounts of goodwill at cash-generating units were as follows:

United States. The increase in goodwill of EUR 0.9 billion compared with December 31, 2012 is attributable to the acquisition of MetroPCS as of May 1, 2013 (please refer to the section "Changes in the composition of the Group and transactions with owners, PAGE 182 ET SEQ.).

Europe. The carrying amount of goodwill at the **Austria** cash-generating unit decreased by EUR 0.5 billion due to an impairment loss recognized as of December 31, 2013 following the annual impairment test. Goodwill at the **Bulgaria** cash-generating unit no longer existed as of December 31, 2013 following the sale of Cosmo Bulgaria (Globul) and Germanos Telecom Bulgaria (Germanos).

Disclosures on annual impairment tests. Deutsche Telekom performed its annual impairment tests for the goodwill assigned to the cash-generating units as of December 31, 2013. A need for impairment of EUR 600 million was identified as of December 31, 2013 on the basis of information available at the reporting date and expectations with respect to the future development of the market and competitive environment. Of this figure, EUR 24 million is attributable to non-controlling interests. In particular, the Austria cash-generating unit recognized an impairment loss of EUR 541 million, which resulted from the acquisition of national mobile licenses in Austria in the 2013 financial year. The acquisition of such licenses was necessary in order to continue operations in the Austrian mobile communications market. The actual price to be paid in the auction was higher than expected. In addition, intensified competition is expected to negatively impact the future revenue trend.

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The recoverable amount to be identified for the impairment test in Austria was determined on the basis of the fair value less costs of disposal. This value was calculated using the net present value method. The main parameters are shown in TABLE 076. The recoverable amount totaled EUR 920 million and in accordance with IFRS 13 was calculated using third-level input parameters (i.e., input parameters that cannot be observed).

The respective fair value less costs of disposal is generally the recoverable amount used for the impairment tests carried out at a cash-generating unit in the 2013 financial year. The recoverable amount at the Croatia cash-generating unit, however, was determined using the value in use. The market price of an active and liquid market (share price) of T-Mobile US was used to determine the fair value less costs of disposal in the case of the United States cash-generating unit. The measurements of all other cash-generating units are generally founded on projections that are based on financial plans that have been approved by management and are also used for internal purposes. The planning horizon selected reflects the assumptions for short- to medium-term market developments and is selected to achieve a steady state in the business outlook that is necessary for calculating the perpetual annuity. This steady state can only be established based on this planning horizon, in particular due to the sometimes long investment cycles in the telecommunications industry and the investments planned and expected in the long run to acquire and extend the rights of spectrum use. Cash flows beyond the internal mid-term planning are extrapolated using appropriate growth rates. The key assumptions on which management has based its determination of the recoverable amount include the following assumptions that were primarily derived from internal sources and are based on past experience and extended to include internal expectations, and that are underscored by external market data and estimates: development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, and growth rates. Discount rates are determined on the basis of external figures derived from the market, taking account of the risks associated with the cash-generating unit. Any significant future changes in the aforementioned assumptions would have an impact on the fair values of the cash-generating units. Any changes in the assumptions may have a negative impact, as a result of the future macroeconomic trends, continued intense competition, further possible legislation changes (e.g., as part of national austerity programs), and regulatory intervention.

TABLE 076 provides an overview of the period for the cash flow projections, the growth rates used for cash flow projections, the discount rates applied to the cash flow projections, and the classification of the input parameters (levels) allocated to the recoverable amounts in accordance with IFRS 13. It shows the main cash-generating units to which goodwill is allocated or which recorded an impairment loss in the 2013 financial year.

T 076

	Projection period (years)	Growth rates %	Discount rates %	Level allocation of input parameters
GERMANY	10	1.0	6.23	3
UNITED STATES	–	–	–	1
EUROPE				
Poland	10	2.0	7.75	3
Netherlands	10	2.0	6.76	3
Czech Republic	10	2.0	7.73	3
Slovakia	10	2.0	7.11	3
Croatia	10	2.0	8.78 [a]	–
Greece – Mobile communications	10	2.0	10.48	3
Romania – Mobile communications	10	2.0	9.70	3
Hungary	10	2.0	7.15	3
Austria	10	2.0	6.86 [b]	3
Other cash-generating units	10	1.5 – 2.0	5.82 – 10.18	3
SYSTEMS SOLUTIONS	10	1.5	7.97	3

[a] Discount rate before taxes due to the determination of the value in use. The discount rate after taxes is 7.27 percent.
[b] Prior-year discount rate: 6.63 percent.

If the net cash flows used for impairment testing had been 0.5 percentage points higher for the projection period, this would not have resulted in significantly lower impairment losses. If the net cash flows used had been 0.5 percentage points lower, this would not have resulted in significantly higher impairment losses. If the discount rates used for impairment testing had been 0.5 percentage points higher, the resulting impairment losses would have increased by EUR 0.1 billion. If, by contrast, the discount rates had been 0.5 percentage points lower, the resulting impairment losses would have been EUR 0.1 billion lower. If the growth rates used had been 0.5 percentage points lower, the impairment losses would have been EUR 0.1 billion higher. In turn, impairment losses would have been EUR 0.1 billion lower if the growth rates had been 0.5 percentage points higher.

6 PROPERTY, PLANT AND EQUIPMENT.

T 077

millions of €

	Land and equivalent rights, and buildings including buildings on land owned by third parties	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and construction in progress	Total
COST					
AT DECEMBER 31, 2011	**19,459**	**101,765**	**7,614**	**2,467**	**131,305**
Currency translation	14	0	4	(16)	2
Changes in the composition of the Group	0	3	4	0	7
Additions	220	2,404	501	3,345	6,470
Disposals	229	2,876	814	76	3,995
Change from non-current assets and disposal groups held for sale	(612)	(849)	(2)	(33)	(1,496)
Reclassifications	282	2,049	404	(2,830)	(95)
AT DECEMBER 31, 2012	**19,134**	**102,496**	**7,711**	**2,857**	**132,198**
Currency translation	(133)	(879)	(103)	(51)	(1,166)
Changes in the composition of the Group	(394)	188	313	49	156
Additions	199	2,483	462	3,999	7,143
Disposals	353	3,684	720	76	4,833
Change from non-current assets and disposal groups held for sale	(304)	(117)	(52)	(2)	(475)
Reclassifications	281	3,706	248	(4,353)	(118)
AT DECEMBER 31, 2013	**18,430**	**104,193**	**7,859**	**2,423**	**132,905**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
AT DECEMBER 31, 2011	**9,627**	**74,454**	**5,398**	**29**	**89,508**
Currency translation	(2)	(7)	0	0	(9)
Changes in the composition of the Group	0	0	3	0	3
Additions (depreciation)	789	6,152	736	0	7,677
Additions (impairment)	288	1,603	125	4	2,020
Disposals	166	2,707	723	2	3,598
Change from non-current assets and disposal groups held for sale	(408)	(382)	(3)	(4)	(797)
Reclassifications	14	(113)	101	0	2
Reversal of impairment losses	(13)	0	(2)	0	(15)
AT DECEMBER 31, 2012	**10,129**	**79,000**	**5,635**	**27**	**94,791**
Currency translation	(77)	(560)	(78)	0	(715)
Changes in the composition of the Group	(211)	(454)	121	0	(544)
Additions (depreciation)	700	5,189	722	0	6,611
Additions (impairment)	96	12	6	2	116
Disposals	245	3,484	636	1	4,366
Change from non-current assets and disposal groups held for sale	(240)	(100)	(37)	(1)	(378)
Reclassifications	48	(42)	(23)	0	(17)
Reversal of impairment losses	(20)	0	0	0	(20)
AT DECEMBER 31, 2013	**10,180**	**79,561**	**5,710**	**27**	**95,478**
NET CARRYING AMOUNTS					
At December 31, 2012	9,005	23,496	2,076	2,830	37,407
AT DECEMBER 31, 2013	**8,250**	**24,632**	**2,149**	**2,396**	**37,427**

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For further details on depreciation, amortization and impairment losses, please refer to Note 5 "Intangible assets," PAGE 190 ET SEQ., and Note 30 "Depreciation, amortization and impairment losses," PAGES 218 and 219.

Restoration obligations of EUR 0.3 billion were recognized as of December 31, 2013 (December 31, 2012: EUR 0.2 billion). Deutsche Telekom had commitments for the acquisition of property, plant and equipment in the amount of EUR 1.1 billion (December 31, 2012: EUR 2.0 billion) as of the reporting date. The decrease is primarily attributable to obligations included in the prior year for the build-out of the mobile network in the United States operating segment.

The statement of changes in property, plant and equipment had to be adjusted at T-Mobile Polska in December 2013. When the company was consolidated for the first time, the re-evaluated amounts for the opening balances of cost were reported as net figures. In subsequent periods, the company presented the further development of historical cost and of cumulative depreciation and amortization at the historical gross amount before first-time consolidation. Consequently, the reported decreases in cost and depreciation, amortization and impairment losses were too high and the amounts for the closing balances thus too low, which in turn means the gross values were not correct. The net carrying amounts, however, were reported correctly. The statement of changes in property, plant and equipment of Deutsche Telekom was therefore adjusted retrospectively as of December 31, 2013 for the prior periods. The closing balances of cost and cumulative depreciation under property, plant and equipment were both increased by EUR 0.3 billion at December 31, 2011. The decrease in cumulative cost and the decrease in cumulative depreciation for the course of 2012 were reduced by EUR 0.1 billion each. The adjustment resulted in increases in cost and in cumulative depreciation as of December 31, 2012 of EUR 0.4 billion each. It did not have any effect on Deutsche Telekom's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, or consolidated statement of cash flows.

Inconsistencies were also detected at T-Mobile US in December 2013 regarding the disclosure of advance payments and construction in progress under property, plant and equipment. No distinction had been made between intangible assets and property, plant and equipment; rather, all entries were disclosed under advance payments and construction in progress under property, plant and equipment. The statement of changes in property, plant and equipment and the statement of changes in intangible assets of Deutsche Telekom were therefore adjusted retrospectively for the prior periods as of December 31, 2013. EUR 0.1 billion was reassigned in the closing balances as of December 31, 2011 from advance payments and construction in progress under property, plant and equipment to advance payments and construction in progress under intangible assets. EUR 0.7 billion was reassigned from additions and EUR 0.8 billion (net EUR 0.1 billion) from reclassifications of property, plant and equipment in this context to additions and reclassifications of intangible assets. Figures for the 2011 and 2012 financial years were adjusted retrospectively in the consolidated statement of cash flows. For 2011, cash outflows for investments in intangible assets were increased by EUR 0.5 billion and cash outflows for property, plant and equipment reduced by EUR 0.5 billion. For 2012, cash outflows for investments in intangible assets were increased by EUR 0.7 billion and cash outflows for property, plant and equipment reduced by EUR 0.7 billion. This adjustment did not have any effect on Deutsche Telekom's consolidated income statement, consolidated statement of comprehensive income, or consolidated statement of changes in equity.

7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD.

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

T 078

millions of €

Name	Dec. 31, 2013 Deutsche Telekom share %	Dec. 31, 2013 Net carrying amounts	Dec. 31, 2012 Deutsche Telekom share %	Dec. 31, 2012 Net carrying amounts
EE[a]	50.00	5,844	50.00	6,352
T-Mobile USA Tower[b]	66.75	75	100.00	79
T-Mobile West Tower[b]	66.75	86	100.00	90
HT Mostar[c]	39.10	52	39.10	52
Toll Collect[a]	45.00	13	45.00	12
Other		97		141
		6,167		**6,726**

[a] Joint venture.
[b] Indirect shareholding via T-Mobile USA, Inc., United States (Deutsche Telekom AG's share: 66.75 %).
[c] Indirect shareholding via Hrvatski Telekom d.d., Croatia (Deutsche Telekom AG's share: 51.00 %).

The carrying amount of the EE joint venture decreased by EUR 0.5 billion. This decrease was primarily related to dividend payments received of EUR 0.3 billion and exchange rate effects of EUR 0.1 billion.

Aggregated key financial figures for the associates accounted for using the equity method are shown in the following overview. The data is not based on the portions attributable to the Deutsche Telekom Group, but represents the shareholdings on a 100-percent basis.

Aggregated key financial figures for the associates accounted for using the equity method.

T 079

billions of €

	Dec. 31, 2013	Dec. 31, 2012
Total assets	0.6	0.5
Total liabilities	0.1	0.1
	2013	2012
Net revenue	0.2	0.1
Profit (loss)	(0.1)	(0.1)

TABLE 080 is a summary presentation of aggregated key financial figures – prorated according to the relevant percentage of shares held – for the joint ventures of Deutsche Telekom accounted for using the equity method:

Aggregated key financial figures for the joint ventures accounted for using the equity method.

T 080

billions of €

	EE	Other	Total Dec. 31, 2013	Total Dec. 31, 2012
TOTAL ASSETS	**8.8**	**0.4**	**9.2**	**9.7**
Current	1.0	0.3	1.3	1.7
Non-current	7.8	0.1	7.9	8.0
TOTAL LIABILITIES	**2.9**	**0.3**	**3.2**	**3.3**
Current	1.4	0.2	1.6	1.6
Non-current	1.5	0.1	1.6	1.7
	EE	Other	Total 2013	Total 2012
Net revenue	3.9	0.2	4.1	4.4
Profit (loss)	0.0	0.0	0.0	(0.1)

8 OTHER FINANCIAL ASSETS.

T 081

millions of €

	Dec. 31, 2013		Dec. 31, 2012	
	Total	Of which: current	Total	Of which: current
Originated loans and receivables	2,672	2,347	2,123	1,718
Available-for-sale financial assets	652	110	380	25
Derivative financial assets	771	283	1,287	201
Held-to-maturity investments	12	5	131	76
	4,107	**2,745**	**3,921**	**2,020**

T 082

millions of €

Originated loans and receivables	Of which: neither impaired nor past due on the reporting date	Of which: not impaired on the reporting date and past due in the following periods					
		Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
As of Dec. 31, 2013							
Due within one year	2,283	9	3	3	0	1	2
Due after more than one year	324	–	–	–	–	–	1
As of Dec. 31, 2012							
Due within one year	1,627	3	10	15	29	2	1
Due after more than one year	387	–	–	–	–	–	4

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

Receivables of EUR 941 million (December 31, 2012: EUR 246 million) were used in connection with collateral agreements as surety for potential credit risks arising from derivative transactions.

The available-for-sale financial assets include, among other assets, unquoted equity instruments whose fair values could not be reliably measured, and which were therefore recognized at cost in the amount of EUR 280 million as of December 31, 2013 (December 31, 2012: EUR 230 million). No plans existed as of the reporting date to sell these instruments. The increase was primarily attributable to higher investments in securities that were shown under available-for-sale assets as of December 31, 2013.

9 OTHER ASSETS.

Other assets mainly include deferred expenses of EUR 1.1 billion (December 31, 2012: EUR 1.0 billion).

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10 FINANCIAL LIABILITIES.

T 083

millions of €

	Dec. 31, 2013				Dec. 31, 2012			
	Total	Due within 1 year	Due >1 year ≤ 5 years	Due > 5 years	Total	Due within 1 year	Due >1 year ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	**40,535**	**3,315**	**13,676**	**23,544**	**33,674**	**5,120**	**14,651**	**13,903**
Of which: non-convertible bonds	28,211	545	9,531	18,135	19,950	3,377	8,497	8,076
Of which: commercial paper, medium-term notes and similar liabilities	12,324	2,770	4,145	5,409	13,724	1,743	6,154	5,827
Liabilities to banks	**4,105**	**1,721**	**2,185**	**199**	**3,912**	**499**	**3,284**	**129**
Of which: promissory notes	1,689	1,227	332	130	1,986	299	1,558	129
Of which: loans from the European Investment Bank	1,760	10	1,750	–	1,631	64	1,567	–
Of which: other loans	656	484	103	69	295	136	159	–
	44,640	**5,036**	**15,861**	**23,743**	**37,586**	**5,619**	**17,935**	**14,032**
Lease liabilities	1,446	162	550	734	1,780	652	475	653
Liabilities to non-banks from promissory notes	1,072	127	529	416	1,167	40	606	521
Other interest-bearing liabilities	891	577	210	104	1,551	1,296	175	80
Other non-interest-bearing liabilities	1,967	1,855	109	3	1,611	1,534	76	1
Derivative financial liabilities	1,583	134	594	855	919	119	721	79
	6,959	**2,855**	**1,992**	**2,112**	**7,028**	**3,641**	**2,053**	**1,334**
FINANCIAL LIABILITIES	**51,599**	**7,891**	**17,853**	**25,855**	**44,614**	**9,260**	**19,988**	**15,366**

Financial liabilities increased year-on-year by EUR 7.0 billion to a total of EUR 51.6 billion. The first-time inclusion of MetroPCS resulted in effects from changes in the composition of the Group by EUR 5.1 billion as of the date of first-time consolidation.

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

In addition to the reported liabilities to banks, Deutsche Telekom had standardized bilateral credit agreements with 21 banks for a total of EUR 12.6 billion at December 31, 2013. EUR 320 million of these credit lines had been utilized for the drawing down of a guarantee by December 31, 2013. Pursuant to the credit agreements, the terms and conditions depend on Deutsche Telekom's rating. The bilateral credit agreements have an original maturity of 36 months and can, after each period of 12 months, be extended by a further 12 months to renew the maturity of 36 months. From today's perspective, access to the international debt capital markets is not jeopardized. In 2013 Deutsche Telekom International Finance B.V. and Deutsche Telekom AG issued a bond in two tranches amounting to EUR 2 billion, and medium-term notes to a total volume of EUR 0.2 billion. In the 2013 financial year, T-Mobile US issued or placed bonds with a total value of USD 8.1 billion: In August 2013, the company issued a bond of USD 500 million (approximately EUR 0.4 billion). In November 2013, T-Mobile US issued senior notes with a total volume of USD 2 billion (approximately EUR 1.5 billion). In October 2013, Deutsche Telekom AG sold T-Mobile US bonds in an amount equivalent to USD 5.6 billion (approximately EUR 4.1 billion) that it had taken over in April 2013 as part of the merger of T-Mobile USA and MetroPCS. The bonds were placed with international investors.

The following TABLES 084 and 085 show Deutsche Telekom's contractually agreed (undiscounted) interest payments and repayments of the non-derivative financial liabilities and the derivatives with positive and negative fair values:

T 084

millions of €

	Carrying amounts Dec. 31, 2013	Cash flows in 2014		
		Fixed interest rate	Variable interest rate	Repayment
NON-DERIVATIVE FINANCIAL LIABILITIES				
Bonds, other securitized liabilities, liabilities to banks and liabilities to non-banks from promissory notes and similar liabilities	(45,712)	(2,314)	(26)	(4,944)
Finance lease liabilities	(1,446)	(103)		(164)
Other interest-bearing liabilities	(891)	(4)		(577)
Other non-interest-bearing liabilities	(1,967)			(1,856)
DERIVATIVE FINANCIAL LIABILITIES AND ASSETS				
Derivative financial liabilities:				
Currency derivatives without a hedging relationship	(39)			(43)
Currency derivatives in connection with cash flow hedges	(3)			(1)
Currency derivatives in connection with net investment hedges	–			
Interest rate derivatives without a hedging relationship	(542)	(156)	18	
Interest rate derivatives in connection with fair value hedges	(276)	114	(48)	
Interest rate derivatives in connection with cash flow hedges	(723)	(20)	8	
Derivative financial assets:				
Currency derivatives without a hedging relationship	26			25
Currency derivatives in connection with cash flow hedges	24			24
Interest rate derivatives without a hedging relationship	412	55	(22)	185
Interest rate derivatives in connection with fair value hedges	62	114	(71)	
Interest rate derivatives in connection with cash flow hedges	89	10		
FINANCIAL GUARANTEES AND LOAN COMMITMENTS [a]	(1)			(340)

[a] For more detailed information, please refer to Note 37 "Financial instruments and risk management," PAGE 230 ET SEQ. In each case, the maximum payment at the earliest possible date of utilization is shown.

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	Cash flows in 2015			Cash flows in 2016 – 2018			Cash flows in 2019 – 2023			Cash flows in 2024 and thereafter		
	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
	(2,119)	(20)	(4,852)	(5,151)	(27)	(11,372)	(4,842)	(1)	(16,090)	(3,715)		(8,427)
	(101)		(159)	(216)		(388)	(225)		(407)	(121)		(327)
	(2)		(115)	(12)		(97)	(50)		(78)	(10)		(25)
			(35)			(73)			(3)			
			(1)									
	(88)	14	6	19	(3)	(116)	40	(32)	(10)	62	(57)	(102)
	115	(49)		334	(142)	(19)	439	(130)		986	(342)	
	(106)	15		(266)	29		70			29		(86)
	4	(11)	122	1	(4)	6	(2)	2		6	2	24
	105	(57)		170	(113)							
	10			34		35	43		97	16		39

T 085

millions of €

	Carrying amounts Dec. 31, 2012	Cash flows in				
		2013	2014	2015 – 2017	2018 – 2022	2023 and thereafter
NON-DERIVATIVE FINANCIAL LIABILITIES						
Bonds, other securitized liabilities, liabilities to banks and liabilities to non-banks from promissory notes and similar liabilities	(38,753)	(8,078)	(7,028)	(16,634)	(11,161)	(11,282)
Finance lease liabilities	(1,246)	(250)	(205)	(544)	(476)	(494)
Other interest-bearing liabilities	(2,085)	(1,807)	(101)	(107)	(190)	
Other non-interest-bearing liabilities	(1,611)	(1,534)	(59)	(16)	(2)	–
DERIVATIVE FINANCIAL LIABILITIES AND ASSETS						
Derivative financial liabilities:						
Currency derivatives without a hedging relationship	(38)	(44)				
Currency derivatives in connection with cash flow hedges	(9)	(7)				
Currency derivatives in connection with net investment hedges	–	–				
Interest rate derivatives without a hedging relationship	(289)	(123)	(67)	(72)	10	51
Interest rate derivatives in connection with fair value hedges	–					
Interest rate derivatives in connection with cash flow hedges	(575)	(101)	(95)	(387)	(25)	
Derivative financial assets:						
Currency derivatives without a hedging relationship	12	10	1			
Currency derivatives in connection with cash flow hedges	22	14	9			
Interest rate derivatives without a hedging relationship	519	153	148	73	21	75
Interest rate derivatives in connection with fair value hedges	498	220	195	190	128	410
Interest rate derivatives in connection with cash flow hedges	236	12	12	79	182	76
FINANCIAL GUARANTEES AND LOAN COMMITMENTS [a]	(1)	(381)				

[a] For more detailed information, please refer to Note 37 "Financial instruments and risk management," PAGE 230 ET SEQ. In each case, the maximum payment at the earliest possible date of utilization is shown.

All instruments held at December 31, 2013 and for which payments were already contractually agreed were included. Planning data for future, new liabilities were not included. Amounts in foreign currency were each translated at the closing rate at the reporting date. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before December 31, 2013. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period. In accordance with § 2 (4) of the German Act on the Transformation of the Deutsche Bundespost Enterprises into the Legal Structure of Stock Corporation (Stock Corporation Transformation Act – Postumwandlungsgesetz), the Federal Republic is guarantor of all Deutsche Telekom AG's liabilities that were already outstanding as at January 1, 1995. At December 31, 2013, this figure was a nominal EUR 2.1 billion (December 31, 2012: EUR 2.1 billion).

11 TRADE AND OTHER PAYABLES.

T 086

millions of €

	Dec. 31, 2013	Dec. 31, 2012
Trade payables	7,231	6,415
Other liabilities	28	30
	7,259	**6,445**

Of the total of trade and other payables, EUR 7,253 million (December 31, 2012: EUR 6,439 million) is due within one year.

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12 PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS.

Deutsche Telekom applied the amended IAS 19 "Employee Benefits" as of January 1, 2013 retrospectively. This resulted in changes to the recognition, measurement, and presentation of defined benefit plans. For further information, please refer to "Initial application of standards, interpretations, and amendments to standards and interpretations in the financial year" in the section "Summary of accounting policies," PAGES 168 and 169.

DEFINED BENEFIT PLANS.

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

Deutsche Telekom's pension obligations are as follows:

T 087

millions of €

	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
DEFINED BENEFIT LIABILITY	**7,006**	**7,312**	**6,124**
Defined benefit asset	(14)	(17)	(15)
NET DEFINED BENEFIT LIABILITY (ASSET)	**6,992**	**7,295**	**6,109**
Of which: provisions for direct commitments	6,698	6,711	5,740
Of which: provisions for indirect commitments	292	582	367
Of which: provisions for obligations in accordance with Article 131 GG	2	2	2

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

Calculation of net defined benefit liabilities (assets):

T 088

millions of €

	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Present value of the obligations fully or partially funded by plan assets	6,487	6,441	5,006
Plan assets at fair value	(1,973)	(1,680)	(860)
DEFINED BENEFIT OBLIGATIONS IN EXCESS OF PLAN ASSETS	**4,514**	**4,761**	**4,146**
Present value of the unfunded obligations	2,478	2,532	1,960
DEFINED BENEFIT LIABILITY (ASSET) ACCORDING TO IAS 19.63	**6,992**	**7,293**	**6,106**
Effect of asset ceiling (according to IAS 19.64)	–	2	3
NET DEFINED BENEFIT LIABILITY (ASSET)	**6,992**	**7,295**	**6,109**

T 089

millions of €

	2013	2012	2011
NET DEFINED BENEFIT LIABILITY (ASSET) AS OF JANUARY 1	**7,295**	**6,109**	**6,386**
Service cost	160	197	199
Net interest expense (income) on the net defined benefit liability (asset)	228	313	314
Remeasurement effects	(48)	1,822	(173)
Pension benefits paid directly by the employer	(366)	(375)	(367)
Employer contributions to plan assets	(269)	(768)	(267)
Changes attributable to business combinations/transfers of operation/ acquisitions and disposals	(7)	(2)	17
Administration costs actually incurred (paid from plan assets)	0	0	0
Exchange rate fluctuations for foreign-currency plans	(1)	(1)	0
NET DEFINED BENEFIT LIABILITY (ASSET) AS OF DECEMBER 31	**6,992**	**7,295**	**6,109**

Key assumptions for the measurement of the defined benefit obligations are the discount rate, the salary increase rate, the pension increase rate, and longevity. TABLE 090 shows the assumptions on which the measurement of defined benefit obligations as of December 31 are based. The assumptions made as of December 31 of the respective prior year are used to measure the expected pension expense (defined benefit cost) of a given financial year.

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

T 090

%

		2013	2012	2011	2010
Discount rate	Germany	3.29	3.26	5.31	5.16
	Switzerland (T-Systems Schweiz AG)	2.34	1.78	2.57	3.05
	Greece (OTE S.A.)	3.25 [a]/2.53 [b]	2.86 [a]/2.26 [b]	4.72 [a]/4.18 [b]	4.56 [a]/3.71 [b]
Salary increase rate	Germany (pay-scale employees)	2.75	2.75	2.75	3.25
	Germany (non-pay-scale employees)	2.75	2.75	2.75	3.50
	Switzerland (T-Systems Schweiz AG)	1.50	1.50	1.50	1.50
	Greece (OTE S.A.)	1.00 [c]	1.00 [d]	1.50 [e]	2.50 [f]
Pension increase rate	Germany (general)	1.50	1.50	1.50	1.50
	Germany (according to articles of association)	1.00	1.00	1.00	1.00
	Switzerland (T-Systems Schweiz AG)	0.30	0.30	0.30	0.30
	Greece (OTE S.A.)	n. a.	n. a.	n. a.	n. a.

[a] The discount rate relates to the plans for staff retirement indemnities and for phone credits (please refer to the plan description, PAGE 205).
[b] The discount rate relates to the plan for youth accounts (please refer to the plan description, PAGE 205).
[c] The following assumptions were made in 2013 concerning the salary increase rate in subsequent years: 2014: 0.97 percent, 2015: 9.69 percent, 2016: 0.00 percent. An increase of 1.00 percent is assumed for the years from 2017 onward.
[d] The following assumptions were made in 2012 concerning the salary increase rate for subsequent years: 2013: 0.97 percent, 2014: 0.97 percent, 2015: 9.69 percent, 2016: 0.00 percent. An increase of 1.00 percent was assumed for the years from 2017 onward.
[e] The following assumptions were made in 2011 concerning the salary increase rate for subsequent years: 2012: – 10.06 percent, 2013: – 7.04 percent, 2014: – 3.93 percent, 2015: 9.09 percent. An increase of 1.50 percent was assumed for the years from 2016 onward. Following an agreement reached with the trade union in 2011, the salary increase rate for the years 2012 through 2014 was negative and then positive again from 2015 onward.
[f] The following assumptions were made in 2010 concerning the salary increase rate for 2011 – 2012: 2.2 percent, 2013 – 2014: 3.2 percent, 2015 – 2018: 2.4 percent. An increase of 2.5 percent was assumed for the years from 2019 onward.

T 091

Years

		Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Duration	Germany	13.7	14.8	13.3
	Switzerland (T-Systems Schweiz AG)	17.1	17.5	16.1
	Greece (OTE S.A.)	13.0 [a]/7.0 [b]	11.2 [a]/7.1 [b]	8.6 [a]/6.6 [b]

[a] The duration relates to the plans for staff retirement indemnities and for phone credits (please refer to the plan description, PAGE 205).
[b] The duration relates to the plan for youth accounts (please refer to the plan description, PAGE 205).

The following biometric assumptions were essential for the measurement of pension obligations:

Germany: Heubeck 2005G, Switzerland (T-Systems Schweiz AG): BVG 2010 Generational, Greece (OTE S.A.): EVK2000

The aforementioned discount rates were used as of December 31, 2013 when calculating the present value of defined benefit obligations, taking into account future salary increases. These discount rates were set in line with the average weighted duration of the respective obligation.

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

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Development of defined benefit obligations in the reporting year:

T 092

millions of €

	2013	2012	2011
DEFINED BENEFIT OBLIGATIONS AS OF JANUARY 1	8,973	6,966	7,015
Current service cost	219	185	192
Interest cost	282	353	341
Remeasurement effects	(33)	1,868	(185)
Of which: experience-based adjustments	27	(19)	(21)
Of which: adjusted financial assumptions	(57)	1,887	(172)
Of which: adjusted demographic assumptions	(3)	0	8
Total benefits actually paid	(408)	(420)	(419)
Contributions by plan participants	5	4	4
Changes attributable to business combinations/transfers of operation/acquisitions and disposals	(8)	3	6
Past service cost (due to plan amendments)	(64)	16	(3)
Past service cost (due to curtailments)	(8)	(6)	(2)
Settlements	13	2	11
Taxes to be paid as part of pensions	–	–	–
Currency (gain) loss	(6)	2	6
DEFINED BENEFIT OBLIGATIONS AS OF DECEMBER 31	8,965	8,973	6,966

Regarding the defined benefit obligations as of December 31, 2013, EUR 4,080 million relates to active plan participants, EUR 1,528 million to plan participants with vested pension rights who left the Group, and EUR 3,357 million to benefit recipients.

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

Distribution of obligations relating to Deutsche Telekom's most significant plans as of December 31, 2013:

T 093

millions of €

	Germany	Switzerland (T-Systems Schweiz AG)	Greece (OTE S.A.)	Other plans
Defined benefit obligations	8,254	185	259	267
Plan assets at fair value	(1,627)	(161)	–	(185)
Effect of asset ceiling	–	–	–	–
NET DEFINED BENEFIT LIABILITY (ASSET)	6,627	24	259	82

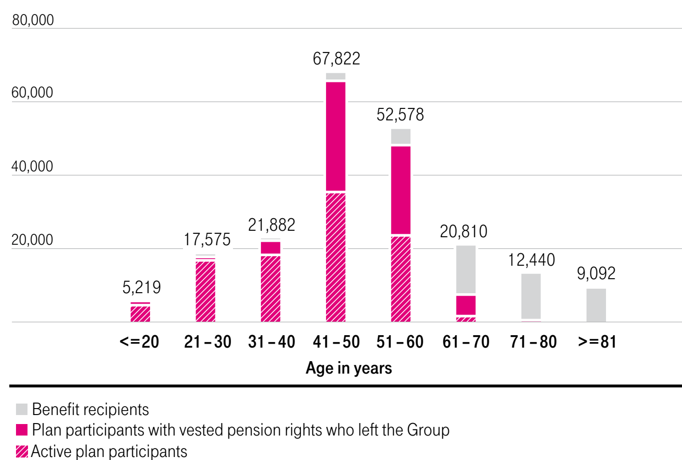
The following analyses in terms of age structure, sensitivity analysis, and descriptions of plans and the risks associated with them relate to Germany, Switzerland (T-Systems Schweiz AG), and Greece (OTE S.A.).

Age structure:

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

G 56

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



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

Sensitivity analysis for the defined benefit obligations:

The following sensitivity analysis describes the effects of possible adjustments in the material actuarial assumptions for measurement on the defined benefit obligations determined as of December 31, 2013. A change in the measurement assumptions to the extent described below, with otherwise unchanged assumptions, would have impacted the defined benefit obligations as of December 31, 2013 as follows:

T 094

millions of €

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

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

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

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

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

In **Germany** there are commitments for pension and disability benefits for a majority of employees as well as pension benefits for their surviving dependents. As part of a reorganization of the company pension plan, a capital account plan was introduced across Germany in 1997 for active employees. Furthermore, in subsequent years, commitments acquired through company acquisitions were also transferred to the capital account plan scheme.

The capital account plan is an employer-financed, contribution-based benefit promise. The salary-linked contributions granted annually are charged interest in advance for each year of provision up to age 60, calculated using age-based factors, converting the contribution into a guaranteed insured amount. The advance interest rate currently stands at 3.75 percent p.a. (target interest rate for the capital account plan).

Deutsche Telekom reduced the granted interest on the future contributions in its capital account plan from 5 percent p.a. to the current level of 3.75 percent p.a. by changing the plan in the 2013 financial year. This change is not related to the application of IAS 19 (amended). The option of changing the target interest rate makes it possible to achieve a yield on the contributions to the capital account that is in line with the capital market. As market interest rates had fallen sharply, the return was no longer in line with the market. The change in the interest rate resulted in a positive one-time effect of EUR 0.1 billion (before taxes) in the 2013 consolidated income statement.

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

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

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

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

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

As part of the company pension scheme (second pillar) in **Switzerland (T-Systems Schweiz AG)**, there is a contribution-based benefit plan financed by employer and employee contributions, which is managed by the legally independent T-Systems

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pension fund. As is often the case in Switzerland, T-Systems Schweiz AG also grants higher benefits than legally required. The Swiss Federal Law on Occupational Retirement, Surviving Dependants' and Disability Pension (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge – BVG) sets out minimum requirements for the pay to be insured, the age-based contributions, and a minimum annuity factor for the obligatory portion of the accrued retirement assets to be annuitized. In addition, the Swiss Federal Council defines a minimum interest rate for the obligatory retirement assets (2013: 1.5 percent, 2014: 1.75 percent).

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

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

In **Greece (OTE S.A.)**, mandatory staff retirement indemnities are due in cases of premature termination by the employer and, to a lesser extent, upon retirement by the employee. These are paid out as a lump sum and can amount to several times the employee's last monthly pay (including cap), depending on the employee's length of service. A change in the law in 2012 capped the lump sum at a maximum of 12 monthly salaries. The company also makes a voluntary top-up payment. Payments were made to older employees in particular in the 2012 and 2013 financial years as part of restructuring programs, which led to an increase in the duration of the remaining obligations of the plan.

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

The benefits granted by the staff retirement indemnities and youth accounts plans are paid out as a lump sum, i.e., there is no longevity risk.

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

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

T 095

millions of €

	2013	2012	2011
PLAN ASSETS AT FAIR VALUE AS OF JANUARY 1	1,680	860	629
Changes attributable to business combinations/ transfers of operation/acquisitions and disposals	(1)	5	(11)
Interest income on plan assets (calculated using the discount rate)	54	40	27
Amount by which the actual return exceeds (falls short of) the interest income on plan assets (remeasurement)	13	45	(9)
Contributions by employer	269	768	267
Contributions by plan participants	5	4	4
Benefits actually paid from plan assets	(42)	(45)	(52)
Settlements	0	0	(1)
Administration costs	0	0	0
Tax payments	–	–	–
Currency (loss) gain	(5)	3	6
PLAN ASSETS AT FAIR VALUE AS OF DECEMBER 31	1,973	1,680	860

Contributions by employer as of December 31, 2013 include a payment of EUR 250 million (December 31, 2012: EUR 750 million) to a corporate CTA in Germany. The contributions by employer are usually allocated at year-end.

Breakdown of plan assets at fair value by investment category:

T 096

millions of €

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

T 097

millions of €

	Dec. 31, 2012
Equity securities	335
Debt securities	1,123
Real estate	43
Other	179
PLAN ASSETS AT FAIR VALUE	1,680

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

At the reporting date, the plan assets at fair value include shares issued by Deutsche Telekom AG amounting to EUR 600 thousand (December 31, 2012: shares totaling EUR 800 thousand). No other own financial instruments were included in the years shown.

Development of the effect of the asset ceiling:

T 098

millions of €

	2013	2012	2011
EFFECT OF ASSET CEILING AS OF JANUARY 1	**(2)**	**(3)**	**0**
Interest expense on asset ceiling (recognized in the income statement)	0	0	0
Changes in asset ceiling (remeasurement)	2	1	(3)
Currency gain (loss)	0	0	0
EFFECT OF ASSET CEILING AS OF DECEMBER 31	**0**	**(2)**	**(3)**

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

T 099

millions of €

	Presentation in the income statement	2013	2012	2011
Current service cost	Functional costs[a]	219	185	192
Past service cost (due to plan amendments)	Functional costs[a]	(64)	16	(3)
Past service cost (due to curtailments)	Functional costs[a]	(8)	(6)	(2)
Settlements	Functional costs[a]	13	2	12
SERVICE COST		**160**	**197**	**199**
Interest cost	Other financial income (expense)	282	353	341
Interest income on plan assets (calculated using the discount rate)	Other financial income (expense)	(54)	(40)	(27)
Interest expense on the effect of the asset ceiling	Other financial income (expense)	0	0	0
NET INTEREST EXPENSE (INCOME) ON NET DEFINED BENEFIT LIABILITY (ASSET)		**228**	**313**	**314**
DEFINED BENEFIT COST		**388**	**510**	**513**
Administration costs actually incurred (paid from plan assets)	General and administrative expenses	0	0	0
TOTAL AMOUNTS RECOGNIZED IN PROFIT OR LOSS		**388**	**510**	**513**

[a] Including other operating expenses.

The consolidated statement of comprehensive income contains the following amounts:

T 100

millions of €

	2013	2012	2011
REMEASUREMENT ((GAIN) LOSS RECOGNIZED IN OTHER COMPREHENSIVE INCOME IN THE FINANCIAL YEAR)	**(48)**	**1,822**	**(173)**
Of which: remeasurement due to a change in defined benefit obligations	(33)	1,868	(185)
Of which: remeasurement due to a change in plan assets	(13)	(45)	9
Of which: remeasurement due to changes in the effect of asset ceiling (according to IAS 19.64)	(2)	(1)	3

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Total benefit payments expected:

T 101

millions of €

	2014	2015	2016	2017	2018
Benefits paid from pension provisions	297	337	367	384	361
Benefits paid from plan assets	27	30	31	32	33
TOTAL BENEFITS EXPECTED	**324**	**367**	**398**	**416**	**394**

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

In Germany, an amount of EUR 250 million will be allocated to the CTA in 2014 to increase the plan assets. EUR 266 million is expected to be allocated to plan assets for 2014 at Group level.

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

T 102

millions of €

	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010[a]	Dec. 31, 2009[a]
Defined benefit obligations	8,965	8,973	6,966	7,017	6,833
Plan assets at fair value	(1,973)	(1,680)	(860)	(629)	(618)
DEFINED BENEFIT OBLIGATIONS IN EXCESS OF PLAN ASSETS	**6,992**	**7,293**	**6,106**	**6,388**	**6,215**

[a] The figures for the 2009 and 2010 periods were adjusted to apply the amended IAS 19 in the opening balances as of January 1, 2011 in shareholders' equity in retained earnings including carryforwards.

T 103

%

Adjustments	2013	2012	2011	2010[a]	2009[a]
Experience-based increase (decrease) of defined benefit obligations	0.3	(0.2)	(0.3)	0.1	(0.7)
Experience-based increase (decrease) of plan assets	0.7	2.6	(1.2)	1.1	(9.9)

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

DEFINED CONTRIBUTION PLANS.

The employer's contribution paid to the statutory pension scheme (Deutsche Rentenversicherung) in Germany in the 2013 financial year totaled EUR 0.4 billion. Group-wide, EUR 103 million (2012: EUR 99 million, 2011: EUR 118 million) from current contributions for additional defined contribution plans was recognized in the income statement in 2013.

CIVIL-SERVANT RETIREMENT ARRANGEMENTS AT DEUTSCHE TELEKOM.

An expense of EUR 567 million was recognized in the 2013 financial year (2012: EUR 592 million, 2011: EUR 610 million) for the annual contribution to the Civil Service Pension Fund amounting to 33 percent of the pensionable gross emoluments of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence. The present value of future payment obligations to the Civil Service Pension Fund was EUR 5.0 billion (December 31, 2012: EUR 5.6 billion) at the reporting date and is shown under other financial obligations. Please refer to Note 35, PAGE 228.

13 OTHER PROVISIONS.

T 104

millions of €

	Provisions for termination benefits	Other provisions for personnel costs	Provisions for restoration obligations	Provisions for litigation risks	Provisions for sales and procurement support	Miscellaneous other provisions	Total
AT DECEMBER 31, 2011	**59**	**1,896**	**925**	**452**	**336**	**1,074**	**4,742**
Of which: current	56	1,466	32	425	336	780	3,095
Changes in the composition of the Group	0	2	0	0	0	(1)	1
Currency translation adjustments	1	(6)	5	(2)	(1)	4	1
Addition	113	1,671	122	135	406	386	2,833
Use	(85)	(1,594)	(34)	(168)	(283)	(264)	(2,428)
Reversal	(9)	(92)	(39)	(77)	(10)	(234)	(461)
Interest effect	0	23	56	2	0	7	88
Other changes	(1)	(29)	0	0	0	(4)	(34)
AT DECEMBER 31, 2012	**78**	**1,871**	**1,035**	**342**	**448**	**968**	**4,742**
Of which: current	65	1,373	44	320	448	635	2,885
Changes in the composition of the Group	(1)	52	151	7	2	(3)	208
Currency translation adjustments	(2)	(22)	(10)	(2)	(7)	(3)	(46)
Addition	361	1,712	136	111	339	386	3,045
Use	(138)	(1,581)	(29)	(117)	(394)	(199)	(2,458)
Reversal	(10)	(86)	(31)	(48)	(21)	(128)	(324)
Interest effect	0	42	(5)	(2)	0	3	38
Other changes	(6)	(7)	0	(2)	0	1	(14)
AT DECEMBER 31, 2013	**282**	**1,981**	**1,247**	**289**	**367**	**1,025**	**5,191**
Of which: current	279	1,434	46	281	367	713	3,120

The addition to provisions for termination benefits in the 2013 financial year includes EUR 0.3 billion for various restructuring programs carried out in Greece. The closing balance at December 31, 2013 still included EUR 0.3 billion.

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

T 105

millions of €

	Jan. 1, 2013	Addition	Use	Reversal	Other changes	Dec. 31, 2013
Early retirement	13	–	(10)	–	(3)	0
Severance and voluntary redundancy models	65	361	(128)	(10)	(6)	282
Partial retirement	134	183	(197)	–	13	133
	212	**544**	**(335)**	**(10)**	**4**	**415**
Of which: current	105					347

Some of the staff restructuring measures listed here are covered by law such as, for instance, early retirement for civil servants as defined by the German Act on the Staff Structure at the Residual Special Asset of the Federal Railways and the Successor Companies of the Former Deutsche Bundespost. For civil servants employed at Deutsche Telekom, the law provides the opportunity under certain conditions to retire early from the age of 55. When the German Act on the Reorganization of the Civil Service Pension Fund (Gesetz zur Neuordnung der Postbeamtenversorgungskasse) came into effect, the provisions for early retirement for civil servants were extended until December 31, 2016. The Board of Management resolved to make use of these provisions for the years 2013 and 2014.

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

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

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

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

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

14 OTHER LIABILITIES.

T 106

millions of €

	Dec. 31, 2013	Of which: current	Dec. 31, 2012	Of which: current
Early retirement	2,053	629	2,435	802
Deferred revenue	1,733	1,232	1,829	1,311
Liabilities from straight-line leases	1,434	–	1,326	–
Liabilities from other taxes	1,105	1,099	1,141	1,135
Other deferred revenue	474	295	445	253
Liabilities from severance payments	106	106	94	94
Miscellaneous other liabilities	788	444	591	361
	7,693	**3,805**	**7,861**	**3,956**

15 SHAREHOLDERS' EQUITY.

ISSUED CAPITAL.

As of December 31, 2013, the share capital of Deutsche Telekom totaled EUR 11,395 million. The share capital is divided into 4,451,175,103 no par value registered shares.

T 107

	2013	
	thousands	%
Federal Republic of Germany – Berlin, Germany	646,575	14.5
KfW Bankengruppe – Frankfurt/Main, Germany	774,897	17.4
Free float	3,029,703	68.1
Of which: BlackRock, New York, United States	269,182	6.1
	4,451,175	**100.0**

Treasury shares. The shareholders' meeting resolved on May 24, 2012 to authorize the Board of Management to purchase shares in the Company by May 23, 2017, with the amount of share capital accounted for by these shares totaling up to EUR 1,106,257,715.20, provided the shares to be purchased on the basis of this authorization in conjunction with the other shares of the Company that the Company has already purchased and still possesses or are to be assigned to it under § 71d and § 71e of the German Stock Corporation Act (Aktiengesetz – AktG) do not at any time account for more than 10 percent of the Company's share capital. Moreover, the requirements under § 71 (2) sentences 2 and 3 AktG must be complied with. Shares shall not be purchased for the purpose of trading in treasury shares. This authorization may be exercised in full or in part. The purchase can be carried out in partial tranches spread over various purchase dates within the authorization period until the maximum purchase volume is reached. Dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG or third parties acting for the account of Deutsche Telekom AG or for the account of dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG are also entitled to purchase the shares. The shares are purchased through the stock exchange in adherence to the principle of equal treatment (§ 53a AktG). Shares can instead also be purchased by means of a public purchase or share exchange offer addressed to all shareholders, which, subject to a subsequently approved exclusion of the right to offer shares, must also comply with the principle of equal treatment.

The shares may be used for one or several of the purposes permitted by the authorization granted by the shareholders' meeting on May 24, 2012 under item 7 on the agenda. The shares may also be used for purposes involving an exclusion of subscription rights. They may also be sold on the stock market or by way of an offer to all shareholders, or withdrawn. The shares may also be used to fulfill the rights of Board of Management members to receive shares in Deutsche Telekom AG, which the Supervisory Board has granted to these members as part of the arrangements governing the compensation of the Board of Management, on the basis of a decision by the Supervisory Board to this effect.

Under the resolution of the shareholders' meeting on May 24, 2012, the Board of Management is also authorized to acquire the shares through the use of equity derivatives.

As part of this authorization, the Board of Management decided on December 18, 2012 to acquire a total of 268 thousand shares. From January 2, 2013 to January 16, 2013, shares were acquired in accordance with the authorization for a total acquisition price of EUR 2,394 thousand (excluding transaction costs) with an average purchase price of EUR 8.92 per share.

Furthermore, a total of 2 thousand shares were reallocated in January and March 2013 as part of the share matching plan and transferred free of charge to the depot of eligible participants of the share matching plan who are not members of the Board of Management.

As part of the acquisition of VoiceStream Wireless Corp., Bellevue, and Powertel Inc., Bellevue, in 2001 Deutsche Telekom issued new shares from authorized capital to a trustee, for the benefit of holders of warrants, options, and conversion rights, among others. These options or conversion rights fully expired in the reporting year. As a result, the trustee no longer has any obligation to fulfill any claims in accordance with the purpose of the depot. The 18,517 thousand deposited shares are accounted for in the same way as treasury shares in accordance with both § 272 (1a) HGB and IFRS.

As a result of the share buy-back, the transfers, and the allocation of shares, treasury shares of EUR 48 million were openly deducted from issued capital, capital reserves increased by EUR 48 million, and retained earnings decreased by EUR 2 million.

Voting rights. Each share entitles the holder to one vote. These voting rights are restricted, however, in relation to treasury shares and shares allocable to Deutsche Telekom in the same way as treasury shares (at December 31, 2013: around 21 million). The "trust" shares, as they are known, (at December 31, 2013: around 19 million) relate to the acquisition of VoiceStream and Powertel (now T-Mobile US) in 2001 and are allocable to Deutsche Telekom at December 31, 2013 in the same way as treasury shares. As regards the shares issued to trusts, the trustee waived voting rights and subscription rights and, in general, dividend rights for the duration of the trusts' existence.

Authorized capital and contingent capital. Authorized capital and contingent capital comprised the following components as of December 31, 2013:

T 108

	Amount millions of €	No par value shares thousands	Purpose
2009 Authorized capital II[a]	38	15,000	Employee shares (until April 29, 2014)
2013 Authorized capital[a]	2,176	850,000	Capital increase against cash contribution/contribution in kind (until May 15, 2018)
2010 Contingent capital	1,100	429,688	Servicing convertible bonds and/or bonds with warrants issued on or before May 2, 2015

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

Capital increase in connection with the dividend in kind. The resolution on the dividend payout of EUR 0.70 per share for the 2012 financial year gave shareholders the choice between payment in cash or having their dividend entitlement converted into Deutsche Telekom AG shares. Dividend entitlements of Deutsche Telekom AG shareholders amounting to EUR 1.1 billion for shares from authorized capital (2009 authorized capital I) were contributed in June 2013 and thus did not have an impact on cash flows. Deutsche Telekom AG carried out an increase in issued capital of EUR 0.3 billion against contribution of dividend entitlements for this purpose in June 2013. This increased capital reserves by EUR 0.8 billion, the number of shares by 129.9 million. The transaction costs were not material.

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

Changes in the composition of the Group and transactions with owners mainly related to the acquisition of MetroPCS and the capital increase at T-Mobile US. TABLE 109 shows the most significant effects included in Deutsche Telekom's consolidated statement of changes in equity as of December 31, 2013 (please refer to PAGES 164 and 165).

T 109

millions of €

	Issued capital and reserves attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Changes in the composition of the Group	**12**	**287**	**299**
Acquisition of MetroPCS	0	302	302
Other effects	12	(15)	(3)
Transactions with owners	**(502)**	**3,527**	**3,025**
Derecognition of the shares in T-Mobile USA	(647)	2,287	1,640
Stock option program	4	97	101
T-Mobile US capital increase	128	1,185	1,313
Other effects	13	(42)	(29)

For further information, please refer to the section "Changes in the composition of the Group and transactions with owners," PAGE 182 ET SEQ.

TOTAL OTHER COMPREHENSIVE INCOME.

Non-controlling interests under total other comprehensive income primarily included exchange rate effects from the translation of foreign operations.

NOTES TO THE CONSOLIDATED INCOME STATEMENT.

For detailed information on special factors, please refer to the combined management report in the section "Development of business in the Group," PAGE 78 ET SEQ.

16 NET REVENUE.

Net revenue breaks down into the following revenue categories:

T 110

millions of €

	2013	2012	2011
Revenue from the rendering of services	52,863	53,734	54,812
Revenue from the sale of goods and merchandise	6,676	3,859	3,650
Revenue from the use of entity assets by others	593	576	191
	60,132	**58,169**	**58,653**

For details of changes in net revenue, please refer to the section "Development of business in the Group" in the combined management report, PAGES 78 and 79.

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17 COST OF SALES.

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

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

T 111

millions of €

	2013	2012	2011
Cost of sales from fixed-network and mobile communications	30,142	27,993	27,960
Cost of sales from the Systems Solutions operating segment	5,394	5,468	5,661
Other cost of sales	719	795	327
	36,255	**34,256**	**33,948**

Cost of sales increased by EUR 2.0 billion year-on-year. This is predominantly attributable to the inclusion for the first time of MetroPCS and to a higher level of expenses in connection with the sale of handsets in the United States operating segment. Cost of sales was below the prior-year level in all other segments. Compared with the prior year, an increase of EUR 0.1 billion in expenses in connection with staff-related measures had a negative impact on the cost of sales in the reporting period. Negative exchange rate effects totaling EUR 0.4 billion, mainly from the translation of U.S. dollars into euros, also had a negative impact on the cost of sales.

The prior-year figures have been adjusted for better comparability following the segment structure changes. For more information, please refer to the explanations in Note 32 "Segment reporting," PAGE 220 ET SEQ.

18 SELLING EXPENSES.

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

T 112

millions of €

	2013	2012	2011
Costs of operational sales	9,309	9,395	9,494
Marketing costs	2,386	2,373	2,143
Order management costs	268	254	258
Costs of accounts receivable management	794	1,010	1,078
Other selling expenses	1,040	1,043	1,028
	13,797	**14,075**	**14,001**

Selling expenses were EUR 0.3 billion lower than the prior-year level – despite the inclusion of MetroPCS for the first time. Negative exchange rate effects of EUR 0.2 billion, in particular from the translation of U.S. dollars in euros, also impacted selling expenses.

19 GENERAL AND ADMINISTRATIVE EXPENSES.

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

T 113

millions of €

	2013	2012	2011
General and administrative expenses incurred by the operating segments	3,101	3,266	3,293
General and administrative expenses incurred by Group Headquarters & Group Services	1,417	1,589	1,986
	4,518	**4,855**	**5,279**

General and administrative expenses were EUR 0.3 billion lower than in the prior year. An increase of EUR 0.1 billion in expenses in connection with staff-related measures had a negative impact on general and administrative expenses in 2013.

The prior-year figures have been adjusted for better comparability following the segment structure changes. For more information, please refer to the explanations in Note 32 "Segment reporting," PAGE 220 ET SEQ.

20 OTHER OPERATING INCOME.

T 114

millions of €

	2013	2012	2011
Income from reimbursements	452	408	409
Income from the reversal of impairment losses on non-current financial assets in accordance with IFRS 5	20	15	19
Income from the disposal of non-current assets	113	1,702	121
Income from insurance compensation	79	55	47
Income from divestitures	184	6	4
Income from the compensation from AT&T	–	–	3,000
Miscellaneous other operating income	478	782	762
	1,326	**2,968**	**4,362**

Other operating income decreased by EUR 1.6 billion year-on-year. In the prior year, income from the disposal of non-current assets included a book profit of around EUR 1.4 billion from the cell-site transaction between T-Mobile USA and Crown Castle, which from an accounting perspective was income from the disposal of property, plant and equipment. EUR 0.2 billion of this was due to the measurement at fair value of the two deconsolidated tower companies now accounted for using the equity method. A further book profit of around EUR 0.1 billion was included in the prior year, which was attributable to a transaction between T-Mobile USA and Verizon to swap AWS spectrum licenses. Income from divestitures is attributable to the sale of the investments in Hellas Sat totaling EUR 0.1 billion and in Cosmo Bulgaria Mobile and Germanos Telecom Bulgaria, also totaling EUR 0.1 billion. Miscellaneous other operating income decreased year-on-year by EUR 0.3 billion; this item included a large number of smaller individual items. Income of EUR 0.1 billion had been included in the prior year, resulting from a concluded legal dispute with Kreditanstalt für Wiederaufbau.

21 OTHER OPERATING EXPENSES.

T 115

millions of €

	2013	2012	2011
Impairment losses from the year-end impairment test	600	360	3,337
Impairment loss in connection with the agreed business combination of T-Mobile USA and MetroPCS	–	10,589	–
Other impairment losses	238	159	114
	838	**11,108**	**3,451**
Losses on disposal of non-current assets	251	177	137
Losses from divestitures	53	–	–
Miscellaneous other operating expenses	816	628	636
	1,120	**805**	**773**
	1,958	**11,913**	**4,224**

Other operating expenses decreased year-on-year by EUR 10.0 billion, primarily due to an impairment loss of EUR 10.6 billion recognized in the third quarter of 2012 on goodwill, other intangible assets, and property, plant and equipment of the United States cash-generating unit. The impairment losses recognized in 2013 related to the Europe operating segment.

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

Other operating expenses in 2013 included expense of EUR 0.5 billion (2012: EUR 8.2 billion, 2011: EUR 0.4 billion) from impairment losses recognized on intangible assets (excluding goodwill) and property, plant and equipment, as well as from the disposal of non-current assets. These expenses would predominantly have been allocable to the cost of sales.

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22 FINANCE COSTS.

T 116

millions of €

	2013	2012	2011
Interest income	228	306	268
Interest expense	(2,390)	(2,339)	(2,593)
	(2,162)	**(2,033)**	**(2,325)**
Of which: from financial instruments relating to categories in accordance with IAS 39			
Loans and receivables (LaR)	20	51	67
Held-to-maturity investments (HtM)	–	2	4
Available-for-sale financial assets (AfS)	9	48	14
Financial liabilities measured at amortized cost (FLAC)[a]	(2,160)	(2,036)	(2,315)

[a] Interest expense calculated according to the effective interest method and adjusted for accrued interest from derivatives recognized in the reporting period that were used as hedging instruments against interest rate-based changes in the fair values of financial liabilities measured at amortized cost in the reporting period for hedge accounting in accordance with IAS 39 (2013: interest income of EUR 119 million and interest expense of EUR 31 million, 2012: interest income of EUR 156 million and interest expense of EUR 36 million, 2011: interest income of EUR 126 million).

EUR 51 million (2012: EUR 27 million, 2011: EUR 80 million) was recognized as part of acquisition costs in the financial year. The amount was calculated on the basis of an interest rate in the average range between 4.6 and 5.0 percent (2012: between 5.0 and 5.2 percent) applied across the Group.

Interest payments (including capitalized interest) of EUR 3.0 billion (2012: EUR 3.1 billion, 2011: EUR 3.5 billion) were made in the financial year.

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

Deutsche Telekom AG benefited from improved interest rates in the 2013 financial year. The increase in finance costs was primarily caused by the inclusion of MetroPCS for the first time and the overall less favorable financing conditions for T-Mobile US.

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

T 117

millions of €

	2013	2012	2011
Share of profit (loss) of joint ventures	(38)	(129)	(67)
Share of profit (loss) of associates	(33)	(25)	(6)
	(71)	**(154)**	**(73)**

The share of profit/loss of associates and joint ventures accounted for using the equity method improved by EUR 0.1 billion in the financial year due to the year-on-year improved proportion of profit/loss from the EE joint venture of EUR – 44 million (2012: EUR – 118 million, 2011: EUR – 61 million). It is included in the share of profit/loss of joint ventures.

24 OTHER FINANCIAL INCOME/EXPENSE.

T 118

millions of €

	2013	2012	2011
Income from investments	1	16	29
Gains (losses) from financial instruments	(278)	251	216
Interest component from measurement of provisions and liabilities	(292)	(492)	(407)
	(569)	**(225)**	**(162)**

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

Gains/losses from financial instruments include currency translation effects amounting to EUR 174 million (2012: EUR 86 million, 2011: EUR – 249 million) and gains/losses from derivatives of EUR – 452 million (2012: EUR 165 million, 2011: EUR 465 million). In the 2013 financial year, these related primarily to contracts to hedge against currency translation effects. In the 2012 financial year, this item primarily included proceeds of EUR 0.2 billion from the sale of the shares in Telekom Srbija.

25 INCOME TAXES.

INCOME TAXES IN THE CONSOLIDATED INCOME STATEMENT.

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

TABLE 119 **provides a breakdown of income taxes in Germany and internationally:**

T 119

millions of €

	2013	2012	2011
CURRENT TAXES	**487**	**596**	**957**
Germany	56	172	498
International	431	424	459
DEFERRED TAXES	**437**	**(2,112)**	**1,388**
Germany	(41)	81	791
International	478	(2,193)	597
	924	**(1,516)**	**2,345**

Deutsche Telekom's combined income tax rate for 2013 amounted to 30.7 percent. It consists of corporate income tax at a rate of 15 percent, the solidarity surcharge of 5.5 percent on corporate income tax, and trade tax at an average multiplier of 425 percent (2012: 425 percent, 2011: 425 percent). The combined income tax rate amounted to 30.7 percent for 2012 and to 30.7 percent for 2011.

Reconciliation of the effective tax rate. Income taxes of EUR – 924 million (as expense) in the reporting year (2012: EUR 1,516 million (as benefit), 2011: EUR – 2,345 million (as expense)) are derived as follows from the expected income tax expense (benefit) that would have arisen had the statutory income tax rate of the parent company (combined income tax rate) been applied to profit/loss before income taxes:

T 120

millions of €

	2013	2012	2011
PROFIT (LOSS) BEFORE INCOME TAXES	**2,128**	**(6,374)**	**3,003**
Expected income tax expense (benefit) (income tax rate applicable to Deutsche Telekom AG: 2013: 30.7 %, 2012: 30.7 %, 2011: 30.7 %)	653	(1,957)	922
ADJUSTMENTS TO EXPECTED TAX EXPENSE (BENEFIT)			
Effect of changes in statutory tax rates	48	8	83
Tax effects from prior years	(61)	(11)	54
Tax effects from other income taxes	51	45	37
Non-taxable income	(36)	(29)	(30)
Tax effects from equity investments	20	39	(21)
Non-deductible expenses	120	101	115
Permanent differences	(89)	(62)	45
Goodwill impairment losses	166	856	913
Tax effects from loss carryforwards	136	76	304
Tax effects from additions to and reductions of local taxes	66	55	64
Adjustment of taxes to different foreign tax rates	(152)	(641)	(137)
Other tax effects	2	4	(4)
INCOME TAX EXPENSE (BENEFIT) ACCORDING TO THE CONSOLIDATED INCOME STATEMENT	**924**	**(1,516)**	**2,345**
Effective income tax rate %	43	24	78

Current income taxes in the consolidated income statement.
TABLE 121 provides a breakdown of current income taxes:

T 121

millions of €

	2013	2012	2011
CURRENT INCOME TAXES	**487**	**596**	**957**
Of which:			
Current tax expense	559	594	903
Prior-period tax expense	(72)	2	54

Deferred taxes in the consolidated income statement.
Deferred taxes developed as follows:

T 122

millions of €

	2013	2012	2011
DEFERRED TAX EXPENSE (BENEFIT)	**437**	**(2,112)**	**1,388**
Of which:			
From temporary differences	391	(2,651)	627
From loss carryforwards	34	543	735
From tax credits	12	(4)	26

A tax expense of EUR 0.9 billion was recorded in the 2013 financial year, which primarily reflects the share of the national companies in profit/loss before income tax, subject to the national tax rate in the respective country. It also includes one-time tax expenses of EUR 0.1 billion each resulting from a tax increase in Greece and from a valuation allowance for deferred taxes on loss carryforwards in Austria, as it was no longer probable that they would be utilized. This effect was offset by a tax benefit of EUR 0.1 billion, which was attributable to lower tax liabilities for prior years. Impairment losses recognized on goodwill in Europe, by contrast, did not reduce the tax expense, since they had no tax effect. In the prior year, a net tax benefit was recorded that primarily related to income from the reversal of deferred tax liabilities of EUR 3.2 billion, which resulted from impairment losses recognized on T-Mobile USA's assets following the business combination with MetroPCS.

INCOME TAXES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

Current income taxes in the consolidated statement of financial position:

T 123

millions of €

	Dec. 31, 2013	Dec. 31, 2012
Recoverable taxes	98	95
Tax liabilities	(308)	(440)
Current taxes recognized in other comprehensive income:		
Hedging instruments	54	54

Deferred taxes in the consolidated statement of financial position:

T 124

millions of €

	Dec. 31, 2013	Dec. 31, 2012
Deferred tax assets	4,960	4,712
Deferred tax liabilities	(6,916)	(5,988)
	(1,956)	**(1,276)**
Of which recognized in other comprehensive income: Gain (loss) from the remeasurement of defined benefit plans	680	693
Revaluation surplus	–	–
Hedging instruments	(163)	(158)
Financial assets available for sale	–	–
RECOGNIZED IN OTHER COMPREHENSIVE INCOME BEFORE NON-CONTROLLING INTERESTS	**517**	**535**
Non-controlling interests	(13)	(10)
	504	**525**

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Development of deferred taxes:

T 125

millions of €

	Dec. 31, 2013	Dec. 31, 2012
Deferred taxes recognized in the statement of financial position	(1,956)	(1,276)
Difference to prior year	(680)	2,812
Of which:		
Recognized in income statement	(437)	2,112
Recognized in other comprehensive income	(21)	633
Recognized in capital reserves	47	0
Acquisitions (disposals) (including assets and disposal groups held for sale)	(418)	15
Currency translation adjustments	149	52

Development of deferred taxes on loss carryforwards:

T 126

millions of €

	Dec. 31, 2013	Dec. 31, 2012
Deferred taxes on loss carryfowards before allowances	3,786	3,139
Difference to prior year	647	(515)
Of which:		
Recognition (derecognition)	452	(489)
Acquisitions (disposals) (including assets and disposal groups held for sale)	268	5
Currency translation adjustments	(73)	(31)

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

T 127

millions of €

	Dec. 31, 2013		Dec. 31, 2012	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
CURRENT ASSETS	**1,147**	**(488)**	**1,110**	**(498)**
Trade and other receivables	368	(8)	317	(94)
Inventories	108	–	132	(22)
Other assets	671	(480)	661	(382)
NON-CURRENT ASSETS	**2,738**	**(10,807)**	**2,350**	**(9,834)**
Intangible assets	756	(6,097)	827	(5,115)
Property, plant and equipment	683	(3,648)	676	(3,228)
Other financial assets	1,299	(1,062)	847	(1,491)
CURRENT LIABILITIES	**699**	**(625)**	**750**	**(537)**
Financial liabilities	282	(412)	406	(283)
Trade and other payables	37	(17)	54	(23)
Other provisions	136	(61)	122	(77)
Other liabilities	244	(135)	168	(154)
NON-CURRENT LIABILITIES	**4,069**	**(1,256)**	**4,231**	**(1,190)**
Financial liabilities	2,438	(344)	2,413	(332)
Provisions for pensions and other employee benefits	1,001	(787)	1,096	(698)
Other provisions	367	(99)	348	(84)
Other liabilities	263	(26)	374	(76)
TAX CREDITS	**237**	**–**	**224**	**–**
LOSS CARRYFORWARDS	**3,786**	**–**	**3,139**	**–**
INTEREST CARRYFORWARDS	**43**	**–**	**34**	**–**
TOTAL	**12,719**	**(13,176)**	**11,838**	**(12,059)**
Of which: non-current	11,122	(12,664)	9,740	(11,025)
Allowance	(1,499)	–	(1,055)	–
Netting	(6,260)	6,260	(6,071)	6,071
RECOGNITION	**4,960**	**(6,916)**	**4,712**	**(5,988)**

The allowances relate primarily to loss carryforwards.

The loss carryforwards amount to:

T 128

millions of €

	Dec. 31, 2013	Dec. 31, 2012
LOSS CARRYFORWARDS FOR CORPORATE INCOME TAX PURPOSES	9,991	9,209
Expiry within		
1 year	21	77
2 years	34	31
3 years	14	7
4 years	114	9
5 years	189	97
After 5 years	4,899	4,187
Unlimited carryforward period	4,720	4,801

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

T 129

millions of €

	Dec. 31, 2013	Dec. 31, 2012
LOSS CARRYFORWARDS FOR CORPORATE INCOME TAX PURPOSES	2,369	2,161
Expiry within		
1 year	14	77
2 years	29	31
3 years	11	9
4 years	102	9
5 years	14	40
After 5 years	257	246
Unlimited carryforward period	1,942	1,749
TEMPORARY DIFFERENCES IN CORPORATE INCOME TAX	406	484

In addition, no deferred taxes are recognized on trade tax loss carryforwards of EUR 126 million (December 31, 2012: EUR 136 million) and on temporary differences for trade tax purposes in the amount of EUR 19 million (December 31, 2012: EUR 3 million). Apart from corporate income tax loss carryforwards, no deferred taxes amounting to EUR 730 million (December 31, 2012: EUR 350 million) were recognized for other foreign income tax loss carryforwards.

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

A positive tax effect in the amount of EUR 14 million (2012: EUR 7 million, 2011: EUR 6 million) attributable to the utilization of tax loss carryforwards on which deferred tax assets had not yet been recognized, was recorded in the reporting year.

No deferred tax liabilities were recognized on temporary differences in connection with equity interests in subsidiaries amounting to EUR 107 million (December 31, 2012: EUR 394 million) as it is unlikely that these differences will be reversed in the near future.

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

T 130

millions of €

	2013			2012			2011		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Items not reclassified to the income statement retrospectively									
Gain (loss) from the remeasurement of defined benefit plans	48	(16)	32	(1,822)	556	(1,266)	173	(44)	129
Share of profit (loss) of investments accounted for using the equity method	(17)	0	(17)	0	0	0	0	0	0
	31	**(16)**	**15**	**(1,822)**	**556**	**(1,266)**	**173**	**(44)**	**129**
Items reclassified to the income statement retrospectively, if certain reasons are given									
Exchange differences on translating foreign operations									
Recognition of other comprehensive income in income statement	0	0	0	4	0	4	0	0	0
Change in other comprehensive income (not recognized in income statement)	(901)	0	(901)	318	0	318	10	0	10
Available-for-sale financial assets									
Recognition of other comprehensive income in income statement	0	0	0	(227)	14	(213)	0	0	0
Change in other comprehensive income (not recognized in income statement)	(4)	1	(3)	33	0	33	242	(17)	225
Gains (losses) from hedging instruments									
Recognition of other comprehensive income in income statement	178	(55)	123	9	(3)	6	200	(89)	111
Change in other comprehensive income (not recognized in income statement)	(162)	49	(113)	(219)	66	(153)	(765)	254	(511)
Share of profit (loss) of investments accounted for using the equity method									
Recognition of other comprehensive income in income statement	0	0	0	0	0	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	(37)	0	(37)	22	0	22	0	0	0
	(926)	**(5)**	**(931)**	**(60)**	**77**	**17**	**(313)**	**148**	**(165)**
OTHER COMPREHENSIVE INCOME	**(895)**	**(21)**	**(916)**	**(1,882)**	**633**	**(1,249)**	**(140)**	**104**	**(36)**
Profit (loss)			1,204			(4,858)			658
TOTAL COMPREHENSIVE INCOME			**288**			**(6,107)**			**622**

26 PROFIT/LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS.

Profit attributable to non-controlling interests of EUR 274 million (2012: EUR 495 million, 2011: EUR 120 million) comprises gains of EUR 437 million (2012: EUR 561 million, 2011: EUR 479 million) and losses of EUR 163 million (2012: EUR 66 million, 2011: EUR 359 million).

The share in profit attributable to non-controlling interests in 2013 primarily related to T-Mobile Czech Republic and Hrvatski Telekom.

27 EARNINGS PER SHARE.

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

T 131

millions of €

		2013	2012	2011
Profit attributable to the owners of the parent (net profit (loss))		930	(5,353)	538
Adjustment		–	–	–
ADJUSTED BASIC/DILUTED NET PROFIT (LOSS)		**930**	**(5,353)**	**538**
Number of ordinary shares issued	millions	4,391	4,321	4,321
Treasury shares	millions	(5)	(2)	(2)
Shares reserved for outstanding options	millions	(16)	(19)	(19)
ADJUSTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING (BASIC/DILUTED)	millions	**4,370**	**4,300**	**4,300**
BASIC/DILUTED EARNINGS PER SHARE	€	**0.21**	**(1.24)**	**0.13**

The calculation of basic earnings per share is based on the time-weighted number of all ordinary shares outstanding. Furthermore, the weighted average number of ordinary shares outstanding is determined by deducting the weighted average number of treasury shares held by Deutsche Telekom AG as well as the shares that, as part of the issue of new shares in the course of the acquisition of T-Mobile USA (VoiceStream/Powertel), are held in a trust depot account for later issue and later trading as registered shares. These options and conversion rights all expired in the reporting year and are treated like treasury shares, but they are still included pro rata temporis in the average portfolio for the 2013 financial year (please refer to Note 15 "Shareholders' equity," PAGES 209 and 210). There are currently no diluting shares.

28 DIVIDEND PER SHARE.

For the 2013 financial year, the Board of Management proposes a dividend of EUR 0.50 for each no par value share carrying dividend rights. On the basis of this payout volume, total dividends in the amount of EUR 2,215 million would be appropriated to the no par value shares carrying dividend rights at February 18, 2014. The final amount of the total dividend payment depends on the number of no par value shares carrying dividend rights as of the date of the resolution on the appropriation of net income as adopted on the day of the shareholders' meeting.

A dividend of EUR 0.70 for the 2012 financial year for each no par value share carrying dividend rights was paid out in 2013. The shareholders had the choice between payment in cash or, alternatively, in Deutsche Telekom AG shares (dividend in kind). In June 2013, dividend entitlements of EUR 1.1 billion were substituted by shares from authorized capital and thus did not have an effect on cash flows (please also refer to Note 15 "Shareholders' equity," PAGES 209 and 210).

29 NUMBER OF EMPLOYEES AND PERSONNEL COSTS.

Average number of employees.

T 132

	2013	2012	2011
GROUP (TOTAL)	**229,704**	**232,342**	**240,369**
Domestic	117,995	120,614	122,925
International	111,709	111,728	117,444
Non-civil servants	208,422	209,422	215,559
Civil servants (domestic, active service relationship)	21,282	22,920	24,810
Trainees and students on cooperative degree courses	8,145	8,402	8,889
PERSONNEL COSTS millions of €	**15,144**	**14,726**	**14,751**

The average headcount decreased by 1.1 percent compared with the prior-year reporting period. This trend is largely attributable to the domestic headcount, which was down by 2.2 percent partly as a result of downsizing and restructuring measures in the Systems Solutions and Germany operating segments. This effect was partially offset by an increase in the number of employees at the Digital Business Unit (DBU) in the Group Headquarters & Group Services segment.

The average international headcount decreased slightly, largely on account of staff restructuring and reduction measures in Greece and Romania, as well as the disposal of the national companies in Bulgaria. The increase in the average headcount in the United States operating segment had an offsetting effect and was driven primarily by the addition of the MetroPCS employees to the T-Mobile US workforce following the completion of the business combination in the second quarter of 2013.

Personnel costs increased by 2.8 percent year-on-year. Higher expense for staff restructuring, in particular in Greece, had a significant impact compared with the prior year. In 2013, expense attributable to the programs granting restricted stock units (RSUs) and performance stock units (PSUs) in connection with the acquisition of MetroPCS was incurred for the first time. Higher personnel costs in Germany following the collectively agreed salary increase was partially offset by the lower average headcount.

30 DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES.

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

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millions of €

	2013	2012	2011
AMORTIZATION AND IMPAIRMENT OF INTANGIBLE ASSETS	**4,176**	**12,259**	**6,445**
Of which:			
Goodwill impairment losses	605	2,965	3,100
Amortization of mobile licenses	854	831	801
Impairment losses on mobile licenses	104	5,822	–
DEPRECIATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT	**6,728**	**9,698**	**7,991**
Of which:			
Impairment losses recognized on property, plant and equipment	117	2,020	330
	10,904	**21,957**	**14,436**

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Impairment losses break down as follows:

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millions of €

	2013	2012	2011
INTANGIBLE ASSETS	**721**	**9,088**	**3,121**
Of which:			
Goodwill from the year-end impairment test	600	360	803
Goodwill in connection with the business combination of T-Mobile USA and MetroPCS	–	2,605	–
Goodwill in connection with the reclassification of T-Mobile USA	–	–	2,297
FCC licenses	104	–	–
Intangible assets (excluding goodwill) in connection the business combination of T-Mobile USA and MetroPCS	–	6,094	–
PROPERTY, PLANT AND EQUIPMENT	**117**	**2,020**	**330**
Of which:			
From the year-end impairment test	–	–	237
In connection with the business combination of T-Mobile USA and MetroPCS	–	1,890	–
	838	**11,108**	**3,451**

Depreciation, amortization and impairment losses decreased by EUR 11.1 billion year-on-year.

This marked decrease was primarily due to an impairment loss of EUR 10.6 billion recognized in the third quarter of 2012 on goodwill, other intangible assets, and property, plant and equipment at the United States cash-generating unit. This impairment loss in the prior year first resulted in the full write-down of the goodwill totaling EUR 2.6 billion. The remaining part was attributable to intangible assets (excluding goodwill) accounting for EUR 6.1 billion (primarily to mobile licenses accounting for EUR 5.8 billion) and property, plant and equipment accounting for EUR 1.9 billion.

In the reporting year, impairment losses of EUR 0.6 billion were recognized on goodwill following scheduled impairment testing at the cash-generating units. For further details, please refer to Note 5 "Intangible assets," PAGE 190 ET SEQ.

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

In total, depreciation and amortization was EUR 0.8 billion lower than the prior-year figure. This is attributable to a reduced depreciation and amortization base, mainly as a result of the impairment loss recognized in the prior year in the United States operating segment, and the expiry of the economic useful lives of parts of the outside plant in the Germany operating segment.

OTHER DISCLOSURES.

31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS.

NET CASH FROM OPERATING ACTIVITIES.

Net cash from operating activities in the 2013 financial year decreased by EUR 0.6 billion year-on-year to EUR 13.0 billion. The dividend payments received from the EE joint venture, which were down EUR 0.2 billion year-on-year, and an increase of EUR 0.2 billion in severance payments and compensation payments of EUR 0.1 billion for MetroPCS employees due to the business combination with T-Mobile USA had a negative impact. Net cash from operating activities in the 2013 financial year was also impacted by higher market investments in the United States operating segment. Whereas in the prior year this item included cash inflows of EUR 0.1 billion from the agreement on the leasing and use of cell sites in the United States, no corresponding cash inflows were recorded in 2013. EUR 0.2 billion higher cash inflows from canceling interest rate derivatives and EUR 0.1 billion lower net interest payments had a positive effect compared with the prior year. Additionally, in the prior year, net cash from operating activities had included higher cash outflows of EUR 0.3 billion in connection with the AT&T transaction.

Net cash from operating activities includes interest paid amounting to EUR 3.0 billion (2012: EUR 3.1 billion, 2011: EUR 3.4 billion) and interest received amounting to EUR 0.9 billion (2012: EUR 0.9 billion, 2011: EUR 0.9 billion).

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Net cash used in investing activities.
millions of €

	2013	2012	2011
Cash capex			
Germany operating segment	(3,411)	(3,418)	(3,506)
United States operating segment	(3,279)	(2,560)	(1,963)
Europe operating segment	(3,648)	(1,724)	(1,891)
Systems Solutions operating segment	(1,080)	(1,187)	(1,413)
Group Headquarters & Group Services	(411)	(379)	(331)
Reconciliation	761	836	698
Net cash flows for collateral deposited for hedging transactions	(776)	(339)	49
Allocation under contractual trust agreement for pension commitments	(250)	(750)	(250)
Acquisition/sale of government bonds (net)	(159)	319	(332)
Net change in cash and cash equivalents due to the first-time inclusion of MetroPCS	1,641	–	–
Proceeds from the loss of control of subsidiaries and associates [a]	650	2,199	–
Proceeds from the disposal of property, plant and equipment	245	187	336
Cash flows from the bond issued by the EE joint venture	–	218	505
PTC transaction	–	–	(820)
OTE Put Option II	–	–	(392)
Other	(179)	(73)	35
	(9,896)	**(6,671)**	**(9,275)**

[a] Includes cash inflows of EUR 0.6 billion from the sale of Globul and Germanos and of EUR 0.2 billion from the sale of Hellas Sat in the 2013 financial year. In the 2012 financial year, cash inflows of EUR 1.8 billion from the disposal of cell sites in the United States and EUR 0.4 billion from the sale of Telekom Srbija were included.

Cash capex in the reporting year was EUR 2.6 billion higher than in the prior year. Cash capex in the Germany operating segment remained on a par with the previous year. In the United States operating segment, investment activities continued to focus on modernizing the mobile communications network; cash capex increased overall as a result of the acquisition of MetroPCS in 2013. Cash capex in the Europe operating segment increased as a result of the intensified LTE roll-out. Cash capex in the Systems Solutions operating segment focused on the Group's internal IT systems as well as on investments in connection with customer orders and the continued roll-out of new multi-purpose platforms, e.g., for cloud services, De-Mail, and intelligent networks.

Interest payments (including capitalized interest) of EUR 3.0 billion (2012: EUR 3.1 billion, 2011: EUR 3.5 billion) were made in the financial year. Capitalized interest was reported within cash capex in net cash used in investing activities, together with the associated assets.

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Net cash from/used in financing activities.
millions of €

	2013	2012	2011
Issuance of bonds	8,833	1,502	1,362
T-Mobile US capital increase	1,313	–	–
Issuance of medium-term notes	218	1,574	–
T-Mobile US stock options	102	–	–
Repayment of bonds	(4,429)	(1,978)	(5,241)
Dividends (including to non-controlling interests)	(2,243)	(3,400)	(3,521)
OTE credit line (net)	(704)	(757)	1,223
Net cash flows for collateral deposited for hedging transactions	(537)	90	132
Repayment of financial liabilities to Sireo	(534)	–	–
Repayment of medium-term notes	(319)	(1,619)	(1,446)
Repayment of promissory notes	(309)	–	–
Net repayment of cash deposits from the EE joint venture	(195)	280	(141)
Repayment of lease liabilities	(172)	(169)	(163)
Repayment of EIB loans	(32)	(532)	(35)
Share buy-back	(2)	–	(3)
Loans taken out with the EIB	–	300	701
Commercial paper (net)	–	(1,657)	1,586
PTC transaction	–	–	(187)
Other	32	(235)	(225)
	1,022	**(6,601)**	**(5,958)**

NON-CASH TRANSACTIONS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS.

In June 2013, dividend entitlements of Deutsche Telekom AG shareholders in the amount of EUR 1.1 billion did not have an effect on net cash from financing activities when fulfilled; rather, they were substituted by shares from authorized capital (please refer to Note 15 "Shareholders' equity," PAGES 209 and 210). The dividend entitlements of Deutsche Telekom AG shareholders having an effect on cash flows totaled EUR 1.9 billion.

In the 2013 financial year, Deutsche Telekom chose financing options totaling EUR 0.4 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 from/used in financing activities.

32 SEGMENT REPORTING.

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

The **Germany** operating segment comprises all fixed-network and mobile activities in Germany. In addition, the operating segment provides wholesale telecommunications services for the Group's other operating segments. The **United States** operating segment combines all mobile activities in the U.S. market. The **Europe** operating segment encompasses all fixed-network and mobile operations of the national companies in Greece, Romania, Hungary, Poland, the Czech Republic, Croatia, the Netherlands, Slovakia, Austria, Albania, the F.Y.R.O. Macedonia, and Montenegro, as well as the UK joint venture. It also includes the International Carrier Sales & Solutions unit, which mainly provides wholesale telecommunications services for the Group's other operating segments. The Europe operating segment also offers ICT services to business customers in individual national companies.

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

The mobile communications business offers mobile voice and data services to consumers and business customers. Mobile terminals and other hardware are sold in connection with the services offered. In addition, mobile services are sold to resellers and to companies that buy network services and market them independently to third parties (MVNOs).

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

The **Group Headquarters & Group Services** segment comprises Service Headquarters and those subsidiaries of Deutsche Telekom AG that are not allocated to the operating segments.

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

The segments structure was changed as follows in 2013:

The central management and service functions were realigned as of January 1, 2013. As part of this process, the Group Headquarters & Shares Services segment was renamed Group Headquarters & Group Services.

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The new Group Headquarters is responsible for aligning and steering the Group as a whole, issuing rules and regulations, initiating Group-wide strategic projects, and measuring their implementation and success. The newly formed Group Services units provide services to the entire Group. The tasks and functions of the Digital Services growth business as well as the Internet service provider STRATO have been pooled within the Digital Business Unit under in the Group Headquarters & Group Services segment.

Since January 1, 2013, the tasks and functions of Group Technology including the Global Network Factory, which was previously part of Group Headquarters & Group Services, have been reported under the Europe operating segment. Group Technology's tasks include the efficient and customer-oriented provision of technologies, platforms, and services for mobile and fixed-network communications. The Global Network Factory designs and operates a worldwide network, which allows us to offer customers voice and data communication. The change was made to improve the way in which these units can be managed. Comparative figures have been adjusted retrospectively.

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

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millions of €

		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Interest income	Interest expense	Share of profit (loss) of associates and joint ventures accounted for using the equity method	Income taxes
Germany	2013	21,056	1,379	22,435	4,435	20	(367)	1	5
	2012	21,384	1,352	22,736	4,213	38	(501)	1	(6)
	2011	21,783	1,423	23,206	4,597	89	(605)	2	(6)
United States	2013	18,552	4	18,556	1,404	461	(737)	(33)	(418)
	2012	15,365	6	15,371	(7,547)	86	(661)	(26)	2,191
	2011	14,801	10	14,811	(710)	86	(628)	(11)	(562)
Europe	2013	12,992	667	13,659	958	25	(423)	(40)	(414)
	2012	13,733	673	14,406	1,437	64	(419)	(113)	(399)
	2011	14,431	693	15,124	760	141	(478)	(54)	(526)
Systems Solutions	2013	6,426	3,065	9,491	(279)	15	(1)	4	(33)
	2012	6,609	3,407	10,016	(307)	37	(23)	(14)	15
	2011	6,567	3,386	9,953	(395)	31	(31)	(10)	(11)
Group Headquarters & Group Services	2013	1,106	1,773	2,879	(1,582)	1,145	(1,871)	(3)	(249)
	2012	1,078	1,757	2,835	(1,750)	1,458	(2,057)	(2)	(291)
	2011	1,071	1,751	2,822	1,299	1,545	(2,419)	–	(1,263)
TOTAL	**2013**	**60,132**	**6,888**	**67,020**	**4,936**	**1,666**	**(3,399)**	**(71)**	**(1,109)**
	2012	**58,169**	**7,195**	**65,364**	**(3,954)**	**1,683**	**(3,661)**	**(154)**	**1,510**
	2011	**58,653**	**7,263**	**65,916**	**5,551**	**1,892**	**(4,161)**	**(73)**	**(2,368)**
Reconciliation	2013	–	(6,888)	(6,888)	(6)	(1,438)	1,009	–	185
	2012	–	(7,195)	(7,195)	(8)	(1,377)	1,322	–	6
	2011	–	(7,263)	(7,263)	12	(1,624)	1,568	–	23
GROUP	**2013**	**60,132**	**–**	**60,132**	**4,930**	**228**	**(2,390)**	**(71)**	**(924)**
	2012	**58,169**	**–**	**58,169**	**(3,962)**	**306**	**(2,339)**	**(154)**	**1,516**
	2011	**58,653**	**–**	**58,653**	**5,563**	**268**	**(2,593)**	**(73)**	**(2,345)**

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millions of €

		Segment assets[a]	Segment liabilities	Segment investments	Investments accounted for using the equity method	Depreciation and amortization	Impairment losses	Average number of employees
Germany	2013	30,738	23,200	3,538	17	(3,959)	(7)	67,765
	2012	31,224	22,972	3,559	16	(4,389)	(4)	68,653
	2011	32,578	22,865	3,572	17	(4,340)	(4)	70,525
United States	2013	38,830	26,888	4,676	198	(2,133)	(105)	32,962
	2012	27,436	21,254	4,217	215	(2,265)	(10,601)	30,184
	2011	38,075	24,110	1,787	27	(2,110)	(2,297)	34,518
Europe	2013	35,552	12,601	4,178	5,903	(2,738)	(644)	56,073
	2012	36,579	12,079	1,945	6,410	(2,903)	(388)	58,723
	2011	38,041	13,150	2,019	6,781	(3,214)	(1,056)	60,881
Systems Solutions	2013	8,705	5,381	1,146	24	(656)	(13)	50,722
	2012	9,045	5,872	3,966	23	(632)	(17)	52,742
	2011	9,308	6,017	1,475	38	(654)	(15)	52,241
Group Headquarters & Group Services	2013	91,594	51,218	573	25	(627)	(72)	22,182
	2012	95,182	53,524	279	62	(654)	(99)	22,040
	2011	99,947	56,762	467	10	(668)	(84)	22,204
TOTAL	**2013**	**205,419**	**119,288**	**14,111**	**6,167**	**(10,113)**	**(841)**	**229,704**
	2012	**199,466**	**115,701**	**13,966**	**6,726**	**(10,843)**	**(11,109)**	**232,342**
	2011	**217,949**	**122,904**	**9,320**	**6,873**	**(10,986)**	**(3,456)**	**240,369**
Reconciliation	2013	(87,271)	(33,203)	(751)	–	47	3	–
	2012	(91,524)	(38,290)	(3,417)	–	(5)	–	–
	2011	(95,453)	(40,440)	(767)	–	1	5	–
GROUP	**2013**	**118,148**	**86,085**	**13,360**	**6,167**	**(10,066)**	**(838)**	**229,704**
	2012	**107,942**	**77,411**	**10,549**	**6,726**	**(10,848)**	**(11,109)**	**232,342**
	2011	**122,496**	**82,464**	**8,553**	**6,873**	**(10,985)**	**(3,451)**	**240,369**

[a] Relating to the Group Headquarters & Group Services segment, Deutsche Telekom AG shareholders opted to have part of their dividend entitlement converted into shares, meaning that this dividend in kind had no impact on cash flows (please also refer to Note 15 "Shareholders' equity," PAGES 209 and 210).

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		Net cash from operating activities	Net cash (used in) from investing activities	Of which: cash capex[a]	Net cash from (used in) financing activities[b]
Germany	2013	8,646	(3,444)	(3,411)	(5,691)
	2012	8,489	(3,509)	(3,418)	(7,174)
	2011	8,315	(3,454)	(3,506)	(6,469)
United States	2013	2,580	(1,232)	(3,279)	2,728
	2012	3,164	(785)	(2,560)	(2,301)
	2011	3,523	(3,013)	(1,963)	(364)
Europe	2013	3,898	(3,013)	(3,648)	(2,381)
	2012	4,380	(888)	(1,724)	(2,795)
	2011	4,825	(513)	(1,891)	(1,862)
Systems Solutions	2013	1,022	(544)	(1,080)	141
	2012	272	(463)	(1,187)	367
	2011	433	(794)	(1,413)	224
Group Headquarters & Group Services	2013	3,271	3,726	(411)	(5,552)
	2012	3,028	3,665	(379)	(5,135)
	2011	6,115	(677)	(331)	(5,479)
TOTAL	**2013**	**19,417**	**(4,507)**	**(11,829)**	**(10,755)**
	2012	**19,333**	**(1,980)**	**(9,268)**	**(17,038)**
	2011	**23,211**	**(8,451)**	**(9,104)**	**(13,950)**
Reconciliation	2013	(6,400)	(5,389)	761	11,777
	2012	(5,756)	(4,691)	836	10,437
	2011	(6,997)	(824)	698	7,992
GROUP	**2013**	**13,017**	**(9,896)**	**(11,068)**	**1,022**
	2012	**13,577**	**(6,671)**	**(8,432)**	**(6,601)**
	2011	**16,214**	**(9,275)**	**(8,406)**	**(5,958)**

[a] Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment, as shown in the statement of cash flows.
[b] Relating to the Group Headquarters & Group Services segment, Deutsche Telekom AG shareholders opted to have part of their dividend entitlement converted into shares, meaning that this dividend in kind had no impact on cash flows (please also refer to Note 15 "Shareholders' equity," PAGES 209 and 210).

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

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millions of €

	Non-current assets			Net revenue		
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	2013	2012	2011
Germany	35,264	36,497	40,542	25,384	25,775	26,361
International	54,599	49,813	59,590	34,748	32,394	32,292
Of which:						
Europe (excluding Germany)	27,224	28,002	28,022	15,173	15,966	16,577
North America	27,289	21,696	31,457	18,796	15,593	14,945
Other countries	86	115	111	779	835	770
GROUP	**89,863**	**86,310**	**100,132**	**60,132**	**58,169**	**58,653**

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

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millions of €

	Net revenue		
	2013	2012	2011
Telecommunications	53,075	50,952	51,496
ICT solutions	6,858	6,988	6,924
Other	199	229	233
	60,132	**58,169**	**58,653**

33 CONTINGENCIES.

As part of its ordinary business activities, Deutsche Telekom is involved in various proceedings both in and out of court with government agencies, competitors, and other parties, the outcome of which often cannot be reliably anticipated. As of the reporting date, the Group was exposed to contingent liabilities amounting to EUR 0.6 billion (December 31, 2012: EUR 0.3 billion) and to contingent assets amounting to EUR 0.0 billion (December 31, 2012: EUR 0.2 billion) that, on the basis of the information and estimates available, do not fulfill the requirements for recognition as liabilities or assets in the statement of financial position. Litigation provisions include the costs of legal counsel services and any probable losses. Deutsche Telekom does not believe that any additional costs arising from legal counsel services or the results of proceedings will have a material adverse effect on the results of operations and financial position of the Group. In addition to individual cases that do not have any significant impact on their own, the aforementioned total contingent liabilities include the following items, the sequence of which does not imply an evaluation of their probability of occurrence or potential damage.

CONTINGENT LIABILITIES.

Proceedings by Anti-Monopoly Commission in Poland. On November 23, 2011, the Anti-Monopoly Commission in Poland (UOKiK) concluded investigations started in 2010. It accuses T-Mobile Polska (formerly PTC) and other Polish telecommunications companies of price fixing in breach of anti-trust law and imposed a fine on T-Mobile Polska of PLN 34 million (approximately EUR 8 million). T-Mobile Polska continues to believe these allegations are unfounded and filed action against the ruling. As a result, the fine is not yet due. The same applies to another fine of PLN 21 million (approximately EUR 5 million) imposed by UOKiK on T-Mobile Polska on January 2, 2012 for an alleged breach of consumer protection law. The court has not yet made a decision.

Claims by partnering publishers of telephone directories. Several publishers that edit and publish subscriber directories together with DeTeMedien GmbH, filed claims against DeTeMedien GmbH and/or Deutsche Telekom AG at the end of 2013. The complainants are claiming damages or refund of approximately EUR 97 million plus interest in total from DeTeMedien GmbH and to a certain extent from Deutsche Telekom AG as joint and several debtor next to DeTeMedien GmbH. The complainants base their claims on allegedly excessive charges for the provision of subscriber data.

Claim for compensation against Slovak Telekom. In 1999, an action was filed against Slovak Telekom based on the accusation that the legal predecessor of Slovak Telekom had ceased broadcast of an international radio program contrary to the underlying contract. The claimant originally demanded approximately EUR 100 million plus interest for damages and lost profit. On November 9, 2011, the Bratislava Regional Court ruled partly in favor of the claimant and ordered Slovak Telekom to pay approximately EUR 32 million plus interest. On December 27, 2011, Slovak Telekom appealed to the Supreme Court against this judgment. In case of a final and legally binding court ruling against Slovak Telekom, Deutsche Telekom AG can assert recourse claims against third parties for a part of the sum demanded.

Sale of the SI business unit at T-Systems France. When selling the Systems Integration business unit of T-Systems France in the middle of 2013, a 15-month guarantee had to be issued to the responsible works council. Around 500 employees who have been transferred to the buyer are affected. According to the guarantee, a compensation of up to EUR 63 million in total will be paid to the staff in the event of the insolvency of the buyer.

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

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

European Commission proceedings against Slovak Telekom and Deutsche Telekom. The European Commission decided on May 8, 2012 to send a statement of objections to Slovak Telekom and Deutsche Telekom. In this statement of objections, it communicates its preliminary opinion that Slovak Telekom, in which Deutsche Telekom holds a 51-percent stake, has breached European anti-trust law on the Slovakian broadband market. The European Commission intends to hold also the parent company, Deutsche Telekom, liable. The European Commission had initiated proceedings against Slovak Telekom in April 2009 and against Deutsche Telekom in December 2010.

Slovak Telekom and Deutsche Telekom defended themselves against the accusations made in the notification of objections. As a result, the European Commission undertook further investigations in 2013, which are currently ongoing. We continue to see no basis for holding Deutsche Telekom liable for the alleged breach of anti-trust law by Slovak Telekom. Furthermore, we are convinced that Slovak Telekom complies with applicable law. Intense competition and the ongoing price erosion on the Slovak broadband market argue against any obstruction of competitors by Slovak Telekom. The statement of objections does not constitute a final decision. Should the European Commission uphold its allegations in the course of the proceedings, it may impose a fine on Slovak Telekom and Deutsche Telekom.

Toll Collect arbitration proceedings. The principal members of the Toll Collect consortium are Daimler Financial Services AG and Deutsche Telekom. In the arbitration proceedings between these principal shareholders and the consortium company Toll Collect GbR on one side and the Federal Republic of Germany on the other concerning disputes in connection with the truck toll collection system, Deutsche Telekom received the Federal Republic of Germany's statement of claim on August 2, 2005. In this statement, the Federal Republic claimed to have lost toll revenues of approximately EUR 3.51 billion plus interest owing to a delay in the commencement of operations. The total claims for contractual penalties amount to EUR 1.65 billion plus interest; these claims are based on alleged violations of the operator agreement: alleged lack of consent to subcontracting, allegedly delayed provision of on-board units and monitoring equipment. In a letter dated May 16, 2008, the Federal Republic recalculated its claim for damages for lost toll revenues and reduced it by EUR 169 million. The new claim is now approximately EUR 3.33 billion plus interest. The main claims by the Federal Republic – including the contractual penalty claims – thus amount to around EUR 4.98 billion plus interest. The proceedings are to continue in spring 2014.

- Bank loans guarantee. Deutsche Telekom guarantees to third parties bank loans of up to a maximum amount of EUR 110 million granted to Toll Collect GmbH. These guarantees for bank loans will expire on October 15, 2015.
- Equity maintenance undertaking. The consortium partners have the obligation, on a joint and several basis, to provide Toll Collect GmbH with additional equity in order to ensure a minimum equity ratio of 15 percent (in the single-entity financial statements prepared in accordance with German GAAP) (equity maintenance undertaking). This obligation ends when the operating agreement expires on August 31, 2015, or earlier if the operating agreement is terminated prematurely.

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

The risks and obligations of Compagnie Financière et Industrielle des Autoroutes S.A., Sèvres Cedex (Cofiroute, which holds a 10-percent stake in Toll Collect) are limited to EUR 70 million. Deutsche Telekom AG and Daimler Financial Services AG have the obligation, on a joint and several basis, to indemnify Cofiroute against further claims. Deutsche Telekom believes the claims of the Federal Republic of Germany are unfounded. Furthermore, the amount of a possible settlement attributable to the equity maintenance undertaking or the arbitration proceedings described, which may be material, cannot be estimated because of the aforementioned uncertainties.

Claims relating to charges for shared use of cable ducts. With an action filed on June 14, 2012, Kabel Deutschland Vertrieb und Service GmbH (KDG) is asserting two claims: first, Telekom Deutschland GmbH is to reduce the annual charge for the rights to use cable duct capacities in the future; second, it is to partially refund payments made in this connection since 2004. KDG quantifies the amount of the claims incurred up to and including 2012 at approximately EUR 340 million plus interest. In its ruling on August 28, 2013, the Frankfurt/Main Regional Court dismissed the complaint. KDG has appealed the decision. On January 23, 2013, Telekom Deutschland GmbH also received a claim filed by Unitymedia Hessen GmbH & Co. KG, Unitymedia NRW GmbH, and Kabel BW GmbH, demanding that Telekom Deutschland GmbH cease charging the complainants more than a specific and precisely stated amount for the shared use of cable ducts. Unitymedia Hessen GmbH & Co. KG is also currently demanding payment of approximately EUR 36.5 million plus interest, Unitymedia NRW GmbH EUR 90.8 million plus interest, and Kabel BW GmbH EUR 61.5 million plus interest for allegedly excessive charges paid since 2009 through 2012 for the shared use of cable ducts.

Claim for compensation against OTE. In May 2009, Lannet Communications S.A. filed an action against OTE claiming compensation for damages of EUR 176 million plus interest arising from an allegedly unlawful termination of services by OTE – mainly interconnection services, unbundling of local loops, and leasing of dedicated lines. A hearing took place on May 30, 2013; a ruling has not yet been issued.

Patents and licenses. Like many other large telecommunications and Internet providers, Deutsche Telekom is exposed to a growing number of intellectual property rights (IPR) disputes. There is a risk that we may have to pay license fees and/or compensation; there is also a risk of cease-and-desist orders (relating to the sale of a product, use of a technology, etc.).

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

34 LEASES.

DEUTSCHE TELEKOM AS LESSEE.

Finance leases. When a lease transfers substantially all risks and rewards to Deutsche Telekom as lessee, Deutsche Telekom initially recognizes the leased assets in the statement of financial position at the lower of fair value or present value of the future minimum lease payments. Most of the leased assets carried in the statement of financial position as part of finance leases relate to long-term rental and lease agreements for office buildings and cell towers or mobile communications facilities. The average lease term is 16 years. The agreements include extension and purchase options. TABLE 142 shows the net carrying amounts of leased assets capitalized in connection with a finance lease as of the reporting date:

T 142

millions of €

	Dec. 31, 2013	Of which: sale and leaseback transactions	Dec. 31, 2012	Of which: sale and leaseback transactions
Land and buildings	680	394	792	443
Technical equipment and machinery	362	0	80	0
Other	8	0	7	0
NET CARRYING AMOUNTS OF LEASED ASSETS CAPITALIZED	**1,050**	**394**	**879**	**443**

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

TABLE 143 provides a breakdown of these amounts:

T 143

millions of €

	Minimum lease payments		Interest component		Present values	
	Total	Of which: sale and leaseback	Total	Of which: sale and leaseback	Total	Of which: sale and leaseback
DEC. 31, 2013						
MATURITY						
Within 1 year	260	109	98	52	162	57
In 1 to 3 years	475	209	183	90	292	119
In 3 to 5 years	398	198	140	70	258	128
After 5 years	1,079	472	345	189	734	283
	2,212	**988**	**766**	**401**	**1,446**	**587**
DEC. 31, 2012						
MATURITY						
Within 1 year	231	109	95	57	136	52
In 1 to 3 years	408	215	158	99	250	116
In 3 to 5 years	361	202	126	79	235	123
After 5 years	969	566	344	219	625	347
	1,969	**1,092**	**723**	**454**	**1,246**	**638**

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

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

The operating lease expenses recognized in profit or loss amounted to EUR 3.2 billion in the 2013 financial year (2012: EUR 2.8 billion, 2011: EUR 2.8 billion). TABLE 144 provides a breakdown of future obligations arising from operating leases:

T 144

millions of €

	Dec. 31, 2013	Dec. 31, 2012
MATURITY		
Within 1 year	2,684	2,385
In 1 to 3 years	4,470	4,096
In 3 to 5 years	3,770	3,492
After 5 years	6,496	7,529
	17,420	**17,502**

DEUTSCHE TELEKOM AS LESSOR.

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

T 145

millions of €

	Dec. 31, 2013	Dec. 31, 2012
Minimum lease payments	208	262
Unguaranteed residual value	10	13
Gross investment	218	275
Unearned finance income	(15)	(27)
NET INVESTMENT (PRESENT VALUE OF THE MINIMUM LEASE PAYMENTS)	**203**	**248**

The gross investment amounts and the present value of payable minimum lease payments are as follows:

T 146

millions of €

	Dec. 31, 2013		Dec. 31, 2012	
	Gross investment	Present value of minimum lease payments	Gross investment	Present value of minimum lease payments
MATURITY				
Within 1 year	104	79	131	106
In 1 to 3 years	92	91	116	110
In 3 to 5 years	12	23	16	20
After 5 years	10	10	12	12
	218	**203**	**275**	**248**

Operating leases. If Deutsche Telekom is a lessor in connection with operating leases, it continues to recognize the leased assets in its statement of financial position. The lease payments received are recognized in profit or loss. The leases mainly relate to the rental of cell towers and building space and have an average term of 14 years. The future minimum lease payments arising from non-cancelable operating leases are as follows:

T 147

millions of €

	Dec. 31, 2013	Dec. 31, 2012
MATURITY		
Within 1 year	275	266
In 1 to 3 years	382	371
In 3 to 5 years	302	310
After 5 years	603	676
	1,562	**1,623**

35 OTHER FINANCIAL OBLIGATIONS.

TABLE 148 provides an overview of Deutsche Telekom's other financial obligations:

T 148

millions of €

	Dec. 31, 2013			
	Total	Due within 1 year	Due >1 year ≤ 5 years	Due > 5 years
Purchase commitments regarding property, plant and equipment	1,144	1,093	46	5
Purchase commitments regarding intangible assets	663	624	39	0
Firm purchase commitments for inventories	5,951	2,219	3,732	0
Other purchase commitments and similar obligations	7,246	4,438	2,565	243
Payment obligations to the Civil Service Pension Fund	5,032	540	1,608	2,884
Purchase commitments for interests in other companies	546	546	0	0
Miscellaneous other obligations	1,650	624	1,026	0
	22,232	**10,084**	**9,016**	**3,132**

36 SHARE-BASED PAYMENT.

SHARE MATCHING PLAN.

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

For the compensation system of Board of Management members who also participate in the share matching plan, please refer to Note 40 "Compensation of the Board of Management and the Supervisory Board," PAGE 240 ET SEQ.

SHARE-BASED PAYMENT AT T-MOBILE US.

During the second quarter of 2013, T-Mobile US's Board of Directors and stockholders approved the 2013 Omnibus Incentive Plan, which authorized the issuance of up to 63 million shares of common stock of T-Mobile US. Under the incentive plan, the company may grant stock options, stock appreciation rights, restricted stock, restricted stock units, and performance awards to employees, consultants, advisors, and non-employee directors. 40 million shares were available as of December 31, 2013 for the future issuance as part of these programs.

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

In June 2013, T-Mobile US also granted performance stock units (PSUs) to eligible key executives of the company. PSUs entitle the holder to receive shares of T-Mobile US common stock at the end of a vesting period of approximately two and a half years if a specific performance goal has been achieved. The number of shares ultimately received is dependent on T-Mobile US's business performance against the specified performance goal. The PSUs were considered granted for accounting purposes upon specification of the performance goals in June 2013.

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The plan resulted in the following development:

T 149

	Number of shares	Weighted average fair value at grant date USD
Non-vested as of January 1, 2013		
Granted	24,685,791	22.07
Vested	(88,440)	21.28
Forfeited	(1,648,186)	21.22
Non-vested as of December 31, 2013	**22,949,165**	**22.14**

The program is measured at fair value on the grant date and recognized as expense, net of expected forfeitures, following a graded vesting schedule over the related service period. The fair value of stock awards is based on the closing price of T-Mobile US's common stock on the date of grant. Stock-based compensation expense was EUR 112 million as of December 31, 2013.

Prior to the business combination, MetroPCS had established various stock option plans (predecessor plans). The MetroPCS stock options were adjusted in connection with the business combination (please refer to "Changes in the composition of the Group and transactions with owners" in the section "Summary of accounting policies," PAGE 182 ET SEQ.). Following approval of the T-Mobile US's 2013 Omnibus Incentive Plan, no new awards may be granted under the predecessor plans.

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

T 150

	Number of shares	Weighted average fair value at grant date USD	Weighted average remaining contractual life Years
Stock options outstanding/ exercisable at May 1, 2013	16,738,643	19.66	
Exercised	(9,278,599)	14.43	
Forfeited	(1,127,024)	34.73	
Stock options outstanding/ exercisable at December 31, 2013	**6,333,020**	**24.64**	**4.6**

The exercise of stock options generated cash inflows of EUR 103 million (USD 137 million) in the period May 1, 2013 to December 31, 2013.

37 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT.

T 151

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

	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2013	Amounts recognized in the statement of financial position according to IAS 39			
			Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss
ASSETS						
Cash and cash equivalents	LaR	7,970	7,970			
Trade receivables	LaR	7,580	7,580			
Originated loans and receivables	LaR/n. a.	2,672	2,469			
Of which: collateral paid	LaR	941	941			
Other non-derivative financial assets						
Held-to-maturity investments	HtM	12	12			
Financial assets available for sale [a]	AfS	652		280	372	
Derivative financial assets [b]						
Derivatives without a hedging relationship	FAHfT	596				596
Of which: termination rights embedded in bonds issued	FAHfT	158				158
Derivatives with a hedging relationship	n. a.	175			113	62
LIABILITIES AND SHAREHOLDERS' EQUITY [c]						
Trade payables	FLAC	7,231	7,231			
Bonds and other securitized liabilities	FLAC	40,535	40,535			
Liabilities to banks	FLAC	4,105	4,105			
Liabilities to non-banks from promissory notes	FLAC	1,072	1,072			
Other interest-bearing liabilities	FLAC	891	891			
Of which: collateral received	FLAC	40	40			
Other non-interest-bearing liabilities	FLAC	1,967	1,967			
Finance lease liabilities	n. a.	1,446				
Derivative financial liabilities [b]						
Derivatives without a hedging relationship	FLHfT	581				581
Derivatives with a hedging relationship	n. a.	1,002			726	276
Of which: aggregated by category in accordance with IAS 39						
Loans and receivables	LaR	18,019	18,019			
Held-to-maturity investments	HtM	12	12			
Available-for-sale financial assets [a]	AfS	652		280	372	
Financial assets held for trading	FAHfT	596				596
Financial liabilities measured at amortized cost	FLAC	55,801	55,801			
Financial liabilities held for trading	FLHfT	581				581

[a] For details, please refer to Note 8 "Other financial assets," PAGE 196.
[b] For details, please refer to TABLE 156 on derivatives in this note, PAGE 238.
[c] For financial guarantees and loan commitments existing at the reporting date, please refer to the additional information provided in this section, PAGE 237.
[d] The exemption provisions under IFRS 7.29 a were applied for information on specific fair values.

Trade receivables include non-current receivables amounting to EUR 1.0 billion (December 31, 2012: EUR 0.2 billion) due in more than one year. The fair value generally equates to the carrying amount.

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				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[d]	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2012	Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss	Amounts recognized in the statement of financial position according to IAS 17	Fair value Dec. 31, 2012[d]
	–	LaR	4,026	4,026					–
	–	LaR	6,316	6,316					–
203	–	LaR/n. a.	2,123	1,875				248	–
	–	LaR	246	246					–
	–	HtM	131	131					–
	372	AfS	380		230	150			150
	596	FAHfT	531				531		531
	158	FAHfT	0				0		0
	175	n. a.	756			257	499		756
	–	FLAC	6,415	6,415					–
	44,631	FLAC	33,674	33,674					38,544
	4,219	FLAC	3,912	3,912					4,082
	1,230	FLAC	1,167	1,167					1,383
	881	FLAC	2,085	2,085					1,356
	–	FLAC	729	729					–
	–	FLAC	1,611	1,611					–
1,446	1,768	n. a.	1,246					1,246	1,635
	581	FLHfT	335				335		335
	1,002	n. a.	584			584			584
	–	LaR	12,217	12,217					–
	–	HtM	131	131					–
	372	AfS	380		230	150			150
	596	FAHfT	531				531		531
	50,961	FLAC	48,864	48,864					45,365
	581	FLHfT	335				335		335

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

T 152

millions of €

	Dec. 31, 2013				Dec. 31, 2012			
	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable	Total	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable	Total
LIABILITIES AND SHAREHOLDERS' EQUITY								
Financial liabilities measured at amortized cost (FLAC)	38,026	12,935		**50,961**	30,642	14,723		**45,365**
Of which: bonds and other securitized liabilities	38,026	6,605		**44,631**	30,642	7,902		**38,544**
Of which: liabilities to banks		4,219		**4,219**		4,082		**4,082**
Of which: liabilities to non-banks from promissory notes		1,230		**1,230**		1,383		**1,383**
Of which: other interest-bearing liabilities		881		**881**		1,356		**1,356**
Finance lease liabilities		1,768		**1,768**		1,635		**1,635**

Financial instruments measured at fair value.

T 153

millions of €

	Dec. 31, 2013				Dec. 31, 2012			
	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable	Total	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable	Total
ASSETS								
Available-for-sale financial assets (AfS)	365	7		**372**	107	43		**150**
Financial assets held for trading (FAHfT)		596		**596**		531		**531**
Derivative financial assets with a hedging relationship		175		**175**		756		**756**
LIABILITIES AND SHAREHOLDERS' EQUITY								
Financial liabilities held for trading (FLHfT)		581		**581**		335		**335**
Derivative financial liabilities with a hedging relationship		1,002		**1,002**		584		**584**

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 365 million (December 31, 2012: EUR 107 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.

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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.

Interest from financial instruments is recognized in finance costs, dividends in other financial income/expense (please also refer to Note 22 "Finance costs," PAGE 213, and Note 24 "Other financial income/expense," PAGE 213). Deutsche Telekom recognizes the other components of net gain/loss in other financial income/expense, except for allowances on trade receivables (please also refer to Note 2 "Trade and other receivables," PAGE 187) that are classified as loans and receivables, which are reported under selling expenses. The net loss from the subsequent measurement for financial instruments held for trading (EUR 451 million) also includes interest and currency translation effects. The net currency translation losses on financial assets classified as loans and receivables (EUR 1,051 million) are primarily attributable to the Group-internal transfer of foreign-currency loans taken out by Deutsche Telekom's financing company, Deutsche Telekom International Finance B.V., on the capital market. These were offset by corresponding currency translation gains on capital market liabilities of EUR 1,220 million. Finance costs from financial liabilities measured at amortized cost (net expense of EUR 2,248 million) primarily consist of interest expense on bonds and other (securitized) financial liabilities. The item also includes interest expenses from interest added back and interest income from

T 154

Net gain/loss by measurement category.
millions of €

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

millions of €

	Recognized in profit or loss from interest, dividends	Recognized in profit or loss from subsequent measurement			Recognized directly in equity from subsequent measurement	Recognized in profit or loss from derecognition	Net gain (loss)
		At fair value	Currency translation	Impairments/ allowances	At fair value		2012
Loans and receivables (LaR)	51		(73)	(825)			**(847)**
Held-to-maturity investments (HtM)	2						**2**
Available-for-sale financial assets (AfS)	63			(66)	33	276	**306**
Financial instruments held for trading (FAHfT and FLHfT)	n. a.	(165)					**(165)**
Financial liabilities measured at amortized cost (FLAC)	(2,157)		152				**(2,005)**
	(2,041)	**(165)**	**79**	**(891)**	**33**	**276**	**(2,709)**

interest discounted from trade payables. However, it does not include the interest expense and interest income from interest rate derivatives Deutsche Telekom used in the reporting period to hedge the fair value risk of financial liabilities (please also refer to Note 22 "Finance costs," PAGE 213).

Principles of risk management. Deutsche Telekom is exposed in particular to risks from movements in exchange rates, interest rates, and market prices that affect its assets, liabilities, and forecast transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities. Selected derivative and non-derivative hedging instruments (hedging transactions) are used for this purpose, depending on the risk assessment. However, Deutsche Telekom only hedges the risks that affect the Group's cash flow. Derivatives are exclusively used as hedging instruments, i.e., not for trading or other speculative purposes. To reduce the credit risk, hedging instruments are generally only concluded with leading financial institutions whose credit rating is at least BBB+/Baa1. In addition, the credit risk of financial instruments with a positive fair value is minimized by way of limit management, which sets individualized relative and absolute figures for risk exposure depending on the counterparty's rating, share price development, and credit default swap level.

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

Currency risks. Deutsche Telekom is exposed to currency risks from its investing, financing, and operating activities. Risks from foreign currencies are hedged to the extent that they influence the Group's cash flows. Foreign-currency risks that do not influence the Group's cash flows (i.e., the risks resulting from the translation of statements of assets and liabilities of foreign operations into the Group's reporting currency) are generally not hedged, however. Deutsche Telekom may nevertheless also hedge this foreign-currency risk under certain circumstances.

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

Foreign-currency risks in the financing area are caused by financial liabilities in foreign currency and loans in foreign currency that are extended to Group entities for financing purposes. Treasury hedges these risks in full. Cross-currency swaps and currency derivatives are used to convert financial obligations and intragroup loans denominated in foreign currencies into the Group entities' functional currencies. At the reporting date, the foreign-currency liabilities for which currency risks were hedged mainly consisted of bonds and medium-term notes in Australian dollars, pounds, sterling, Japanese yen, Norwegian kroner, Swiss francs, Czech koruna, and U.S. dollars. On account of these hedging activities, Deutsche Telekom was not exposed to any significant currency risks in the area of financing at the reporting date.

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

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

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

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

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

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

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

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

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

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

If the euro had gained (lost) 10 percent against the U.S. dollar and the pound sterling at December 31, 2013, the hedging reserve in shareholders' equity and the fair values of the hedging instruments before taxes would have been EUR 56 million higher (lower) (December 31, 2012: EUR 49 million higher (lower)). The hypothetical effect of EUR 56 million on profit or loss primarily results from the currency sensitivities EUR/USD: EUR 70 million; EUR/GBP: EUR –14 million.

If the euro had gained (lost) 10 percent against all currencies at December 31, 2013, other financial income and the fair value of the hedging instruments before taxes would have been EUR 64 million higher (lower) (December 31, 2012: EUR 20 million higher (lower)). The hypothetical effect of EUR 64 million on profit or loss primarily results from the currency sensitivities EUR/PLN: EUR 51 million, EUR/HUF: EUR 14 million, EUR/GBP: EUR 10 million, EUR/CZK: EUR 4 million, EUR/USD: EUR –8 million, EUR/SGD: EUR –3 million, EUR/RUB: EUR –3 million, and EUR/HKD: EUR –1 million.

Interest rate risks. Deutsche Telekom is exposed to interest rate risks, mainly in the euro zone and in the United States of America. To minimize the effects of interest rate fluctuations in these regions, Deutsche Telekom manages the interest rate risk for net debt denominated in euros and U.S. dollars separately. Once a year, the Board of Management stipulates the desired mix of fixed- and variable-interest net debt for a planning period of at least three years. Taking account of the Group's existing and planned debt structure, Treasury uses interest rate derivatives to adjust the interest structure for the net debt of the composition specified by the Board of Management.

Due to the derivative hedging instruments, an average of 64 percent (2012: 65 percent) of net debt in 2013 denominated in euros and 76 percent (2012: 56 percent) of net debt denominated in U.S. dollars had a fixed rate of interest. The average value is representative for the year as a whole.

Interest rate risks are presented by way of sensitivity analyses in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components, and, if appropriate, shareholders' equity.

The interest rate sensitivity analyses are based on the following assumptions: Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7.

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

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

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

Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of income-related sensitivities. Changes in the market interest rate regarding interest rate derivatives (interest rate swaps, cross-currency swaps) that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense and are therefore taken into consideration in the income-related sensitivity calculations. Currency derivatives are not exposed to interest rate risks and therefore do not affect the interest rate sensitivities.

If the market interest rates had been 100 basis points higher (lower) at December 31, 2013, profit or loss before taxes would have been EUR 176 million (December 31, 2012: EUR 212 million) lower (higher). The hypothetical effect of EUR – 176 million on income results from the potential effects of EUR – 155 million from interest rate derivatives and EUR – 21 million from non-derivative, variable-interest financial liabilities. Potential effects from interest rate derivatives are partially balanced out by the contrasting performance of non-derivative financial instruments, which cannot, however, be shown as a result of applicable accounting standards. If the market interest rates had been 100 basis points higher (lower) at December 31, 2013, the hedging reserve would have been EUR 184 million (December 31, 2012: EUR 179 million) higher (lower).

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

As in the prior year, no major price risks existed as of December 31, 2013.

Credit risks. Deutsche Telekom is exposed to a credit risk from its operating activities and certain financing activities. With regard to financing activities, transactions are only concluded with counterparties that have at least a credit rating of BBB+/Baa1, in connection with an operational credit management system. At the level of operations, the outstanding debts are continuously monitored in each area, i.e., locally. Credit risks are taken into account through individual and collective allowances.

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

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

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

When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom provided cash collateral to counterparties pursuant to collateral contracts. The corresponding receivables of EUR 941 million (December 31, 2012: EUR 246 million) were thus not exposed to any credit risks as of the reporting date (please also refer to Note 8 "Other financial assets," PAGE 196). The collateral paid, which is reported under

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millions of €

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

millions of €

	Dec. 31, 2012			
	Trade receivables	Trade payables	Derivative financial assets	Derivative financial liabilities
Gross amounts subject to enforceable master netting arrangements or similar agreements	477	404	1,287	911
Amounts set off in the statement of financial position in accordance with IAS 32.42	(222)	(222)	–	–
Net amounts presented in the statement of financial position	**255**	**182**	**1,287**	**911**
Amounts subject to enforceable master netting arrangements or similar agreements and not meeting all offsetting requirements in accordance with IAS 32.42	**(7)**	**(7)**	**(1,227)**	**(874)**
Of which: amounts related to recognized financial instruments	(7)	(7)	(642)	(642)
Of which: amounts related to financial collateral (including cash collateral)	–	–	(585)	(232)
NET AMOUNTS	**248**	**175**	**60**	**37**

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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 as other interest-bearing liabilities under financial liabilities, constitutes a separate class of financial liabilities on account of its connection to the corresponding derivatives.

In accordance with the terms of bonds issued by a Deutsche Telekom subsidiary, this subsidiary has the right to terminate the bonds prematurely under specific conditions. The rights of termination constitute embedded derivatives and are accounted for separately as derivative financial assets. Since they are not exposed to any credit risk, they constitute a separate class of financial assets.

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

In addition, Deutsche Telekom is exposed to a credit risk through the granting of financial guarantees. Guarantees amounting to a nominal total of EUR 70 million had been pledged as of the reporting date (December 31, 2012: EUR 104 million), which also represent the maximum exposure to credit risk.

The total guarantee amount as of December 31, 2012 no longer includes the amount presented in connection with the framework agreement concluded in the 2012 financial year with Crown Castle concerning the leasing and use of cell sites in the United States. This is due to the considerably low maximum guarantee amount, since in the unlikely event that the guaranteed case occurs, T-Mobile US could take over the further use of the relevant cell sites or alternatively terminate the contracts with the owners of the land at short notice.

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

Risks from financing and loan commitments. Deutsche Telekom again granted the EE joint venture an irrevocable loan commitment of a maximum of GBP 225 million at arm's length market conditions in the reporting period which has not yet been utilized. The credit facility can be utilized at any time and will expire on November 14, 2014. The credit facility will be extended each time by a further twelve months, unless terminated three months prior to the end of the term. The nominal amount of GBP 225 million is the maximum default risk associated with this loan commitment.

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

Liquidity risks. Please refer to TABLE 084, PAGES 198 and 199.

HEDGE ACCOUNTING.

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

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

As the list of the fair values of derivatives shows (please refer to TABLE 156, PAGE 238), Deutsche Telekom had interest rate derivatives with a net fair value of EUR – 0.2 billion (December 31, 2012: EUR + 0.5 billion) designated as fair value hedges at December 31, 2013. The remeasurement of the hedged items resulted in gains of EUR 0.4 billion being recorded in other financial income/expense in the 2013 financial year (2012: losses of EUR 0.0 billion); the changes in the fair values of the hedging transactions resulted in losses of EUR 0.4 billion (2012: gains of EUR 0.1 billion) being recorded in other financial income/expense.

Cash flow hedges – interest rate risks. Deutsche Telekom entered into payer interest rate swaps and forward payer interest rate swaps (pay fixed, receive variable) to hedge the cash flow risk of variable-interest debt. The interest payments to be made in the hedging period are the hedged items and are recognized in profit or loss in the same period. The changes in the cash flows of the hedged items resulting from changes in the Euribor and Libor rates are offset against the changes in the cash flows of the interest rate swaps. The aim of this hedging is to transform the variable-interest bonds into fixed-income debt, thus hedging the cash flows of the financial liabilities. The terms of the hedging relationships will end in the years 2014 through 2018. Credit risks are not part of the hedging.

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

Ineffectiveness of EUR 21 million was recognized in profit or loss under other financial income/expense in the reporting year (2012: EUR – 2 million).

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

As the list of the fair values of derivatives shows (please refer to TABLE 156, PAGE 238), Deutsche Telekom had interest rate derivatives with a fair value of EUR – 0.3 billion (2012: EUR – 0.6 billion) amounting to a nominal total of EUR 5 billion (2012: EUR 7.8 billion) designated as hedging instruments for the hedging of interest rate risks as part of cash flow hedges at December 31, 2013.

The recognition directly in equity of the change in the fair value of the hedging instruments resulted in gains (before taxes) of EUR 36 million (2012: losses of EUR 0.3 billion) in shareholders' equity in the 2013 financial year. Losses amounting to EUR 124 million (2012: losses of EUR 68 million) recognized directly in equity were reclassified to other financial income/expense in the income statement in the 2013 financial year.

Cash flow hedges – currency risks. Deutsche Telekom entered into currency derivative and cross-currency swap agreements to hedge cash flows not denominated in a functional currency. The payments in foreign currency to be made in the hedging period are the hedged items and are recognized in profit or loss in the same period. The terms of the hedging relationships will end in the years 2014 through 2030. The effectiveness of the hedging relationship is tested prospectively and retrospectively using statistical methods in the form of a regression analysis. All designated hedging relationships were sufficiently effective as of the reporting date.

New EUR/USD cross-currency swaps with a total value in euros of EUR 3.1 billion were designated in the reporting period. Of these, cash flow hedges with a total value in euros of EUR 1.3 billion were concluded without nominal swap. The new transactions are mainly attributable to the business combination of T-Mobile USA and MetroPCS.

In the 2013 financial year, losses (before taxes) totaling EUR 199 million (2012: gains of EUR 36 million) resulting from the change in the fair values of currency derivatives were taken directly to equity (hedging reserve). These changes constitute the effective portion of the hedging relationship. In the 2013 financial year, losses totaling EUR 70 million recognized directly in equity were reclassified to other financial income/expense and gains totaling EUR 16 million were reclassified to profit/loss from operations (2012: gains of EUR 58 million to other financial income/expense). There was no material ineffectiveness of these hedges recorded as of the reporting date.

As the list of the fair values of derivatives shows (please refer to TABLE 156), Deutsche Telekom had currency forwards of a net fair value of EUR + 21 million (December 31, 2012: EUR + 13 million), that are the result of foreign currency purchases totaling EUR 0.3 billion and foreign currency sales totaling EUR 0.8 billion (December 31, 2012: foreign currency purchases of EUR 0.6 billion and foreign currency sales of EUR 1.2 billion), as well as cross-currency swaps of a net fair value of EUR – 0.3 billion (December 31, 2012: EUR + 0.2 billion) and a total volume of EUR 4.8 billion (December 31, 2012: EUR 1.8 billion) designated as hedging instruments for cash flow hedges as of December 31, 2013.

Hedging of a net investment. The hedge of the net investment in T-Mobile US against fluctuations in the U.S. dollar spot rate designated in 2012 did not generate any effects in 2013. The level of gains/losses recognized directly in equity (total other comprehensive income) remained unchanged at EUR –0.4 billion (before taxes).

Derivatives. TABLE 156 shows the fair values of the various derivatives carried. A distinction is made depending on whether these are part of an effective hedging relationship as set out in IAS 39 (fair value hedge, cash flow hedge, net investment hedge) or not. Other derivatives can also be embedded, i.e., a component of a composite instrument that contains a non-derivative host contract.

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millions of €

	Net carrying amounts Dec. 31, 2013	Net carrying amounts Dec. 31, 2012
ASSETS		
Interest rate swaps		
Held for trading	54	46
In connection with fair value hedges	62	490
In connection with cash flow hedges	–	–
Currency forwards/currency swaps		
Held for trading	26	12
In connection with cash flow hedges	24	22
Cross-currency swaps		
Held for trading	358	473
In connection with fair value hedges	–	8
In connection with cash flow hedges	89	236
Other derivatives in connection with cash flow hedges	–	–
Embedded derivatives	158	–
LIABILITIES AND SHAREHOLDERS' EQUITY		
Interest rate swaps		
Held for trading	226	164
In connection with fair value hedges	264	–
In connection with cash flow hedges	336	575
Currency forwards/currency swaps		
Held for trading	39	38
In connection with cash flow hedges	3	9
In connection with net investment hedges	–	–
Cross-currency swaps		
Held for trading	316	125
In connection with fair value hedges	12	–
In connection with cash flow hedges	387	–
Other derivatives in connection with cash flow hedges	–	–
Embedded derivatives	–	8

Transfer of financial assets.

Factoring transaction with substantially all risks and rewards being transferred. In 2009, Deutsche Telekom entered into two factoring agreements, under each of which a bank is required to purchase trade receivables in a monthly revolving nominal volume of EUR 1,040 million. The agreements, each of which runs until 2015, give Deutsche Telekom the freedom to decide whether receivables will be sold and in which revolving nominal volume. Sales exceeding the revolving nominal volume are agreed with the respective bank in each case, if necessary. The assessment of the risk associated with the sold receivables is based on the credit risk and, of lesser significance, the risk of late payments (late-payment risk). The maximum credit risk-related loss to be borne by Deutsche Telekom is limited to the variable purchase price discount retained by the respective bank on the sale of receivables and refunded in the amount of the unused portion. The remaining credit risk-related losses represent substantially all the risks and rewards of ownership of the receivables and are borne by the respective bank. In the case of one transaction, a loan insurance policy is in force that reimburses losses relating to certain receivables to a maximum amount of EUR 67 million and thus reduces the exposure to loss. The late-payment risk continues to be borne in full by Deutsche Telekom. The maximum exposure to loss resulting from credit

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risk and late-payment risk relating to the receivables sold and derecognized as of December 31, 2013 (nominal volume EUR 1,041 million), excluding loan insurance coverage, is EUR 36 million. At the derecognition date, the fair value of the expected refund of the variable purchase price discount less the fair value of the expected loss from the late-payment risk was capitalized under other financial assets and the remaining difference was expensed. As of December 31, 2013, the carrying amount of the other financial asset representing Deutsche Telekom's entire continuing involvement was EUR 19 million, the fair value of which was EUR 19 million. Deutsche Telekom expensed EUR 136 million, including credit-risk discounts less bonuses to cover monthly bad debt losses, in the 2013 financial year from its continuing involvement including program fees (interest and bank margin), and has expensed a total amount of EUR 735 million since 2009. The banks have the right to sell overdue receivables back to Deutsche Telekom. However, this does not affect the allocation of the credit risk-related losses in any way because the purchase price equals the actual proceeds from collection or disposal. The buy-back does not entail any liquidity risks for Deutsche Telekom whatsoever, as payment of the purchase price to the banks is only due after the proceeds from collection or disposal have been received. As in previous years, the volume of receivables sold was not subject to major fluctuations during the financial year. As of December 31, 2013, a total provision of EUR 8 million was recognized for the receivables management to be performed by Deutsche Telekom.

Factoring transactions involving the splitting of significant rewards and risks as well as the transfer of control. In 2012 and again in 2013, Deutsche Telekom entered into a factoring agreement under which a bank is required to purchase trade receivables in a monthly revolving nominal volume of EUR 357 million when translated into euros. These agreements, which run until 2014 and 2015 respectively, give Deutsche Telekom the freedom to decide whether receivables will be sold and in which volume. The assessment of the risk associated with the sold receivables is based on the credit risk and, of lesser significance, the risk of late payments (late-payment risk). The purchase price corresponds to the nominal amount. The maximum credit risk from the various tranches to be borne by Deutsche Telekom amounts to EUR 110 million. The other credit risk-related losses are borne by the bank. The existing loan insurance policy reimburses losses relating to certain receivables to a maximum amount of EUR 115 million and thus reduces the exposure to loss. The late-payment risk continues to be borne in full by Deutsche Telekom. The maximum exposure to loss resulting from credit risk and late-payment risk relating to the receivables sold as of December 31, 2013 (nominal volume EUR 345 million when translated into euros), excluding loan insurance coverage, is EUR 124 million. Substantially all the risks and rewards of ownership of the receivables were neither transferred nor retained (allocation of the material risks between Deutsche Telekom and the bank) and control of the receivables was transferred to the bank. All receivables sold as of December 31, 2013 have been derecognized. At the derecognition date, the fair value of the expected losses was expensed as financial liabilities. As of December 31, 2013, the carrying amount of the financial liability representing Deutsche Telekom's entire continuing involvement was EUR 5 million and its fair value was EUR 5 million. Deutsche Telekom expensed EUR 11 million, including credit-risk discounts and loss allocations to cover monthly credit risks, in the financial year from its continuing involvement including program fees (interest and bank margin), and has expensed a total amount of EUR 17 million since the beginning of the transaction. The bank has the right to sell all receivables overdue by more than 90 days back to Deutsche Telekom at the nominal amount. This would not affect the allocation of the credit risk-related losses, as the latter would be passed back to the bank in line with the agreed risk allocation. The cash outflows caused by the buy-backs would occur in the short term, i.e., in 2014. The volume of receivables sold was not subject to major fluctuations since the beginning of the transaction.

38 CAPITAL MANAGEMENT.

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

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

For further information, please refer to the section "Comparison of our stakeholders' expectations with actual figures" (PAGE 57) and the section "Management of the Group" (PAGE 69 ET SEQ.) in the combined management report.

An important key performance indicator for the capital market communication with investors, analysts, and rating agencies is relative debt, i.e., net debt to adjusted EBITDA. This ratio stood at 2.2 at December 31, 2013 (December 31, 2012: 2.1). The target corridor for relative debt is between 2.0 and 2.5. Net debt is a non-GAAP figure not governed by International Financial Reporting Standards and its definition and calculation may vary from one company to another. A further essential key performance indicator is the equity ratio, i.e., the ratio of shareholders' equity to total assets as shown in the consolidated statement of financial position. The equity ratio was 27.1 percent as of December 31, 2013 (December 31, 2012: 28.3 percent). The target corridor is between 25 and 35 percent. In addition, Deutsche Telekom maintains a liquidity reserve covering all maturities of the next 24 months.

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Calculation of net debt; shareholders' equity.
millions of €

	Dec. 31, 2013	Dec. 31, 2012
Financial liabilities (current)	7,891	9,260
Financial liabilities (non-current)	43,708	35,354
FINANCIAL LIABILITIES	**51,599**	**44,614**
Accrued interest	(1,091)	(903)
Other	(881)	(754)
GROSS DEBT	**49,627**	**42,957**
Cash and cash equivalents	7,970	4,026
Available-for-sale/held-for-trading financial assets	310	27
Derivative financial assets	771	1,287
Other financial assets	1,483	757
NET DEBT	**39,093**	**36,860**
SHAREHOLDERS' EQUITY	**32,063**	**30,531**

39 RELATED-PARTY DISCLOSURES.

Federal Republic of Germany and other related parties. The Federal Republic of Germany is both a direct and an indirect shareholder (via KfW Bankengruppe) and holds approximately 31.9 percent (December 31, 2012: 32.0 percent) of the share capital of Deutsche Telekom AG. The Federal Republic usually represents a solid majority at the shareholders' meeting due to its high attendance rate, giving the Federal Republic control over Deutsche Telekom. Therefore, the Federal Republic and the companies controlled by the Federal Republic, or companies over which the Federal Republic can exercise a significant influence are classified as related parties of Deutsche Telekom. Charges for services provided to the Federal Republic and its departments and agencies, and the individual companies are based on Deutsche Telekom's commercial pricing policies. Deutsche Telekom participates in the spectrum auctions of the Federal Network Agency. The acquisition of mobile communications spectrum through licenses may result in build-out requirements stipulated by the Agency.

The Federal Posts and Telecommunications Agency (Federal Agency) has been assigned certain tasks by law that affect cross-company issues at Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG. The Federal Agency's responsibilities include the continuation of the Civil Service Health Insurance Fund (Postbeamtenkrankenkasse), the recreation service (Erholungswerk), the supplementary retirement pensions institution (Versorgungsanstalt der Deutschen Bundespost), and the welfare service (Betreuungswerk) for Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG. The coordination and administrative tasks are performed on the basis of agency agreements. Up to and including the 2012 reporting year, Deutsche Telekom maintained a joint pension fund, Bundes-Pensions-Service für Post und Telekommunikation e.V., Bonn (BPS-PT), together with Deutsche Post AG and Deutsche Postbank AG for civil servant pension plans. The German Act on the Reorganization of the Civil Service Pension Fund (Gesetz zur Neuordnung der Postbeamtenversorgungskasse – PVKNeuG) transferred the functions of BPS-PT relating to civil servant pensions (organized within the Civil Service Pension Fund) to the existing Federal Agency effective January 1, 2013. The civil servant pension functions are therefore performed by the Civil Service Pension Fund as an integral part of the Federal Agency. This joint Civil Service Pension Fund works for the funds of all three companies and also handles the financial administration of the pension plan for the Federal Republic on a trust basis. For the 2013 financial year, Deutsche Telekom made payments in the amount of EUR 58 million (2012: EUR 61 million, 2011: EUR 58 million). Furthermore, payments are made to the Civil Service Pension Fund according to the provisions of the Act on the Reorganization of the Civil Service Pension Fund (please also refer to Note 12 "Provisions for pensions and other employee benefits," PAGE 207).

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

In connection with the option granted to all shareholders in 2013, KfW Bankengruppe requested its dividend entitlement for shares held in Deutsche Telekom AG for the 2012 financial year be paid out partly in cash and partly in shares from authorized capital. As a result, it received 47,429 thousand shares in June 2013. The stake of KfW Bankengruppe in Deutsche Telekom AG as of December 31, 2013 totaled 17.4 percent. Otherwise, Deutsche Telekom did not execute any individually material transactions in the 2013 financial year at off-market terms and conditions or, as described, outside of its normal business activities.

Joint ventures. In the 2013 financial year, Deutsche Telekom generated revenue and other operating income totaling EUR 294 million from the EE joint venture established on April 1, 2010, and revenue of EUR 62 million from Toll Collect.

Net funds of EUR 0.2 billion that had been invested by the EE joint venture were repaid to the company by Deutsche Telekom in the reporting year.

There were also receivables vis-à-vis the EE joint venture in the amount of EUR 94 million, liabilities of EUR 241 million, and loan commitments of EUR 0.3 billion at the end of the year. Loan guarantees and guarantee statements of EUR 0.6 billion given by the Company to third parties existed.

As of December 31, 2013, there were receivables vis-à-vis Toll Collect in the amount of EUR 13 million, liabilities of EUR 12 million, an equity maintenance undertaking, and loan guarantees granted to banks. For further details, please refer to Note 33 "Contingencies," PAGE 224 ET SEQ.

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

Related individuals. For information on the compensation of the Board of Management and Supervisory Board, please refer to Note 40 below.

Employee representatives elected to the Supervisory Board of Deutsche Telekom continue to be entitled to a regular salary as part of their employment contract. The amount of the salary is the adequate compensation for their job or activity within the Company.

Besides this, no major transactions took place with related individuals.

40 COMPENSATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD.

COMPENSATION OF THE BOARD OF MANAGEMENT.

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

Changes in the composition of the Board of Management and contract extensions. Effective January 1, 2014 Timotheus Höttges succeeded René Obermann as Chairman of the Board of Management. The Supervisory Board appointed Timotheus Höttges Chairman of the Board of Management until December 31, 2018 at its meeting on May 15, 2013. At the same meeting, Thomas Dannenfeldt was appointed member of the Board of Management responsible for the Finance department, effective January 1, 2014. Thomas Dannenfeldt was appointed until December 31, 2018. Likewise at the meeting on May 15, 2013, Niek Jan van Damme's term of office as a member of the Board of Management was extended for another five years until February 28, 2019.

Basis of Board of Management compensation. On February 24, 2010, the Supervisory Board resolved on a new system for the compensation of the Board of Management members, taking into account the provisions specified in the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) that has been in effect since August 5, 2009. The shareholders' meeting of Deutsche Telekom AG on May 3, 2010 approved this new system. The compensation of Board of Management members comprises various components. Under the terms of their service con-

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

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

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

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

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

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

Variable performance-based remuneration

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

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

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

In the 2013 financial year, the following absolute nominal amounts were pledged to the Board of Management members for their participation in the 2013 tranche of Variable II in the event of 100-percent target achievement.

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	2013 tranche	2012 tranche
René Obermann	1,092,000 [a]	1,092,000
Reinhard Clemens	650,000	650,000
Niek Jan van Damme	550,000	550,000
Timotheus Höttges	760,500	650,000
Dr. Thomas Kremer	550,000	492,708
Claudia Nemat	675,000	675,000
Prof. Marion Schick	550,000	550,000

[a] René Obermann's award amount relates to the entire four-year term of the 2013 tranche. Since René Obermann left the Company prematurely, he will only receive a quarter of the amount on a pro-rata basis for the term in which he was Chairman of the Board of Management of Deutsche Telekom AG.

Information on the share matching plan. In the 2013 financial year, the Board of Management members, as described above, are contractually obliged to invest a third of Variable I in shares of Deutsche Telekom AG. Deutsche Telekom AG will grant one additional share for every share acquired as part of the Board of Management member's aforementioned personal investment (share matching plan) that will be allotted to the beneficiaries of this plan on expiration of the four-year lock-up period. This ensures that the shares granted by the Company can only be sold after the four-year period, and that this element of the compensation system rewards only the members' continued service to the Company.

GAS 17 and IFRS 2 require disclosure not only of the total expense related to share-based payment from matching shares in the 2013 financial year and the fair value of the matched shares at their grant date, but also of the number of entitlements to matching shares and their development in the current financial year.

The fair value of the matching shares at grant date shown in TABLE 159 does not represent a component of remuneration for the Board of Management members in 2013. It is an imputed value of the entitlements to matching shares determined on the basis of relevant accounting policies. TABLE 159 is based on expected target achievement for the 2013 financial year and thus on the estimated amount of the personal investment to be made by the respective Board of Management member to establish his or her entitlements to matching shares. The final number of entitlements to matching shares identified for the 2013 financial year may be higher or lower than the amounts estimated here.

The total share-based payment expense for matching shares to be recognized for the financial years 2010 through 2012 and 2013, pursuant to IFRS 2, is included in the two last columns of TABLE 159.

Under the termination agreement concluded with René Obermann, all existing entitlements to matching shares were terminated without replacement of compensation. This resulted in income of EUR 0.5 million for the financial year as shown in TABLE 159.

By December 31, 2013, Deutsche Telekom had acquired 363,857 shares for the purpose of awarding matching shares to Board of Management members as part of the share matching plan.

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

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

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

Company pension plan.

Company pension plan (existing entitlement). The members of the Board of Management are entitled to a company pension. Benefits from the company pension plan are in direct relation to the beneficiary's annual salary. The Board of Management members receive company pension benefits based on a fixed percentage of their last fixed annual salary for each year of service rendered prior to their date of retirement. The pension payments may be in the form of a life-long retirement pension upon reaching the age of 62 or in the form of an early retirement pension upon reaching the age of 60. Opting for the early retirement pension scheme is connected with actuarial deductions, however. The company pension is calculated by multiplying a basic percentage rate of 5 percent (6 percent for René Obermann) by the number of years of service as a member of the Board of Management. After ten years of service, the maximum pension level of 50 percent (60 percent for René Obermann) of the last fixed annual remuneration will be attained.

The pension payments to be made increase dynamically, at a rate of 1 percent (3 percent for René Obermann). In addition, the pension agreements include arrangements for pensions for surviving dependents in the form of entitlements for widows and orphans. In specifically provided exceptional cases, entitlement to a widow's pension is excluded. The standard criteria for eligibility in the pension arrangements are in line with market conditions. In the event of a permanent incapacity for work (invalidity), the respective period of service through the scheduled end of the current period of appointment serves as the basis for the period of service eligible for calculating the pension.

In addition, the Company makes contributions, including the related taxes, for term life insurance with standard coverage (EUR 1.3 million) for one Board of Management member. The related expenses are included in the figures for non-cash benefits.

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

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	Number of entitlements granted to matching shares since 2010 at the beginning of the financial year	Number of new entitlements to matching shares granted in 2013	Fair value of the matching shares at grant date €	Cumulative total share-based payment expense in 2013 for matching shares for the years 2010 through 2013 €	Cumulative total share-based payment expense in 2012 for matching shares for the years 2010 through 2012 €
René Obermann	184,399	0	0	(539,728)	258,458
Reinhard Clemens	93,193	25,610	174,153	166,907	129,381
Niek Jan van Damme	85,340	21,670	147,360	153,160	109,567
Timotheus Höttges	110,444	29,965	203,759	202,328	157,625
Dr. Thomas Kremer	13,057	21,670	147,360	38,270	8,753
Claudia Nemat	35,262	26,595	180,851	79,415	34,786
Prof. Marion Schick	22,862	21,670	147,360	56,276	20,249

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

Service cost and defined benefit obligations for each member of the Board of Management are shown in TABLE 160 below.

An annual contribution of EUR 290,000 was allocated to Niek Jan van Damme in accordance with the provisions of the new company pension plan. The amounts for Dr. Thomas Kremer, Claudia Nemat and Prof. Marion Schick total EUR 250,000 for each year of service.

The pension expense resulting from the company pension plan is shown as service cost. The additions to provisions for pensions recognized in 2013 amounted to EUR 3.9 million (2012: EUR 3.3 million). This amount includes interest expense totaling EUR 0.6 million (2012: EUR 0.5 million).

Board of Management compensation for the 2013 financial year. In reliance on legal requirements and other guidelines, a total of EUR 15.6 million (2012: EUR 15.0 million) is reported as total compensation for the 2013 financial year for the members of the Board of Management.

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

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

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	Service cost 2013	Defined benefit obligation (DBO) Dec. 31, 2013	Service cost 2012	Defined benefit obligation (DBO) Dec. 31, 2012
René Obermann	1,054,821	16,334,340	633,893	10,310,353
Reinhard Clemens	605,603	3,536,455	393,132	2,985,441
Niek Jan van Damme	305,199	1,584,901	248,106	1,260,019
Timotheus Höttges	582,852	5,607,988	306,848	2,924,289
Dr. Thomas Kremer	253,723	401,430	150,492	150,492
Claudia Nemat	275,014	605,675	191,850	349,412
Prof. Marion Schick	245,791	494,551	249,144	249,144

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

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		Non-performance-based compensation		Performance-based compensation			Total compensation
		Fixed annual remuneration	Other remuneration	Short-term variable remuneration	Long-term variable performance-based remuneration (Variable II)	Long-term variable performance-based remuneration (fair value of matching shares)	
René Obermann	2013	1,450,000	29,758	1,370,460	655,200	–	**3,505,418**
	2012	1,450,000	51,711	1,299,480	709,800	266,961	**3,777,952**
Reinhard Clemens	2013	840,000	22,366	755,950	390,000	174,153	**2,182,469**
	2012	840,000	22,596	688,350	422,500	158,905	**2,132,351**
Niek Jan van Damme	2013	794,355	24,555	647,900	330,000	147,360	**1,944,170**
	2012	700,000	26,023	716,100	357,500	134,458	**1,934,081**
Timotheus Höttges	2013	1,037,500	23,972	953,667	390,000	203,759	**2,608,898**
	2012	900,000	22,415	762,450	422,500	158,905	**2,266,270**
Dr. Thomas Kremer	2013	700,000	60,508	627,000	130,625	147,360	**1,665,493**
	2012	408,333	28,996	351,954	–	74,698	**863,981**
Claudia Nemat	2013	900,000	49,602	722,925	227,813	180,851	**2,081,191**
	2012	900,000	54,749	750,600	–	165,017	**1,870,366**
Prof. Marion Schick	2013	700,000	23,272	568,150	137,500	147,360	**1,576,282**
	2012	462,903	17,969	397,664	–	134,458	**1,012,994**
	2013	**6,421,855**	**234,033**	**5,646,052**	**2,261,138**	**1,000,843**	**15,563,921**
	2012[a]	**5,661,236**	**224,459**	**4,966,598**	**1,912,300**	**1,093,402**	**13,857,995**

[a] Remuneration relating to Board of Management members who left the Company in the course of 2012 is no longer included in the table.

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The amounts shown in the "Long-term variable performance-based remuneration (Variable II)" column had been pledged to the eligible Board of Management members in the 2010 financial year. As they joined the Company after the commencement of the current plan tranche of Variable II, pro-rata pledges were granted to Claudia Nemat in 2011 and to Prof. Marion Schick and Dr. Thomas Kremer in 2012.

The Supervisory Board agreed to René Obermann's request to terminate his mandate as a member of the Board of Management prematurely and concluded a termination agreement effective December 31, 2013 containing the following provisions: René Obermann shall receive the full Variable I for the 2013 financial year in line with his individual level of overall target achievement. The same applies for the 2010 tranche of Variable II, which expired on December 31, 2013. René Obermann also participates in the 2011, 2012, and 2013 tranches of Variable II, each of which runs for four years, on a pro-rata basis for the length of time, during the term of the tranche, when he was Chairman of the Board of Management of Deutsche Telekom AG. All entitlements to matching shares were forfeited without replacement or compensation. The pension benefit rights accrued by René Obermann were already legally vested at the time he left the Company, meaning they are retained at December 31, 2013. Effective January 1, 2014, René Obermann shall receive one fixed annual salary as agreed compensation for the prohibition of competition.

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

Former members of the Board of Management and those who left in the reporting year. A total of EUR 7.3 million (2012: EUR 7.2 million) was paid out regarding payments to and entitlements for former members of the Board of Management and their surviving dependents.

Provisions (measured in accordance with IAS 19) totaling EUR 139.1 million (December 31, 2012: EUR 142.5 million) were recognized for current pensions and vested rights to pensions for this group of persons and their surviving dependents.

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

COMPENSATION OF THE SUPERVISORY BOARD.

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

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

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

Chairmanship and membership of the Nomination Committee and the Mediation Committee are not remunerated. Members of the Supervisory Board receive an attendance fee amounting to EUR 1,000.00 for each meeting of the Supervisory Board or its committees that they have attended. The Company reimburses value-added tax payable on remuneration and expenses. Under the old compensation system in place until December 31, 2012, members of the Supervisory Board may still be awarded variable, performance-related remuneration for the 2011 and 2012 financial years depending on the development of net profit per no par value share. The performance-related annual remuneration with long-term incentive effect amounts to EUR 1,000.00 for every EUR 0.02 by which the net profit per no par value share in the second financial year following the financial year in question (reference year) exceeds the net profit per no par value share in the financial year preceding the financial year in question. The performance-related annual remuneration as a long-term incentive is limited to a maximum of EUR 40,000.00.

Since the terms and conditions for the payment of the performance-based variable remuneration were not met as of December 31, 2013, the 2011 performance-based remuneration was not paid out.

The total compensation of the members of the Supervisory Board in 2013 amounted to EUR 2,596,666.67 (plus VAT).

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

The compensation of the individual members of the Supervisory Board for 2013 is as follows:

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Member of the Supervisory Board	Remuneration	Meeting attendance fee	Total
Baldauf, Sari	90,000.00	10,000.00	100,000.00
Bednarski, Josef (since November 26, 2013)	13,333.34	2,000.00	15,333.34
Dr. Bernotat, Wulf	105,000.00	12,000.00	117,000.00
Dr. Beus, Hans Bernhard	101,666.67	19,000.00	120,666.67
Brandl, Monika	105,000.00	13,000.00	118,000.00
Dr. von Grünberg, Hubertus	100,000.00	10,000.00	110,000.00
Guffey, Lawrence H. (until September 30, 2013)	82,500.00	7,000.00	89,500.00
Hanas, Klaus-Dieter	70,000.00	9,000.00	79,000.00
Hauke, Sylvia[a]	90,000.00	11,000.00	101,000.00
Hinrichs, Lars (since October 1, 2013)	20,833.33	4,000.00	24,833.33
Holzwarth, Lothar[b] (November 26, 2013)	97,500.00	11,000.00	108,500.00
Kallmeier, Hans-Jürgen[c]	130,000.00	17,000.00	147,000.00
Kollmann, Dagmar P.	130,000.00	19,000.00	149,000.00
Kreusel, Petra Steffi[d] (since January 1, 2013)	110,000.00	14,000.00	124,000.00
Prof. Lehner, Ulrich (Chairman)	232,500.00	27,000.00	259,500.00
Litzenberger, Waltraud	155,000.00	27,000.00	182,000.00
Prof. Middelmann, Ulrich (until July 2, 2013)	70,000.00	4,000.00	74,000.00
Schröder, Lothar[e] (Deputy Chairman)	195,000.00	25,000.00	220,000.00
Dr. Schröder, Ulrich	94,166.67	9,000.00	103,166.67
Sommer, Michael	83,333.33	6,000.00	89,333.33
Spoo, Sibylle	70,000.00	9,000.00	79,000.00
Streibich, Karl-Heinz (since October 1, 2013)	20,833.33	3,000.00	23,833.33
Dr. h.c. Walter, Bernhard	150,000.00	12,000.00	162,000.00
	2,316,666.67	**280,000.00**	**2,596,666.67**

[a] In addition to remuneration for her activities as a member of the Supervisory Board of Deutsche Telekom AG, Sylvia Hauke also received other remuneration amounting to EUR 13,000.00 (including meeting attendance fees) in the 2013 financial year (for her mandate as member of the supervisory board of Telekom Deutschland GmbH).

[b] In addition to remuneration for his activities as a member of the Supervisory Board of Deutsche Telekom AG, Lothar Holzwarth also received other remuneration amounting to EUR 14,666.67 (including meeting attendance fees) in the 2013 financial year (for his mandate as member of the supervisory board of Telekom Deutschland GmbH).

[c] In addition to remuneration for his activities as a member of the Supervisory Board of Deutsche Telekom AG, Hans-Jürgen Kallmeier also received other remuneration amounting to EUR 13,500.00 (including meeting attendance fees) in the 2013 financial year (for his mandate as member of the supervisory board of T-Systems International GmbH).

[d] In addition to remuneration for her activities as a member of the Supervisory Board of Deutsche Telekom AG, Petra Steffi Kreusel also received other remuneration amounting to EUR 11,500.00 (including meeting attendance fees) in the 2013 financial year (for her mandate as member of the supervisory board of T-Systems International GmbH).

[e] In addition to remuneration for his activities as a member of the Supervisory Board of Deutsche Telekom AG, Lothar Schröder also received other remuneration amounting to EUR 36,500.00 (including meeting attendance fees) in the 2013 financial year (EUR 21,500.00 for his mandate as member of the supervisory board of Telekom Deutschland GmbH and EUR 15,000.00 as Chairman of the Data Privacy Advisory Council).

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

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

160 Consolidated statement of financial position
162 Consolidated income statement
163 Consolidated statement of comprehensive income
164 Consolidated statement of changes in equity
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42 EVENTS AFTER THE REPORTING PERIOD.

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

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

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

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

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

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

TABLE 163 provides a breakdown of the auditor's professional fees recognized as expenses in the 2013 financial year:

T 163

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.
millions of €

	2013
Auditing services	5
Other assurance services	15
Tax advisory services	0
Other non-audit services	2
	22

Professional fees for auditing services include in particular fees for the statutory auditing of annual and consolidated financial statements as well as fees for other auditing services.

Professional fees for other assurance services primarily relate to fees for the review of the interim financial statements as well as auditing activities in connection with the documentation of the internal control system for financial reporting.

Professional fees for tax advisory services primarily include professional fees for tax advisory services performed as part of current or planned transactions.

Other non-audit services mainly relate to services in connection with the Company's compliance with requirements stipulated by the Federal Network Agency and other authorities.

RESPONSIBILITY STATEMENT.

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

Bonn, February 18, 2014

Deutsche Telekom AG
Board of Management *

Timotheus Höttges

Reinhard Clemens

Niek Jan van Damme

Thomas Dannenfeldt

Dr. Thomas Kremer

Claudia Nemat

* Prof. Marion Schick is not available.

INDEPENDENT AUDITOR'S REPORT.

To Deutsche Telekom AG, Bonn.

Report on the consolidated financial statements.
We have audited the accompanying consolidated financial statements of Deutsche Telekom AG, Bonn, and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements, for the financial year from January 1 to December 31, 2013.

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

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

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

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

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

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2013 as well as the results of operations for the financial year then ended, in accordance with these requirements.

Report on the Group management report.
We have audited the accompanying Group management report of Deutsche Telekom AG, Bonn, which is combined with the management report of the Company, for the financial year from January 1 to December 31, 2013. The Board of Management of Deutsche Telekom AG is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a (1) HGB. We conducted our audit in accordance with § 317 (2) HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

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

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

Frankfurt/Main, February 18, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Kayser	Uwe Schwalm
Wirtschaftsprüfer	Wirtschaftsprüfer