



# INTERIM GROUP REPORT

JANUARY 1 TO JUNE 30, 2013

|||| H1 2013



LIFE IS FOR SHARING.

## SELECTED FINANCIAL DATA OF THE GROUP.

	Q2 2013 millions of €	Q2 2012 <sup>a</sup> millions of €	Change %	H1 2013 millions of €	H1 2012 <sup>a</sup> millions of €	Change %	FY 2012 <sup>a</sup> millions of €
<b>REVENUE AND EARNINGS</b>							
Net revenue	15,157	14,379	5.4	28,942	28,811	0.5	58,169
Of which: domestic	%			43.4	44.2		44.3
Of which: international	%			56.6	55.8		55.7
Profit (loss) from operations (EBIT)	1,525	1,420	7.4	3,217	3,083	4.3	(3,962)
Net profit (loss)	530	482	10.0	1,094	1,027	6.5	(5,353)
Net profit (loss) (adjusted for special factors)	810	822	(1.5)	1,577	1,408	12.0	2,537
EBITDA	4,032	4,220	(4.5)	8,111	8,617	(5.9)	17,995
EBITDA (adjusted for special factors)	4,417	4,701	(6.0)	8,705	9,183	(5.2)	17,973
EBITDA margin (adjusted for special factors)	%	32.7		30.0	31.9		30.9
Earnings per share basic/diluted	€	0.11	9.1	0.25	0.24	4.2	(1.24)
<b>STATEMENT OF FINANCIAL POSITION</b>							
Total assets				116,114	120,956	(4.0)	107,942
Shareholders' equity				31,250	37,874	(17.5)	30,531
Equity ratio	%			26.9	31.3		28.3
Net debt				41,374	41,030	0.8	36,860
Cash capex	(2,198)	(1,626)	(35.2)	(5,222)	(3,795)	(37.6)	(8,432)
<b>CASH FLOWS</b>							
Net cash from operating activities	3,031	3,191	(5.0)	5,983	6,164	(2.9)	13,577
Free cash flow (before dividend payments, spectrum investment) <sup>b</sup>	1,109	1,668	(33.5)	2,147	2,790	(23.0)	6,239
Net cash used in investing activities	(723)	(1,091)	33.7	(3,552)	(3,192)	(11.3)	(6,671)
Net cash used in financing activities	(1,601)	(2,431)	34.1	(1,120)	(3,773)	70.3	(6,601)

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

<sup>b</sup> And before AT&T transaction and compensation payments for MetroPCS employees.

## NUMBER OF FIXED-NETWORK AND MOBILE CUSTOMERS.

	June 30, 2013	Dec. 31, 2012	Change June 30, 2013/ Dec. 31, 2012	June 30, 2012	Change June 30, 2013/ June 30, 2012
	millions	millions	%	millions	%
Fixed-network lines	31.7	32.4	(2.2)	33.2	(4.5)
Broadband lines <sup>a</sup>	17.3	17.2	0.6	17.1	1.2
Mobile customers	143.6	132.3	8.5	129.9	10.5

<sup>a</sup> Excluding wholesale.

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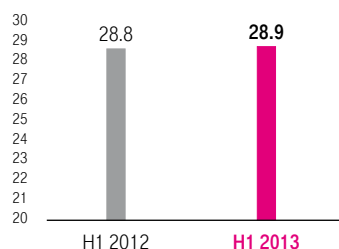
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# TO OUR SHAREHOLDERS.

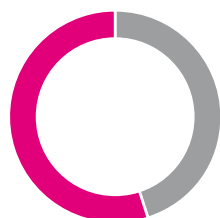
## DEVELOPMENTS IN THE GROUP.

billions of €



### Net revenue.

- Net revenue increased by 0.5 percent. The first-time inclusion of MetroPCS as of May 1, 2013 contributed EUR 0.6 billion to this revenue development. Exchange rate effects of around EUR 0.1 billion had a negative impact on net revenue.
- Operations were positively impacted by growing demand for complete packages with mobile data and/or TV rate plans and attractive handsets, in particular smartphones.
- Negative impacts on operations included declining revenues from voice telephony, in some cases substantial price changes imposed by regulatory authorities, and intense competitive pressure.

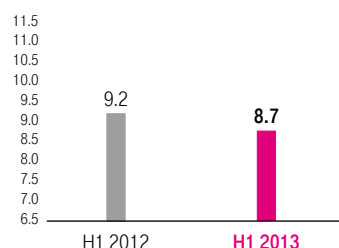


■ 56.6% International  
■ 43.4% Domestic

### Proportion of net revenue generated internationally.

- The proportion of net revenue generated internationally increased to 56.6 percent, compared with 55.8 percent in the first half of 2012.
- The share of the United States operating segment in net revenue increased by 2.3 percentage points as a result of the first-time inclusion of MetroPCS.

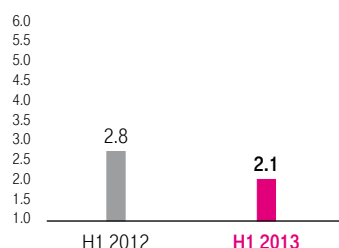
billions of €



### Adjusted EBITDA.

- Adjusted EBITDA decreased by 5.2 percent. Exchange rate effects only had a minor impact on adjusted EBITDA.
- Positive impact: the focus on high-value revenue in connection with TV services and mobile data revenues (see Net revenue).
- Negative impact: higher market investments in the United States, fixed-network lines lost to competitors, price changes imposed by regulatory authorities, special levies, and national austerity programs. The negative effects were partially offset by our comprehensive cost management.

billions of €

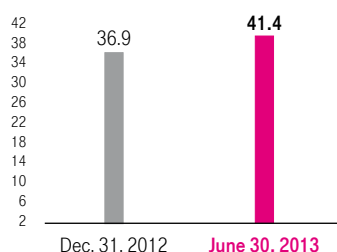


### Free cash flow (before dividend payments, spectrum investment).<sup>a</sup>

- Free cash flow decreased by 23.0 percent to EUR 2.1 billion.
- Net cash from operating activities decreased by EUR 0.3 billion.
- Cash capex increased by EUR 0.4 billion, among other factors due to capital expenditure for the LTE roll-out in the United States operating segment.

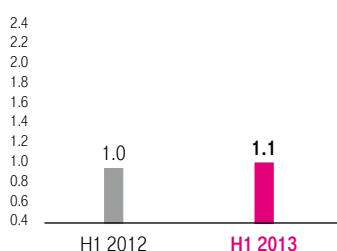
<sup>a</sup> And before AT&T transaction and compensation payments for MetroPCS employees (please refer to page 14).

billions of €

**Net debt.**

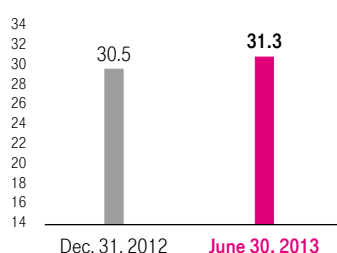
- Net debt increased by 12.2 percent compared with the end of 2012 to EUR 41.4 billion. Compared to June 30, 2012, net debt increased by EUR 0.3 billion.
- This increase is attributable to the first-time inclusion of MetroPCS (EUR 3.4 billion), dividend payments, including to non-controlling interests (EUR 2.0 billion) and the acquisition of spectrum, in particular in the Netherlands and Romania (EUR 1.1 billion).
- Free cash flow (EUR 2.1 billion) as well as proceeds from the sale of Hellas Sat (EUR 0.2 billion) had an offsetting effect.

billions of €

**Net profit.**

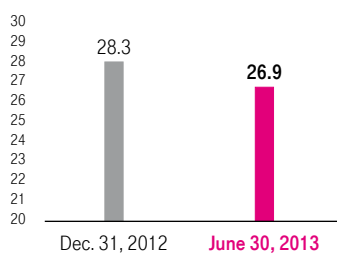
- Net profit increased slightly by 6.5 percent to EUR 1.1 billion.
- EUR 0.6 billion lower depreciation, amortization and impairment losses had a positive impact. The carrying amounts of property, plant and equipment, and intangible assets in the United States operating segment were reduced as a result of an impairment loss recognized in the prior year.

billions of €

**Shareholders' equity.**

- Shareholders' equity increased by 2.4 percent to EUR 31.3 billion compared with the end of 2012.
- This increase was attributable to the first-time inclusion of MetroPCS (EUR 2.0 billion), net profit (EUR 1.1 billion) and the capital increase carried out in connection with the dividend in kind granted (EUR 1.1 billion).
- Dividend payments for the 2012 financial year to Deutsche Telekom AG shareholders (EUR 3.0 billion), currency translations (EUR 0.5 billion) and dividend payments to non-controlling interests (EUR 0.1 billion) had an offsetting effect.

%

**Equity ratio.**

- Total assets increased year-on-year by 7.6 percent, in particular due to the first-time inclusion of MetroPCS.
- As a result, the equity ratio decreased to 26.9 percent, thus remaining within our target range of 25 to 35 percent.

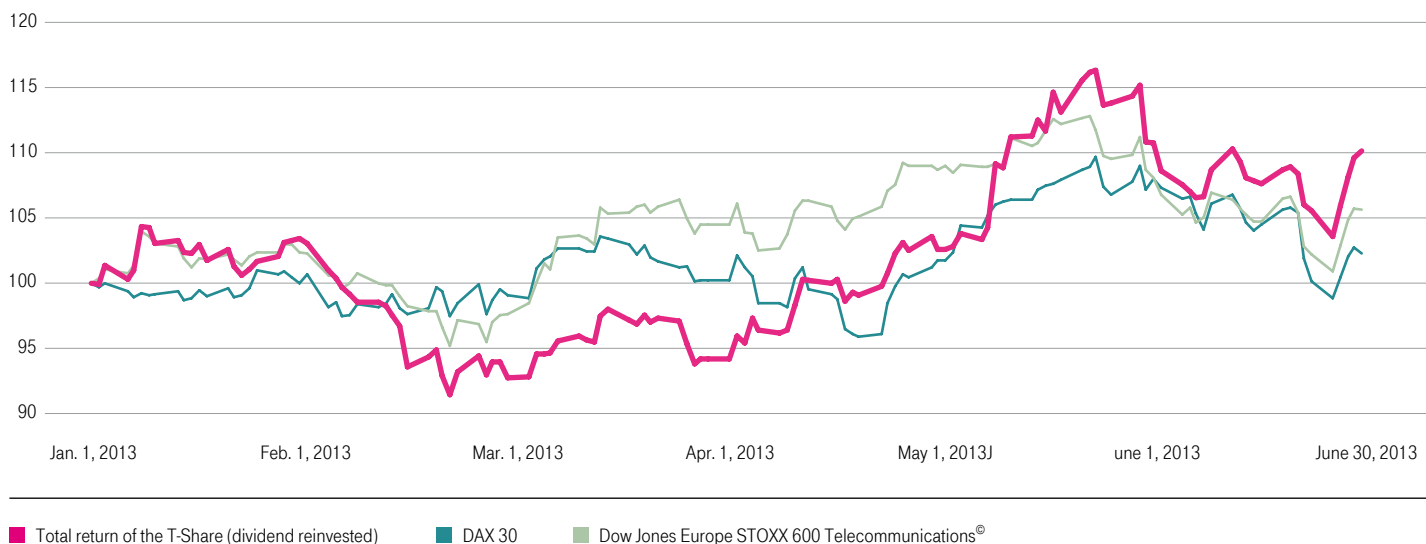
## DEUTSCHE TELEKOM AT A GLANCE.

Revenue trends developed positively in the first half of 2013. Revenue in the United States in particular increased considerably on the back of the first-time inclusion of MetroPCS and strong customer additions. Although revenue in our home market in Germany declined year-on-year, it remained largely stable compared with the prior quarter. Revenue in Europe continued to be adversely impacted by intense competitive pressure, a difficult economic environment

and ongoing regulatory measures. The particularly high number of customer additions in the United States and the associated expenses were the primary factors in a year-on-year decrease in adjusted EBITDA at Group level. Due to low depreciation, amortization and impairment losses, however, the decline in adjusted EBITDA did not impact on net profit, which increased slightly year-on-year.

## THE T-SHARE.

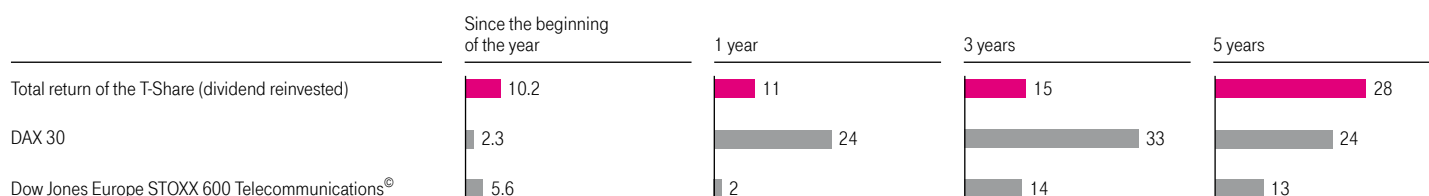
Total return of the T-Share in the first half of 2013. (%)



### T-Share performance.

		H1 2013	H1 2012	FY 2012
<b>XETRA CLOSING PRICES</b>				
Share price on the last trading day	€	8.96	8.65	8.60
Year high	€	10.04	9.24	10.04
Year low	€	8.01	7.71	7.71
<b>WEIGHTING OF THE T-SHARE IN MAJOR STOCK INDEXES</b>				
DAX 30	%	4.1	4.7	3.8
Dow Jones Euro STOXX 50®	%	1.7	1.9	1.6
Dow Jones Europe STOXX 600 Telecommunications®	%	10.3	10.4	10.5
Market capitalization	billions of €	39.9	37.4	37.2
Number of shares issued	millions	4,451	4,321	4,321

## Historical performance of the T-Share as of June 30, 2013. (%)



The international stock markets made up good ground overall in the first half of 2013, especially in the emerging economies and in the United States – the Dow Jones, for example, increased by around 11 percent – whereas the European indexes largely trod water. Uncertainties over further economic development had a dampening effect on the share price performance. The Dow Jones Euro STOXX 50® fell by around 4 percent in the first six months. In May, the DAX 30 reached new record highs, but the gains were subsequently lost again. All in all, the DAX 30 retained a gain of 2.3 percent during the first six months of the year.

The European telecommunications sector, by contrast, proved somewhat stronger: The Dow Jones Europe STOXX 600 Telecommunications® Index grew 5.6 percent in the first six months.

The Deutsche Telekom share closed the first half of the year at EUR 8.96, up 2 percent. On a total return basis (share price performance plus reinvested dividend), the T-Share increased by as much as 10.2 percent in value in the

first half of the year. The sound business figures that Deutsche Telekom reported for the first quarter of 2013 at the start of May made a substantial contribution to this positive development.

By granting shareholders the option of drawing their dividend for 2012 in the form of shares instead of cash, Deutsche Telekom entered new territory in the DAX 30. The acceptance rate of almost 38 percent of the total number of dividend-bearing shares exceeded expectations. The exercising of the option resulted in an increase in the number of shares issued by 129.9 million to currently 4,451 million.

Following the merger with MetroPCS, T-Mobile US's stock market debut in the United States was extraordinarily successful. On the first day of trading after the merger, the company's share was listed at USD 16.52. At the end of the first half of 2013, the share price stood at USD 24.81; this represents an increase of 50 percent.

## HIGHLIGHTS IN THE SECOND QUARTER OF 2013.

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

Following the conclusion of the transaction, Deutsche Telekom holds 74.29 percent of the combined company. The remaining share of 25.71 percent is held by the previous shareholders of MetroPCS, who also received a one-time cash payment in the form of a special dividend of USD 1.5 billion. Accordingly, the combined company was recognized as a fully consolidated company in the consolidated financial statements of Deutsche Telekom from May 1, 2013. The company operates under the name T-Mobile US, Inc. and has been listed on the New York Stock Exchange (NYSE) since May 1, 2013. The combined company's improved position in terms of mobile spectrum and the expanded customer base mean that we are able to compete more aggressively with the other national mobile carriers in the United States. For more explanations, please refer to the disclosures under the section "Changes in the composition of the Group and transactions among owners" in the interim consolidated financial statements (page 41 et seq.).

**Developments at senior management level.** At its meeting on May 15, 2013, the Supervisory Board appointed **Timotheus Höttges** as René Obermann's successor as Chairman of the Board of Management of Deutsche Telekom effective January 1, 2014. In addition, **Thomas Dannenfeldt** was appointed as successor to Timotheus Höttges in the role of Chief Financial Officer of Deutsche Telekom, effective January 1, 2014. The Supervisory Board also extended the contract of **Niek Jan van Damme** as Member of the Board of Management for Germany for another five years for the period from March 1, 2014 to February 28, 2019.

**Corporate transactions.** OTE, which is part of the Europe operating segment, announced on April 26, 2013 that it has signed an agreement on the **sale of shares in Cosmo Bulgaria Mobile (Globul) and Germanos Telecom Bulgaria (Germanos)**. After all responsible authorities had approved the transaction, the sale of the entities to the Norwegian telecommunications provider Telenor, which acquires 100 percent of the shares, was completed on July 31, 2013.

**Dividend.** For the first time, Deutsche Telekom AG's shareholders had the option to receive the dividend for the 2012 financial year in cash or in the form of shares. The latter option was taken up on a large scale for around 1.62 billion shares. The cash dividend amounted to EUR 1.9 billion.

**Partnerships.** In early May 2013, we signed a not-yet-binding Memorandum of Understanding with **Telefónica Deutschland** on increased usage of our VDSL and wholesale vectoring products. The cooperation will be expanded in phases, with completion scheduled for 2019. It will allow us to share the risks of investment and accelerate further roll-out. The proposed cooperation will be submitted to the Federal Network Agency and the Federal Cartel Office for approval. Launch is planned for 2014.

In addition, a preliminary agreement for a cooperation with **Vodafone** was signed as part of the contingent model. Vodafone would like to make greater use of our networks in the future and procure both VDSL lines and the coming vectoring lines. The cooperation agreement will be submitted to the Federal Network Agency and the Federal Cartel Office for approval. The cooperation is to begin before the end of this year.

**Investments in networks and spectrum.** LTE network roll-out in the **United States** is making good progress. T-Mobile US initially rolled out the 4G/LTE network in seven U.S. metropolitan areas; it is now available to 157 million people. LTE network roll-out also continues to advance in Europe. In Romania, we have been offering mobile Internet services based on 4G/LTE mobile technology since April. This technology is available in Bucharest and several other cities. In Germany, we started rolling out the fiber-optic access network in forty-six local networks in April 2013.

**New products.** On April 12, 2013, the iPhone 5 went on sale in the United States at T-Mobile US. Our customers in the United States can thus also buy Apple products from our product portfolio.

**Awards.** In May 2013, the readers of “connect” magazine voted us the “Mobile communications network operator of the year” in Germany for the fourteenth time in a row.

**New corporate customer agreements.** The Finnish elevator and escalator company **KONE** is outsourcing the operation of its data center, the SAP landscape and customer service for its workstation systems around the world to T-Systems. KONE manages its global business activities using a central SAP system, which in the future will be provided by our business customer division as a cloud application. **Deutsche Rentenversicherung** has commissioned us to provide all services for the secure operation of its communication networks for the next four years; T-Systems is expanding the existing infrastructure of the voice, data and mobile networks. The **Swiss National Railways** (SBB) have extended their agreements with T-Systems and will continue to procure their central computing and infrastructure services via our business customer division.



# INTERIM GROUP MANAGEMENT REPORT.

## THE ECONOMIC ENVIRONMENT.

This section provides additional information on and explains recent changes in the economic situation as described in the combined management report for the 2012 financial year, focusing on the global economic development in the first half of 2013, the regulatory environment and the currently prevailing economic risks, and the outlook. The overall economic outlook is subject to the precondition that there are no major unexpected occurrences in the forecast period.

### Global economic development.

Global economic growth was rather restrained in the first half of the year. This was due to the stronger than expected recession in Europe and the economic slowdown in the emerging economies.

The International Monetary Fund currently forecasts global economic growth of just 3.1 percent. In April it had still forecast growth of 3.3 percent.

Economic development in our core markets was again very varied: In Germany, hopes of a significant economic upswing in the first half of 2013 after the weak development at the end of 2012 did not materialize. For the second quarter, the Bundesbank expected economic performance to improve based on positive economic and sentiment indicators, however, for the summer there are already indications of a slowdown in the growth rate. Thanks to the greatly improved situation of consumer households and the real estate market in the first six months, the U.S. economy recorded more substantial growth. As a result, GDP increased by 1.7 percent compared with the prior-year quarter and unemployment fell to 7.6 percent in June 2013.

In our Europe segment, national economies especially in the European crisis states remained weak. The sharp decline in Greece's economic performance continued. The economies of the Netherlands, Croatia and the Czech Republic shrank in the first half of 2013. The formerly strong growth rates in Poland, Romania and Slovakia slowed substantially due to the impact of the ongoing economic crisis in the euro zone. Hungary and the United Kingdom recorded increased growth rates. Austria's economy stagnated.

### GDP growth rates in our core countries.

	Q2 2013 compared with Q2 2012 %
Germany	0.0
United States	1.7
Greece	(7.7)
Romania	1.3
Poland	0.8
Hungary	0.6
Czech Republic	(1.7)
Croatia	(1.2)
Netherlands	(2.0)
Slovakia	0.8
Austria	0.0
United Kingdom	1.4

Source: Oxford Economics, Forecast from July 2013.

### Overall economic risk.

The current political turmoil in Greece and Portugal have again shown that the risks of the European sovereign debt and banking crises continue to pose the highest risk to the development of the global economy. The future monetary policy, especially that of the central bank of the United States, is another risk. Just the statement by the Chairman of the U.S. Federal Reserve (Fed), Ben Bernanke, about linking the program for buying government bonds to economic performance created turmoil on the financial markets. In addition, there is also the risk that international political and military hot spots, such as unrest in the Middle East, will have a negative impact on the global economy.

### Outlook.

Economic development in the United States and the BRIC states will essentially determine the further growth prospects for the global economy and above all for European countries. Improving economic performance in Germany and Europe will be crucial as to whether governments and central banks in the United States, China and Japan can maintain and stabilize the positive growth trend. The situation in the euro zone is not expected to improve until the long-term, while the risk of a renewed outbreak of the debt crisis continues to cause uncertainty.

### Regulation.

**Vectoring green-lighted.** Following its draft decision for an amendment to the regulatory order on access to the unbundled local loop on April 9, 2013, the Federal Network Agency published the corresponding draft notification on July 9, 2013. The decisions were preceded by an application submitted by Telekom Deutschland GmbH on December 19, 2012 for an amendment to the regulatory framework, and two public hearings on the introduction of VDSL vectoring by the Federal Network Agency on January 24, 2013 and April 24, 2013. In its draft decisions, the Federal Network Agency essentially gives the green light to the use of vectoring transmission technology in Germany. The Agency's decision does not yet give us final legal certainty, however, as several rules are subject to the provisions of a certain wholesale offer (bitstream access). This offer must be defined by the Federal Network Agency in a further administrative procedure. In addition, the decision is designed in such a way as to substantially reduce the incentives for Deutsche Telekom to invest in rural areas. The draft notification is now out for consultation at European level and may then finally enter into force in the third quarter of 2013.

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

### Regulation of mobile and fixed-network termination rates in Germany.

On March 1 and April 8, 2013, the European Commission expressed "serious doubts" about the Federal Network Agency's draft proposals on the regulatory orders and rate decisions for mobile termination and fixed-network termination (interconnection – IC). On June 27, 2013, the Commission recommended to the

Federal Network Agency with regard to mobile termination rates (MTR) that the draft decisions on MTR be rescinded or amended. However, the Commission has no right to veto these decisions made by the Federal Network Agency. The Federal Network Agency published the final MTR decisions on July 19, 2013. The rates are identical with those set as of December 1, 2012 as part of a preliminary rate approval (1.85 eurocents/min with retroactive effect from December 1, 2012 and 1.79 eurocents/min from December 1, 2013). The rate cuts reduced our mobile revenue in the first half of 2013 by EUR 63 million. The final decision on fixed-network termination rates are expected to be issued in the third quarter of 2013. In general, it is still possible that the Federal Network Agency will amend the preliminarily approved rates in its final decision.

**Retroactive rate approval for unbundled local loop lines.** On June 24, 2013, the Federal Network Agency redefined the ULL one-time rates for the period from July 1, 2005 to June 30, 2007 with retroactive effect for individual competitors on the basis of rulings of the Cologne Administrative Court. Compared with the originally approved rates the different rate items decreased by between 3.6 and 13.9 percent.

**Rate reduction at subsidiaries.** In Greece, the regulatory authorities reduced the wholesale prices for VDSL. With the coming into effect of the new cost standard for termination rates as a result of the corresponding EU recommendation, mobile termination rates were substantially reduced as of January 1, 2013 in Hungary, Poland, Croatia, Greece, and Montenegro, in the range of 25 to 45 percent compared with the rates from December 2012.

## GROUP STRUCTURE, STRATEGY AND MANAGEMENT.

With regard to our **Group structure, strategy and management**, please refer to the notes in the 2012 combined management report (2012 Annual Report, page 70 et seq.). No significant changes were recorded in this area from the Group's point of view.

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

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. Reporting was changed to improve the way in which these units can be managed. Comparative figures have been adjusted accordingly.

For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements (page 46).

## DEVELOPMENT OF BUSINESS IN THE GROUP.

### RESULTS OF OPERATIONS OF THE GROUP.

#### Net revenue.

In the first half of the 2013 financial year, we generated net revenue of EUR 28.9 billion, slightly up on the same period in the prior year. The first-time inclusion of MetroPCS as of May 1, 2013 made a substantial contribution to this revenue development.

Adjusted for the effects of changes in the composition of the Group of EUR 0.6 billion in total, as well as negative exchange rate effects of EUR 0.1 billion, especially from the translation of U.S. dollars into euros, net revenue was down on the prior-year level. Intense competition, the in some cases substantial price changes imposed by regulatory authorities,

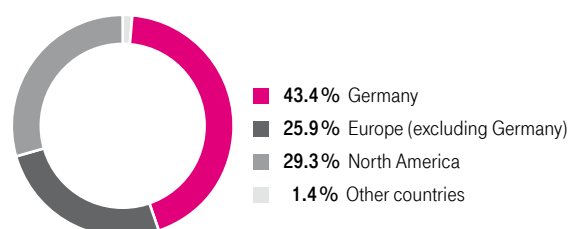
and the strained economic situation in most countries in our Europe operating segment had a negative effect. Our United States operating segment and our Group Headquarters & Group Services segment both recorded an increase in revenue. Our Germany, Europe and Systems Solutions operating segments, by contrast, recorded decreases in revenue.

For details on the revenue trends in our Germany, United States, Europe and Systems Solutions operating segments as well as in the Group Headquarters & Group Services segment, please refer to the section "Development of business in the operating segments" (page 15 et seq.).

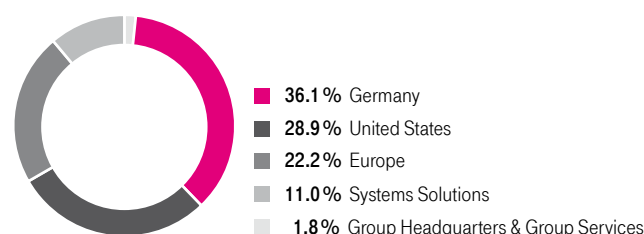
## Contribution of the segments to net revenue.

	Q1 2013 millions of €	Q2 2013 millions of €	Q2 2012 millions of €	Change %	H1 2013 millions of €	H1 2012 millions of €	Change %	FY 2012 millions of €
<b>NET REVENUE</b>	<b>13,785</b>	<b>15,157</b>	<b>14,379</b>	<b>5.4</b>	<b>28,942</b>	<b>28,811</b>	<b>0.5</b>	<b>58,169</b>
Germany	5,566	5,565	5,610	(0.8)	11,131	11,269	(1.2)	22,736
United States	3,541	4,825	3,816	26.4	8,366	7,663	9.2	15,371
Europe	3,327	3,420	3,583	(4.5)	6,747	7,158	(5.7)	14,406
Systems Solutions	2,319	2,273	2,486	(8.6)	4,592	4,942	(7.1)	10,016
Group Headquarters & Group Services	691	761	694	9.7	1,452	1,369	6.1	2,835
Intersegment revenue	(1,659)	(1,687)	(1,810)	6.8	(3,346)	(3,590)	6.8	(7,195)

## Breakdown of revenue by region.



## Contribution of the segments to net revenue.



With 36.1 percent, our Germany operating segment again provided the largest contribution to net revenue of the Group. Our United States operating segment increased its share in net revenue of the Group by 2.3 percentage points year-on-year due to the first-time inclusion of MetroPCS, whereas the contribution by our Europe and Germany operating segments shrank. The proportion of net revenue generated internationally continued to increase, up from 55.8 percent in the first half of 2012 to 56.6 percent in the reporting period

## EBITDA, adjusted EBITDA.

Our **EBITDA** decreased year-on-year by EUR 0.5 billion to EUR 8.1 billion. As in the prior-year period, negative special factors amounting to EUR 0.6 billion

were included in EBITDA in the first half of 2013. Special factors mainly comprised expenses incurred in connection with staff-related measures and non-staff-related restructuring expenses. The sale of T-Systems Italia resulted in an expense of around EUR 0.1 billion. A deconsolidation gain of around EUR 0.1 billion arising from the sale of our stake in Hellas Sat had a contrasting effect.

Excluding special factors, **adjusted EBITDA** decreased year-on-year by EUR 0.5 billion to EUR 8.7 billion in the first half of 2013. Its development was only marginally affected by exchange rate effects. Detailed information on the development of EBITDA/adjusted EBITDA in our segments can be found in the section "Development of business in the operating segments" (page 15 et seq.).

## Contribution of the segments to adjusted Group EBITDA.

	Q1 2013 millions of €	Q2 2013 millions of €	Q2 2012 millions of €	Change %	H1 2013 millions of €	H1 2012 millions of €	Change %	FY 2012 millions of €
<b>EBITDA (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP</b>	<b>4,288</b>	<b>4,417</b>	<b>4,701</b>	<b>(6.0)</b>	<b>8,705</b>	<b>9,183</b>	<b>(5.2)</b>	<b>17,973</b>
Germany	2,255	2,279	2,348	(2.9)	4,534	4,691	(3.3)	9,166
United States	888	930	1,058	(12.1)	1,818	2,041	(10.9)	3,840
Europe	1,089	1,107	1,195	(7.4)	2,196	2,387	(8.0)	4,936
Systems Solutions	175	221	179	23.5	396	321	23.4	747
Group Headquarters & Group Services	(99)	(111)	(78)	(42.3)	(210)	(241)	12.9	(715)
Reconciliation	(20)	(9)	(1)	n.a.	(29)	(16)	(81.3)	(1)

## EBIT.

Group EBIT increased slightly by EUR 0.1 billion to EUR 3.2 billion compared with the first half of 2012. At EUR 4.9 billion, depreciation and amortization were down EUR 0.6 billion compared with the prior-year level. This is primarily attributable to a reduced depreciation and amortization base, mainly as a

result of the impairment loss recognized on the assets of T-Mobile USA in the prior year and the expiry of the economic useful lives of parts of outside plant in the Germany operating segment.

### Profit/loss before income taxes.

Profit before income taxes remained almost unchanged against the prior-year level at EUR 1.9 billion. Loss from financial activities increased by EUR 0.2 billion year-on-year to EUR 1.3 billion. In the first quarter of the prior year, loss from financial activities had included the sale of the shares in Telekom Srbija. At that time, the closing of the transaction resulted in income of EUR 0.2 billion. Our finance costs remained on a par with the prior-year level at EUR 1.0 billion.

### Net profit/loss.

Net profit increased slightly to EUR 1.1 billion. The tax expense for the current financial year amounted to EUR 0.6 billion. For further information, please refer to the interim consolidated financial statements (page 44).

Profit attributable to non-controlling interests decreased to EUR 0.2 billion, primarily as a result of the sale of shares in Telekom Srbija in the prior year.

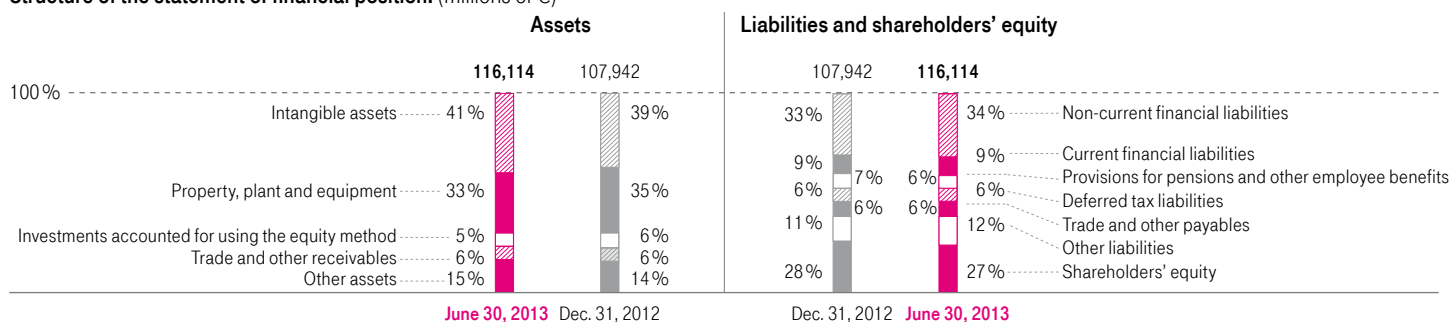
### Average number of employees.

	H1 2013	H1 2012
Germany	68,276	69,554
United States	31,002	31,257
Europe	57,379	58,778
Systems Solutions	51,211	52,581
Group Headquarters & Group Services	22,129	21,870
<b>NUMBER OF EMPLOYEES IN THE GROUP</b>	<b>229,997</b>	<b>234,040</b>
Of which: civil servants (in Germany, with an active service relationship)	21,655	23,385

Average headcount decreased by 1.7 percent compared with the prior-year reporting period. Average headcount in our Germany operating segment decreased by 1.8 percent due to our socially responsible staff restructuring and reduction programs. In the United States operating segment, average headcount was reduced by 0.8 percent compared with the prior-year period. In particular, fewer staff were employed in customer support and sales units in this segment. The decline was partially offset by the addition of around 3,400 employees in connection with the acquisition of MetroPCS. In our Europe operating segment, decreases in headcount due to downsizing programs carried out as a result of measures to enhance efficiency on the one hand, and increases in headcount due to the in-house provision (insourcing) of services previously rendered by third parties on the other contributed to a net headcount decline of 2.4 percent. In our Systems Solutions operating segment, average headcount decreased by 2.6 percent. This decrease was mainly the result of staff restructuring measures initiated in Germany, but was partially compensated by increasing in-house provision of services previously rendered by third parties and by new established production capacities abroad. In the Group Headquarters & Group Services segment, average headcount increased by 1.2 percent compared with the prior-year period. This was primarily attributable to the bundling of our Group Services and increase in headcount at the DBU. The lower headcount at Vivento had an offsetting effect.

## FINANCIAL POSITION OF THE GROUP.

### Structure of the statement of financial position. (millions of €)



The level of **total assets** increased by EUR 8.2 billion compared with December 31, 2012, largely due to the acquisition of MetroPCS as of May 1, 2013 (for detailed information, please refer to the section "Changes in the composition of the Group and transactions among owners" in the interim consolidated financial statements on page 41 et seq.). Furthermore, our consolidated statement of financial position was mainly influenced by the following factors.

**Intangible assets** increased by EUR 5.5 billion to EUR 47.2 billion. The first-time inclusion of MetroPCS alone resulted in effects from changes in the composition of the Group that increased the carrying amounts by EUR 4.1 billion.

This largely related to FCC licenses of EUR 2.9 billion as well as a customer base of EUR 0.8 billion identified in connection with the purchase price allocation. Additions to intangible assets mainly include acquired spectrum totaling EUR 1.1 billion and goodwill resulting from the acquisition of MetroPCS of EUR 1.0 billion. These additions were offset by amortization of EUR 1.6 billion.

**Property, plant and equipment** increased by EUR 0.5 billion to EUR 38.0 billion. The acquisition of MetroPCS gave rise to effects from changes in the composition of the Group of EUR 1.0 billion. These effects related to technical equipment and machinery (EUR 0.7 billion) as well as land and buildings (EUR 0.3 billion).

Capital expenditure of EUR 3.7 billion increased the carrying amount of property, plant and equipment. Capital expenditure for the LTE roll-out in the United States operating segment, for example, contributed EUR 1.9 billion to this increase which was partially offset by depreciation of EUR 3.3 billion.

**Investments accounted for using the equity method** decreased by EUR 0.5 billion to EUR 6.2 billion in the first half of 2013. This decrease was mainly due to the Everything Everywhere joint venture. Exchange rate effects reduced the carrying amount of the investment by EUR 0.3 billion; a dividend received in the first quarter of 2013 and a loss also reduced the carrying amount by EUR 0.1 billion each.

**Trade and other receivables** increased by EUR 0.3 billion to EUR 6.8 billion, due in particular to an increased percentage of terminal equipment sold under installment plans in our United States operating segment. This results from T-Mobile US's strategy to introduce new rate plans under which terminal equipment is no longer sold at a subsidized price, but on the basis of a financing plan.

**Other assets** comprised the following significant effects as of June 30, 2013: **Cash and cash equivalents** of EUR 1.6 billion were added as a result of the acquisition of MetroPCS. The sale of shares in Globul and Germanos completed on July 31, 2013 resulted in an increase of **non-current assets and disposal groups held for sale** to EUR 0.7 billion as of June 30, 2013. **Non-current financial assets** decreased, mainly due to the decline in non-current derivatives.

Current and non-current **financial liabilities** increased by EUR 5.7 billion compared with the end of 2012 to EUR 50.3 billion in total. For the main effects on financial liabilities, please refer to net cash used in financing activities on page 45 of the interim consolidated financial statements. The first-time inclusion of MetroPCS increased financial liabilities by EUR 5.0 billion.

The EUR 0.2 billion decrease in **provisions for pensions and other employee benefits** was primarily attributable to actuarial gains.

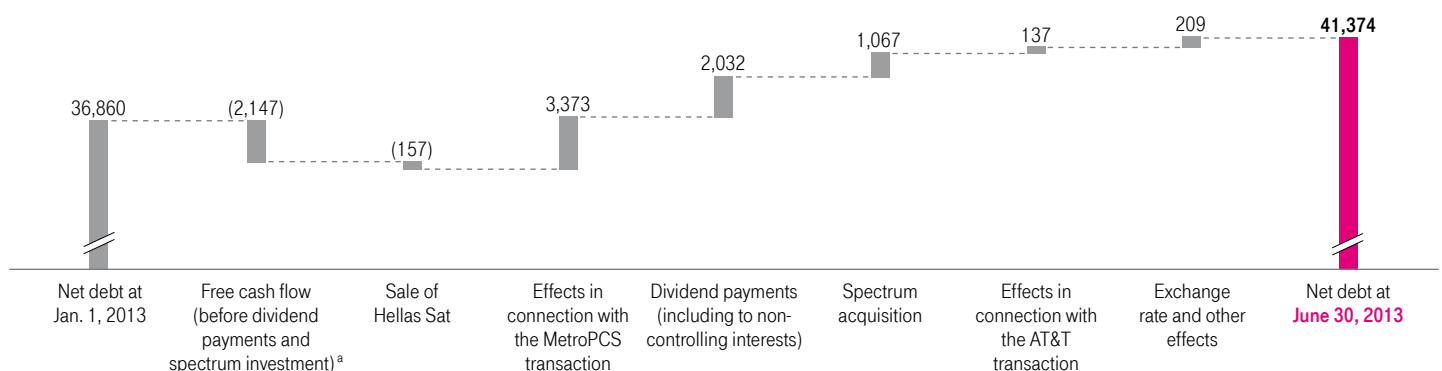
The increase of EUR 0.9 billion in **deferred tax liabilities** to EUR 6.9 billion mainly resulted from the first-time inclusion of MetroPCS.

**Trade and other payables** increased by EUR 0.4 billion compared with the end of 2012 to EUR 6.8 billion overall due to intensified LTE network modernization measures and increased stock levels of terminal equipment (in particular smart-phones).

**Other liabilities** included the following significant effects as of June 30, 2013: An increase in **other liabilities** of EUR 0.3 billion from the first-time inclusion of MetroPCS and of EUR 0.2 billion from **liabilities directly associated with non-current assets and disposal groups held for sale**. The latter related to the sale of shares in Globul and Germanos which was completed on July 31, 2013.

**Shareholders' equity** increased by EUR 0.7 billion compared with December 31, 2012, due to the first-time inclusion of MetroPCS accounting for EUR 2.0 billion and profit of EUR 1.3 billion. Dividend payments of EUR 3.0 billion to Deutsche Telekom AG shareholders for the 2012 financial year reduced shareholders' equity. EUR 1.1 billion of this payout was granted as dividend in kind for which a capital increase was carried out involving the contribution of the dividend entitlements. Currency translation effects of EUR 0.5 billion recognized directly in equity and dividend payments to non-controlling interests of EUR 0.4 billion also reduced shareholders' equity.

Change in net debt. (millions of €)



<sup>a</sup> Before AT&T transaction and compensation payments for MetroPCS employees.

Net debt increased by EUR 4.5 billion to EUR 41.4 billion. The first-time inclusion of MetroPCS increased net debt by EUR 3.4 billion. Dividend payments including to non-controlling interests of EUR 2.0 billion and the acquisition of spectrum of EUR 1.1 billion in total, in particular at T-Mobile Netherlands and Cosmote Romania, also contributed to this increase. By contrast, free cash flow of EUR 2.1 billion before dividend payments and spectrum investment, as well as the sale of Hellas Sat of EUR 0.2 billion reduced net debt.

For more information on net debt, please refer to the disclosures on the reconciliation of the pro forma figures in the section "Additional information" (pages 54 and 55).

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

	Q1 2013 millions of €	Q2 2013 millions of €	Q2 2012 millions of €	Change %	H1 2013 millions of €	H1 2012 millions of €	Change %	FY 2012 millions of €
<b>CASH GENERATED FROM OPERATIONS<sup>a</sup></b>	<b>3,811</b>	<b>3,664</b>	<b>3,902</b>	<b>(6.1)</b>	<b>7,475</b>	<b>7,879</b>	<b>(5.1)</b>	<b>16,232</b>
Interest received (paid)	(764)	(540)	(656)	17.7	(1,304)	(1,434)	9.1	(2,185)
<b>NET CASH FROM OPERATING ACTIVITIES<sup>a</sup></b>	<b>3,047</b>	<b>3,124</b>	<b>3,246</b>	<b>(3.8)</b>	<b>6,171</b>	<b>6,445</b>	<b>(4.3)</b>	<b>14,047</b>
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment ( <b>CASH CAPEX</b> )	(2,087)	(2,068)	(1,625)	(27.3)	(4,155)	(3,754)	(10.7)	(8,021)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	78	53	47	12.8	131	99	32.3	213
<b>FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)<sup>a</sup></b>	<b>1,038</b>	<b>1,109</b>	<b>1,668</b>	<b>(33.5)</b>	<b>2,147</b>	<b>2,790</b>	<b>(23.0)</b>	<b>6,239</b>

<sup>a</sup> Before AT&T transaction and compensation payments for MetroPCS employees.

**Free cash flow.** Free cash flow in the Group before dividend payments and spectrum investment decreased by EUR 0.6 billion year-on-year. This was due to the decrease in cash generated from operations as well as the increase in cash capex.

Net cash from operating activities decreased by EUR 0.3 billion compared with the prior-year period to EUR 6.2 billion. The dividend received from the Everything Everywhere joint venture, which was EUR 0.2 billion lower than in the prior year, had a negative impact. In addition, EUR 0.2 billion higher severance payments were recorded in the first half of 2013.

For further information on the statement of cash flows, please refer to the interim consolidated financial statements on page 45.

**COMPARISON OF THE PAST TWELVE MONTHS.**

Although there are no significant seasonal factors that affect Deutsche Telekom's earnings and financial position, we have compared the past twelve months with the full year 2012, as results were negatively impacted by special factors.

	July 1, 2012 through June 30, 2013 millions of €	FY 2012 millions of €
<b>REVENUE AND EARNINGS</b>		
Net revenue	58,300	58,169
Profit (loss) from operations (EBIT)	(3,828)	(3,962)
Depreciation, amortization and impairment losses	(21,317)	(21,957)
EBITDA	17,489	17,995
EBITDA (adjusted for special factors)	17,495	17,973
Net profit (loss)	(5,286)	(5,353)
Net profit (loss) (adjusted for special factors)	2,706	2,537
Earnings per share basic/diluted	€ (1.23)	(1.24)
<b>CASH FLOWS</b>		
Net cash from operating activities <sup>a</sup>	13,773	14,047
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment (cash capex)	(8,422)	(8,021)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	245	213
Free cash flow (before dividend payments and spectrum investment) <sup>a</sup>	5,596	6,239

<sup>a</sup> Before AT&T transaction and compensation payments for MetroPCS employees.

The difference in depreciation, amortization and impairment losses is mainly due to lower depreciation and amortization in the United States operating segment in the first half of 2013. The carrying amount of property, plant and equipment, and intangible assets in the United States had decreased as a result of an impairment loss recognized in the third quarter of 2012.

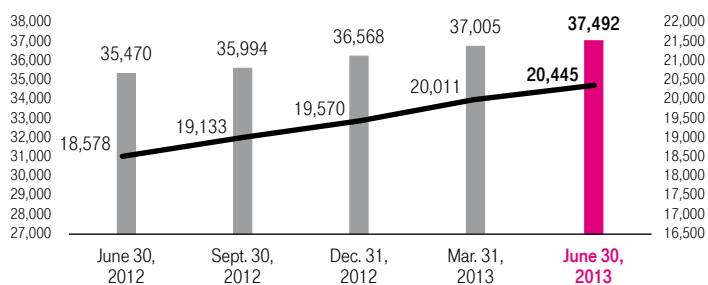
EBITDA was mainly impacted by market investments in the United States, fixed-network lines lost to competitors, price changes imposed by regulatory authorities, special levies, and national austerity programs.

## DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS.

### GERMANY.

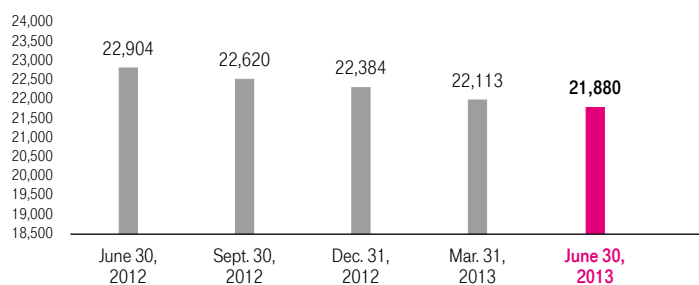
#### CUSTOMER DEVELOPMENT.

Mobile customers. ('000)

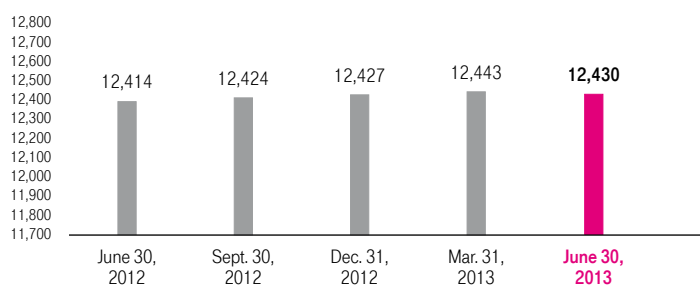


— Contract customers

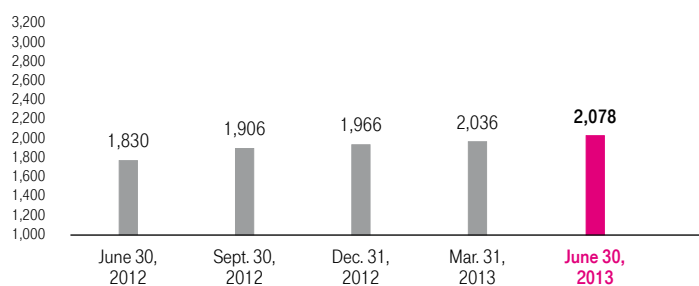
Fixed-network lines. ('000)



Broadband lines. ('000)



TV customers (IPTV, satellite).<sup>a</sup> ('000)



<sup>a</sup> Customers connected.



	June 30, 2013	Mar. 31, 2013	Change June 30, 2013/ Mar. 31, 2013	Dec. 31, 2012	Change June 30, 2013/ Dec. 31, 2012	June 30, 2012	Change June 30, 2013/ June 30, 2012
	thousands	thousands	%	thousands	%	thousands	%
<b>TOTAL</b>							
Mobile customers	37,492	37,005	1.3	36,568	2.5	35,470	5.7
Contract customers	20,445	20,011	2.2	19,570	4.5	18,578	10.0
Prepay customers	17,047	16,994	0.3	16,997	0.3	16,893	0.9
Fixed-network lines	21,880	22,113	(1.1)	22,384	(2.3)	22,904	(4.5)
Of which: IP-based	1,474	1,215	21.3	937	57.3	672	n.a.
Broadband lines	12,430	12,443	(0.1)	12,427	0.0	12,414	0.1
TV (IPTV, satellite)	2,078	2,036	2.1	1,966	5.7	1,830	13.6
Unbundled local loop lines (ULLs)	9,359	9,422	(0.7)	9,436	(0.8)	9,582	(2.3)
Wholesale unbundled lines	1,418	1,362	4.1	1,303	8.8	1,267	11.9
Wholesale bundled lines	455	483	(5.8)	518	(12.2)	617	(26.3)
<b>OF WHICH: CONSUMERS</b>							
Mobile customers	29,343	29,064	1.0	28,811	1.8	28,158	4.2
Contract customers	14,762	14,396	2.5	13,990	5.5	13,159	12.2
Prepaid customers <sup>a</sup>	14,581	14,668	(0.6)	14,821	(1.6)	15,000	(2.8)
Fixed-network lines	17,331	17,536	(1.2)	17,789	(2.6)	18,250	(5.0)
Of which: IP-based	1,355	1,119	21.1	856	58.3	629	n.a.
Broadband lines	10,024	10,035	(0.1)	10,039	(0.1)	10,027	0.0
TV (IPTV, satellite)	1,906	1,866	2.1	1,804	5.7	1,678	13.6
<b>OF WHICH: BUSINESS CUSTOMERS</b>							
Mobile customers	8,149	7,941	2.6	7,757	5.1	7,312	11.4
Contract customers	5,683	5,615	1.2	5,581	1.8	5,419	4.9
Prepay customers (M2M) <sup>a</sup>	2,467	2,326	6.1	2,176	13.4	1,893	30.3
Fixed-network lines	3,490	3,515	(0.7)	3,510	(0.6)	3,548	(1.6)
Of which: IP-based	103	81	27.2	55	87.3	34	n.a.
Broadband lines	2,080	2,083	(0.1)	2,062	0.9	2,055	1.2
TV (IPTV, satellite)	170	168	1.2	161	5.6	151	12.6

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

### Total.

In our home market in Germany, we held our own well in the market, especially in mobile communications, in the face of regulatory interventions and intense competition. In the first half of 2013, several positive trends continued. Compared with the end of 2012, we recorded a total of 924 thousand mobile customer additions in the first half of 2013. Smartphone sales increased by 20.9 percent to 2.0 million in the first half of 2013. In the fixed network, our fiber-optic products are growing increasingly important. The total number of lines (VDSL and FTTH) increased by 282 thousand against the end of 2012 to 1.3 million. 1.5 million customer lines were migrated to IP-based lines by the end of the first half of 2013. Despite intensified competition from cable operators, our broadband customer base has remained stable at 12.4 million lines since the start of 2012.

### Mobile communications.

**Mobile telephony and data services.** In mobile communications, we stepped up our efforts to attract and win back customers, for example with the new mobile rate plans launched in May 2013. As of the end of the first half of 2013, the number of mobile customers increased to 37.5 million, up 2.5 percent compared with the end of 2012, due to the good performance of our second brand "congstar," the Call & Surf Comfort via Funk plan, and machine-to-machine solutions. By the end of the first half of 2013, 188 thousand customers had already subscribed to Call & Surf Comfort via Funk, which enables fast Internet surfing even in areas without DSL coverage.

The mobile contract customer base grew by 875 thousand in the first half of 2013. 301 thousand of these new customers were added in branded business under the Deutsche Telekom and "congstar" brands. The remainder were added in the fast-growing, but much lower-revenue reseller segment (service providers).

In the first half of 2013 alone, we sold 2.9 million cell phones. The proportion of smartphones, especially Android devices and iPhones, remained stable at 69.1 percent.

### Fixed network.

**Telephony, Internet and TV.** A total of 16.7 percent of our broadband customers use our television service Entertain. By the end of the first half of 2013, the number of TV customers had increased by 5.7 percent compared with the end of 2012 to 2.1 million. Entertain via Sat grew by 19.7 percent.

In the traditional fixed network, the number of lines decreased by 2.3 percent compared with the end of 2012. Customers switched primarily to cable operators, but increasingly also to mobile products.



### Consumers.

**Connected life across all screens.** The number of contract customers in the mobile communications portfolio increased by 5.5 percent in the first half of 2013 compared with the end of 2012. In particular, rate plans with integrated data flat rates for the mobile Internet (Call & Surf Mobil, Complete Mobil), our LTE and SpeedOn add-on options, and our Travel & Surf rate plans sold well. "Call & Surf Comfort via Funk" also performed very well, with customer growth of 51.5 percent in the first half of 2013 alone. The decrease in the number of prepaid customers in the first half of 2013 was largely attributable to the decline in the reseller segment, which was partially offset by customer additions through "congstar."

In the fixed network, we won another 102 thousand customers for Entertain (up 5.7 percent) in the course of the first half of 2013. The line losses totaled at 458 thousand, which was less than in the same period in 2012. In the intensely contested broadband market, we won 155 thousand customers for VDSL in the reporting period.

### Business customers.

**Connected work with innovative solutions.** Mobile growth was attributable to the contract additions following the market launch of new, attractive mobile rate plans with integrated data flat rates. In addition, 291 thousand cards sold for our machine-to-machine solutions had a positive impact in the first half of 2013.

The number of fixed-network lines in the Business Customers area remained stable compared with the end of 2012 at 3.5 million. In Internet usage, customers are increasingly opting for plans with higher bandwidths, such as Business Complete Mobil, including high-quality handsets.

Products in the area of connected work developed positively. Accordingly, we recorded a higher number of Company Connect dedicated Internet connections. In data communications, we significantly increased the number of networks and connections, especially with Internet-based data networks (IP VPNs) and high-bandwidth location networking. Demand for cloud products grew in particular.

### Wholesale.

The number of unbundled wholesale lines increased by 115 thousand in the first half of 2013, due to the growth in VDSL lines. The so-called contingent model which was launched successfully in the second half of 2012 also contributed substantially to this trend. The number of bundled wholesale lines declined by 63 thousand. We expect this trend to continue for the next few years, due in particular to the fact that our competitors are switching from bundled to unbundled wholesale products or to their own infrastructure. The number of unbundled local loop lines (ULLs) decreased by 77 thousand compared with the end of 2012, partly due to the market situation, since more and more competitors are switching to their own or other infrastructures or their customers are migrating to mobile communications or cable operators.

## DEVELOPMENT OF OPERATIONS.<sup>a</sup>

	Q1 2013 millions of €	Q2 2013 millions of €	Q2 2012 millions of €	Change %	H1 2013 millions of €	H1 2012 millions of €	Change %	FY 2012 millions of €
<b>TOTAL REVENUE</b>	5,566	5,565	5,610	(0.8)	11,131	11,269	(1.2)	22,736
Consumers	2,982	3,031	2,995	1.2	6,013	5,987	0.4	12,197
Business Customers	1,391	1,414	1,407	0.5	2,805	2,831	(0.9)	5,680
Wholesale	959	922	1,005	(8.3)	1,881	2,039	(7.7)	4,035
Value-Added Services	80	73	92	(20.7)	153	190	(19.5)	367
Other	154	125	111	12.6	279	222	25.7	457
Profit from operations (EBIT)	1,152	1,183	1,003	17.9	2,335	2,228	4.8	4,213
EBIT margin %	20.7	21.3	17.9		21.0	19.8		18.5
Depreciation, amortization and impairment losses	(966)	(978)	(1,104)	11.4	(1,944)	(2,203)	11.8	(4,393)
EBITDA	2,118	2,161	2,107	2.6	4,279	4,431	(3.4)	8,606
Special factors affecting EBITDA	(137)	(118)	(241)	51.0	(255)	(260)	1.9	(560)
<b>EBITDA (ADJUSTED FOR SPECIAL FACTORS)</b>	2,255	2,279	2,348	(2.9)	4,534	4,691	(3.3)	9,166
EBITDA margin (adjusted for special factors) %	40.5	40.6	41.9		40.6	41.6		40.3
<b>CASH CAPEX</b>	(594)	(644)	(819)	21.4	(1,238)	(1,722)	28.1	(3,418)

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

#### Total revenue.

The revenue trend improved slightly in the second quarter of 2013. Nevertheless, revenue decreased by 1.2 percent in the first half of 2013 compared with the prior-year period. The decrease was primarily a result of intensified regulatory price cuts in the second half of 2012, the decline in revenue from the traditional fixed network as well as a downward trend in voice telephony and mobile text messaging. The decline was partially offset by growing demand for complete packages with mobile data and/or TV rate plans and attractive handsets, in particular smartphones.

Mobile revenue increased 2.2 percent compared with the prior-year period. Mobile service revenues declined 1.5 percent in the course of the year. This was mainly due to the reduction in mobile termination rates in December 2012 and roaming price cuts as of July 1, 2012, both imposed by the regulatory authority. While revenue from voice and text messages decreased due to a shift in consumer behavior toward IP messaging services among other factors, data revenue increased. Our fixed-network business was positively impacted by the marketing of Entertain and add-on options as well as the terminal equipment lease model. Revenue contributed by the Germany operating segment to the "connected home" growth area increased by 0.5 percent to EUR 2.7 billion. However, the positive trend in TV revenue was not sufficient to offset the revenue decrease mainly in voice telephony owing to line losses.

Revenue from **Consumers** grew slightly by 0.4 percent, primarily due to the positive trends in mobile data and terminal equipment revenue as well as TV revenue. Mobile service revenues declined 1.8 percent in the first half of the year, mainly due to the decline in mobile voice telephony, intensified regulatory price cuts, and lower text messaging revenue. In the first half of 2013, growth of 50.8 percent in mobile devices due to strong smartphone sales increased mobile revenue in the Consumers area by a total of 3.1 percent year-on-year. Fixed-network revenue declined by 2.8 percent due to the downward trend in voice telephony. Growth in TV revenue of 18.7 percent and in terminal equipment revenue of 22.6 percent had an offsetting effect.

In the **Business Customers** area, total revenue remained below the prior-year level, declining by 0.9 percent. Growth of 9.3 percent in revenue from mobile data and of 12.6 percent in revenue from mobile devices almost fully offset the decline in revenue from traditional fixed-network and mobile voice telephony. By stepping up mobile sales activities, we tapped into additional revenue potential from small and medium-sized enterprises, which helped to support the revenue trend compared with the first quarter of 2013.

The decline in **Wholesale** revenue – down 7.7 percent to EUR 1.9 billion – was primarily attributable to the following factors: regulatory price cuts for services such as interconnection calls (from December 1, 2012) and unbundled local loop lines including proceedings still pending, the declining use of interconnection calls, and a volume- and price-related revenue decrease.

A decline in revenues from **Value-Added Services** of 19.5 percent resulted from weaker use of premium rate call numbers, such as directory assistance services, and of public telephones. In addition, the amended regulation concerning free-of-charge queuing came into effect as of September 1, 2012.

#### EBITDA, adjusted EBITDA.

EBITDA adjusted for special factors decreased year-on-year by 3.3 percent. The revenue decrease was not fully offset by cost savings, for example, in call center services and services rendered by third parties as well as IT cost cuts. Costs increased in particular by higher mobile market investments and personnel costs, e.g., due to collective salary increases. With an adjusted EBITDA margin of 40.6 percent, we are within our target corridor of over 40 percent, despite increasing market investments.

#### EBIT.

Profit from operations for our Germany operating segment increased by 4.8 percent to EUR 2.3 billion year-on-year. This was primarily attributable to lower depreciation and amortization, due, among other factors, to the expiry of the economic useful lives of parts of outside plant.

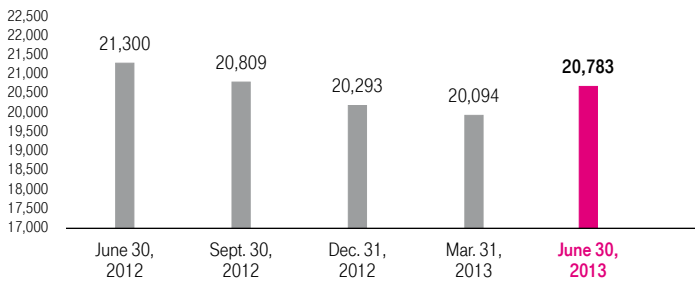
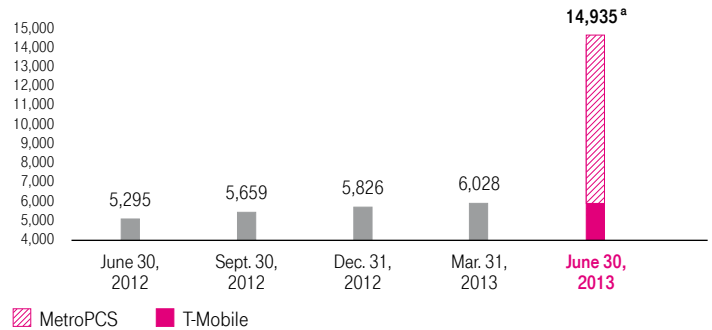
#### Cash capex.

In the first half of 2013, we recorded a decline in cash capex owing to the delayed award of contracts, due in part to the cold weather in the first quarter of 2013, and lower IT investments overall.

## UNITED STATES.

## CUSTOMER DEVELOPMENT.

Branded postpaid customers. ('000)

Branded prepaid customers.<sup>a</sup> ('000)

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

	June 30, 2013	Mar. 31, 2013	Change June 30, 2013/ Mar. 31, 2013	Dec. 31, 2012	Change June 30, 2013/ Dec. 31, 2012	June 30, 2012	Change June 30, 2013/ June 30, 2012
	thousands	thousands	%	thousands	%	thousands	%
<b>UNITED STATES</b>							
Mobile customers	44,016	33,968	29.6	33,389	31.8	33,168	32.7
Branded customers	35,718	26,122	36.7	26,119	36.8	26,595	34.3
Branded postpaid	20,783	20,094	3.4	20,293	2.4	21,300	(2.4)
Branded prepaid	14,935	6,028	n.a.	5,826	n.a.	5,295	n.a.
Wholesale customers	8,298	7,846	5.8	7,270	14.1	6,573	26.2
M2M <sup>a</sup>	3,423	3,290	4.0	3,090	10.8	2,787	22.8
MVNOs	4,875	4,556	7.0	4,180	16.6	3,786	28.8

<sup>a</sup> M2M: machine-to-machine.

At June 30, 2013, the United States operating segment (T-Mobile US) had 44.0 million customers, a net increase in customers of 10.6 million for the first half of 2013 compared to 33.4 million customers at December 31, 2012. This increase in net customers in the first half of 2013 was driven by the acquisition of 8.9 million customers in connection with the closing of the business combination with MetroPCS and organic net customer additions of 1.7 million. Net customer additions improved significantly in the first half of 2013 compared to a net decrease of 18 thousand for the first half of 2012.

**Branded customers.** Branded postpaid net customer additions improved to 490 thousand for the six months ended June 30, 2013, compared to 1,067 thousand branded postpaid net customer losses for the six months ended June 30, 2012. The significant improvement in branded postpaid net customer development was attributable to improved branded postpaid churn, higher branded postpaid gross additions including migrations from branded prepaid plans, all driven in part by the success of the company's "Un-carrier" strategy and the Value/Simple Choice plans, as well as the launches of the Apple iPhone 5 and the Samsung Galaxy S4 in the first half of 2013. Branded postpaid churn improved as a result of churn reduction initiatives such as improving network quality and customer experience, which led to an increase in branded postpaid customer retention in the six months ended June 30, 2013.

Branded prepaid net customer additions, excluding the 8.9 million customers acquired through the MetroPCS business combination, were 191 thousand for the six months ended June 30, 2013, compared to 476 thousand net customer additions for the six months ended June 30, 2012. The decrease in branded prepaid net customer additions was primarily the result of migrations to branded postpaid plans due to the success of Value/Simple Choice plans. Additionally, higher branded prepaid customer deactivations contributed to the decrease in branded prepaid net customer additions, but was partially offset by higher branded prepaid customer gross additions. The increase in branded prepaid customer deactivations in the six months ended June 30, 2013 was primarily driven by the robust competitive environment in the prepaid business, compounded by a growing prepaid customer base.

**Wholesale customers.** Wholesale net customer additions were 1,028 thousand for the six months ended June 30, 2013, compared to net customer additions of 574 thousand for the six months ended June 30, 2012. The increase in wholesale net customer additions was due to the continued popularity of government subsidized Lifeline programs offered by our MVNO partners and higher MVNO gross customer additions, partially resulting from new MVNO partnerships entered into during the second half of 2012.

**DEVELOPMENT OF OPERATIONS.**

	Q1 2013 millions of €	Q2 2013 millions of €	Q2 2012 millions of €	Change %	H1 2013 millions of €	H1 2012 millions of €	Change %	FY 2012 millions of €
<b>TOTAL REVENUE</b>	3,541	4,825	3,816	26.4	8,366	7,663	9.2	15,371
Profit (loss) from operations <b>(EBIT)</b>	458	355	396	(10.4)	813	740	9.9	(7,547)
EBIT margin %	12.9	7.4	10.4		9.7	9.7		(49.1)
Depreciation, amortization and impairment losses	(396)	(529)	(640)	17.3	(925)	(1,201)	23.0	(12,866)
EBITDA	854	884	1,036	(14.7)	1,738	1,941	(10.5)	5,319
Special factors affecting EBITDA	(34)	(46)	(22)	n.a.	(80)	(100)	20.0	1,479
<b>EBITDA (ADJUSTED FOR SPECIAL FACTORS)</b>	888	930	1,058	(12.1)	1,818	2,041	(10.9)	3,840
EBITDA margin (adjusted for special factors) %	25.1	19.3	27.7		21.7	26.6		25.0
<b>CASH CAPEX</b>	(852)	(804)	(425)	(89.2)	(1,656)	(996)	(66.3)	(2,560)

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

**Total revenue.**

Total revenue for our United States operating segment of EUR 8.4 billion in the first half of 2013 increased by 9.2 percent compared to EUR 7.7 billion in the first half of 2012. In U.S. dollars, T-Mobile US total revenues increased by 10.5 percent year-on-year due to the inclusion of MetroPCS results for May and June 2013. Excluding the effects of the MetroPCS business combination, service revenues declined primarily due to a year-on-year decrease in the T-Mobile branded postpaid customer base and decreased average revenue per branded postpaid user compared to the first half of 2012. Service revenues declines from voice revenues were partially offset by strong growth in data revenues from customers using smartphones with mobile broadband data plans. Additionally, equipment sales, including those sold on installment plans, increased due to the launches of the Apple iPhone 5 and the Samsung Galaxy S4 and greater adoption of T-Mobile's Value/Simple Choice plans. Compared to traditional service plans, T-Mobile's Value/Simple Choice plans result in higher equipment revenues during the period of activation, but lower monthly service revenue.

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

Adjusted EBITDA decreased in the first half of 2013 by 10.9 percent to EUR 1.8 billion compared to EUR 2.0 billion in the first half of 2012. Adjusted EBITDA for the first half of 2013 excludes EUR 80 million in expenses associated with cost restructuring initiatives and transaction-related costs associated with the business combination with MetroPCS. In U.S. dollars, adjusted EBITDA decreased by 9.7 percent, but benefited from the inclusion of MetroPCS activity for May and June 2013. Excluding the results of the MetroPCS brand, adjusted EBITDA would have further decreased primarily due to the decline in service revenues described above as well as increased customer acquisition expenses from higher handset sales volumes, including an increase in the rate of customers upgrading their handset, and increased promotional activity. These effects were offset in part by lower equipment subsidies in connection with T-Mobile's Value/Simple Choice plans and by a decrease in bad debt expense related to improved credit quality of T-Mobile US's customer portfolio, lower churn and fewer branded postpaid customers compared to the first half of 2012. Additionally, roaming expenses decreased year-on-year driven by management initiatives to decrease costs. During the first half of 2013, the effects of ongoing cost management programs helped control expenses. Adjusted EBITDA margin decreased year-on-year due to the factors described above.

**EBIT.**

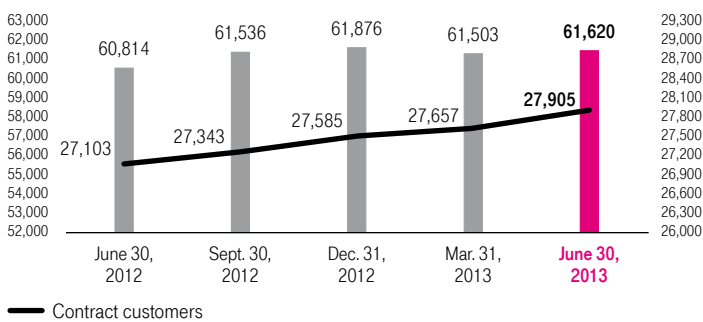
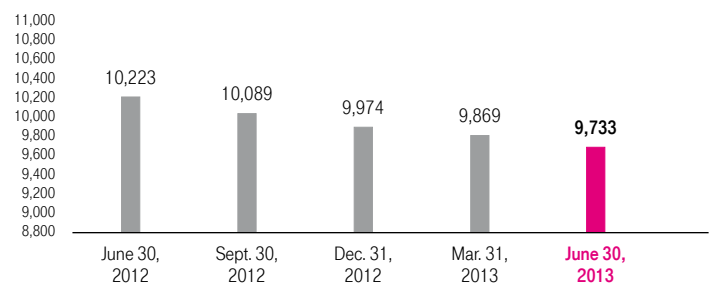
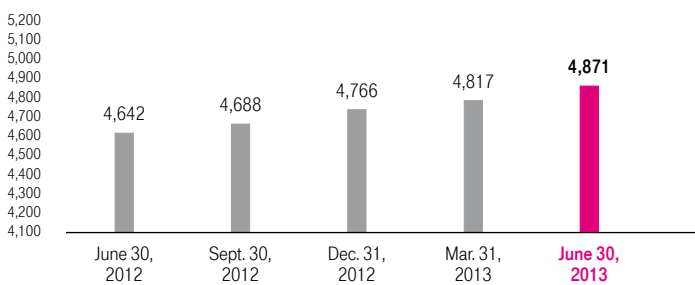
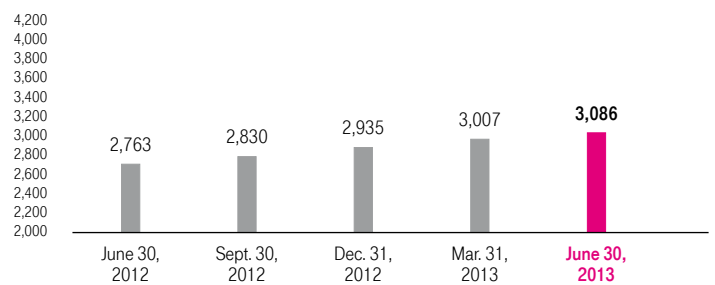
EBIT increased by 9.9 percent to EUR 813 million in the first half of 2013 from EUR 740 million in the first half of 2012 driven by lower depreciation expense on property, plant and equipment in the first half of 2013 compared to the first half of 2012, which was partially offset by the EBITDA development described above. T-Mobile recorded impairment charges in the third quarter of 2012 which lowered the carrying values of property, plant and equipment resulting in lower depreciation expense in subsequent periods.

**Cash capex.**

Cash capex increased 66.3 percent year-on-year to EUR 1.7 billion in the first half of 2013 compared to EUR 996 million in the first half of 2012 as a result of the deployment of LTE in connection with the T-Mobile US network modernization program which is expected to continue into 2014.

**EUROPE.**

Since January 1, 2013, the tasks and functions of Group Technology including the Global Network Factory, which was previously part of Group Headquarters & Group Services, have been reported under the Europe operating segment. Comparative figures have been adjusted accordingly. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements (page 46).

**CUSTOMER DEVELOPMENT.****Mobile customers. ('000)****Fixed-network lines. ('000)****Retail broadband lines. ('000)****TV (IPTV, satellite, cable). ('000)**

		June 30, 2013	Mar. 31, 2013	Change June 30, 2013/ Mar. 31, 2013	Dec. 31, 2012	Change June 30, 2013/ Dec. 31, 2012	June 30, 2012	Change June 30, 2013/ June 30, 2012
		thousands	thousands	%	thousands	%	thousands	%
<b>EUROPE, TOTAL</b>	Mobile customers	61,620	61,503	0.2	61,876	(0.4)	60,814	1.3
	Fixed-network lines	9,733	9,869	(1.4)	9,974	(2.4)	10,223	(4.8)
	Of which: IP-based	2,223	2,068	7.5	1,852	20.0	1,433	55.1
	Retail broadband lines	4,871	4,817	1.1	4,766	2.2	4,642	4.9
	TV (IPTV, satellite, cable)	3,086	3,007	2.6	2,935	5.1	2,763	11.7
	Unbundled local loop lines (ULLs)/wholesale PSTN	2,210	2,186	1.1	2,157	2.5	2,139	3.3
	Wholesale bundled lines	153	154	(0.6)	153	-	154	(0.6)
	Wholesale unbundled lines	86	80	7.5	74	16.2	60	43.3
<b>GREECE</b>	Mobile customers	7,602	7,632	(0.4)	7,697	(1.2)	7,856	(3.2)
	Fixed-network lines	2,849	2,900	(1.8)	2,952	(3.5)	3,069	(7.2)
	Broadband lines	1,257	1,234	1.9	1,203	4.5	1,136	10.7
<b>ROMANIA</b>	Mobile customers	6,106	6,155	(0.8)	6,368	(4.1)	6,510	(6.2)
	Fixed-network lines	2,401	2,409	(0.3)	2,422	(0.9)	2,488	(3.5)
	Broadband lines	1,156	1,142	1.2	1,134	1.9	1,104	4.7
<b>HUNGARY</b>	Mobile customers	4,838	4,845	(0.1)	4,837	0.0	4,821	0.4
	Fixed-network lines	1,597	1,626	(1.8)	1,611	(0.9)	1,635	(2.3)
	Broadband lines	891	884	0.8	875	1.8	864	3.1
<b>POLAND</b>	Mobile customers	15,969	15,919	0.3	16,040	(0.4)	15,048	6.1
<b>CZECH REPUBLIC</b>	Mobile customers	5,667	5,570	1.7	5,498	3.1	5,377	5.4
	Fixed-network lines	117	114	2.6	111	5.4	105	11.4
	Broadband lines	117	114	2.6	111	5.4	105	11.4
<b>CROATIA</b>	Mobile customers	2,350	2,309	1.8	2,326	1.0	2,378	(1.2)
	Fixed-network lines	1,174	1,192	(1.5)	1,208	(2.8)	1,210	(3.0)
	Broadband lines	665	664	0.2	658	1.1	652	2.0
<b>NETHERLANDS</b>	Mobile customers	4,561	4,622	(1.3)	4,720	(3.4)	4,744	(3.9)
	Fixed-network lines	272	283	(3.9)	283	(3.9)	290	(6.2)
	Broadband lines	264	266	(0.8)	275	(4.0)	281	(6.0)
<b>SLOVAKIA</b>	Mobile customers	2,273	2,289	(0.7)	2,311	(1.6)	2,325	(2.2)
	Fixed-network lines	932	945	(1.4)	960	(2.9)	993	(6.1)
	Broadband lines	496	488	1.6	480	3.3	470	5.5
<b>AUSTRIA</b>	Mobile customers	4,073	4,090	(0.4)	4,104	(0.8)	4,069	0.1
<b>OTHER<sup>a</sup></b>	Mobile customers	8,183	8,072	1.4	7,975	2.6	7,686	6.5
	Fixed-network lines	392	400	(2.0)	427	(8.2)	433	(9.5)
	Broadband lines	265	259	2.3	258	2.7	243	9.1

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

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

### Total.

As of the end of the first half of 2013, the trend in customer figures in our Europe operating segment showed a varied picture. Our total mobile customer base remained at the level recorded at the end of 2012, despite intense competition and the still strained economic situation in many of the countries in this segment. Thanks to continuous contract additions, we partially offset the prepay losses. In the fixed network, we increased the number of broadband lines compared with the end of 2012 as a result of our strategic focus on rolling out broadband technology. The number of IP lines grew also due to the successful migration of traditional PSTN lines to IP technology in many countries of our segment.

### Mobile communications.

**Mobile telephony and data services.** As of the end of the first half of 2013, we had some 61.6 million mobile customers in total. Thus the trend remained stable compared with the end of 2012. Thanks to a larger contract customer base of around 27.9 million, we partially offset the prepay losses. This increase was largely attributable to the good performance in the business customer segment, which with over 8.4 million accounted for around 30 percent of the total contract customer base.

Thanks to the ongoing appeal of smartphone use, particularly in the Netherlands and Austria, the contract customer share of the total customer base in this operating segment increased slightly to more than 45 percent. As of June 30, 2013, the number of prepay customers declined slightly year-on-year in many countries – also a consequence of our strategy of focusing on high-value contract customers.

**Fixed network.**

**Telephony, Internet and TV.** TV business again proved to be a consistent growth driver in the first half of 2013. The total TV customer base increased by 5.1 percent compared with the end of 2012 to 3.1 million. The main drivers were Greece, with a significantly higher number of satellite TV customers, Hungary, with strong growth in the IPTV customers, and Romania, with clear growth in cable lines and satellite TV. Our IP-based lines grew substantially by 20.0 percent as of June 30, 2013 compared with the end of 2012 to a total of more than 2.2 million lines. The largest absolute additions were achieved in Slovakia, Hungary and Romania. Migration programs in Croatia and the F.Y.R.O. Macedonia also contributed to the growth. In the first half of 2013, therefore,

IP lines accounted for around 23 percent of all lines overall. The number of retail broadband lines increased by 2.2 percent compared with December 31, 2012 to some 4.9 million, primarily driven by innovative rate plans that bundle TV with Internet. The majority of this year-on-year increase is attributable to DSL business, especially in Greece, followed by broadband lines in Hungary. Other access technologies, such as optical fiber, also recorded encouraging growth of around 12 percent compared with the end of 2012. As of June 30, 2013, some 9.7 million customers in our Europe operating segment used a fixed-network line. This decline of 2.4 percent against the end of 2012 was primarily attributable to line losses in traditional telephony (PSTN).

**DEVELOPMENT OF OPERATIONS.**

	Q1 2013 millions of €	Q2 2013 millions of €	Q2 2012 millions of €	Change %	H1 2013 millions of €	H1 2012 millions of €	Change %	FY 2012 millions of €
<b>TOTAL REVENUE</b>	3,327	3,420	3,583	(4.5)	6,747	7,158	(5.7)	14,406
Greece	713	744	828	(10.1)	1,457	1,647	(11.5)	3,253
Romania	243	248	260	(4.6)	491	524	(6.3)	1,037
Hungary	393	386	333	15.9	779	668	16.6	1,429
Poland	385	407	418	(2.6)	792	831	(4.7)	1,678
Czech Republic	226	235	259	(9.3)	461	514	(10.3)	1,044
Croatia	224	234	245	(4.5)	458	484	(5.4)	992
Netherlands	393	406	419	(3.1)	799	840	(4.9)	1,664
Slovakia	192	200	202	(1.0)	392	408	(3.9)	837
Austria	203	197	217	(9.2)	400	444	(9.9)	878
Other <sup>a</sup>	394	413	456	(9.4)	807	904	(10.7)	1,811
Profit from operations (EBIT)	435	424	445	(4.7)	859	900	(4.6)	1,437
EBIT margin	%	13.1	12.4		12.7	12.6		10.0
Depreciation, amortization and impairment losses	(696)	(682)	(716)	4.7	(1,378)	(1,447)	4.8	(3,291)
EBITDA	1,131	1,106	1,161	(4.7)	2,237	2,347	(4.7)	4,728
Special factors affecting EBITDA	42	(1)	(34)	97.1	41	(40)	n.a.	(208)
<b>EBITDA (ADJUSTED FOR SPECIAL FACTORS)</b>	1,089	1,107	1,195	(7.4)	2,196	2,387	(8.0)	4,936
Greece	282	282	305	(7.5)	564	619	(8.9)	1,205
Romania	63	65	69	(5.8)	128	138	(7.2)	289
Hungary	93	119	115	3.5	212	237	(10.5)	474
Poland	140	147	139	5.8	287	266	7.9	586
Czech Republic	104	104	116	(10.3)	208	239	(13.0)	486
Croatia	88	99	114	(13.2)	187	214	(12.6)	468
Netherlands	114	108	133	(18.8)	222	248	(10.5)	525
Slovakia	84	78	85	(8.2)	162	171	(5.3)	354
Austria	55	40	53	(24.5)	95	113	(15.9)	234
Other <sup>a</sup>	66	67	69	(2.9)	133	147	(9.5)	318
EBITDA margin (adjusted for special factors)	%	32.7	32.4		32.5	33.3		34.3
<b>CASH CAPEX</b>	(1,382)	(518)	(290)	(78.6)	(1,900)	(797)	n.a.	(1,724)

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

<sup>a</sup> Other: national companies of Bulgaria, Albania, the F.Y.R.O. Macedonia, and Montenegro, as well as ICSS (International Carrier Sales & Solutions), GNF (Global Network Factory), Europe Headquarters, and Group Technology.



### Total revenue.

In the first half of 2013, our Europe operating segment generated total revenue of EUR 6.7 billion, down 5.7 percent compared with the prior-year level. Adjusted for revenue not included since April 1, 2013 due to the deconsolidation of Hellas Sat and the slightly negative net exchange rate effects against the euro, especially the Czech koruna, revenue declined by 5.7 percent. At an operational level, decisions by regulatory authorities had a substantial negative impact on our segment revenue. Lower mobile termination rates and roaming regulation in most countries of our segment accounted for 60 percent of the decline in revenue from operations. In addition, competition-induced price cuts and the ongoing strained macroeconomic situation, especially in Greece, the Netherlands, the Czech Republic and Croatia, continued to put pressure on revenue from operations.

The impact of the decrease in revenue within the OTE group on segment revenue was especially strong. In particular, mobile business in Greece declined due to the general market situation. The other countries also recorded market-driven decreases in revenue. In the Czech Republic, for example, the decline in revenue was mainly attributable to drastic price cuts in the mobile market in April. Almost 80 percent of the decrease in revenue at segment level was attributable to the Consumers area. Only the notable increase in revenue in Hungary slightly offset the trend at segment level. This increase was mainly due to energy business and terminal equipment business. The latter recorded encouraging growth rates, due among other factors to the continued appeal of smartphones.

Due to the focus on identified growth areas in the countries of our segment, we partially compensated the negative revenue effects from voice telephony at segment level. Revenue from mobile data business, for example, grew by around 11 percent or EUR 66 million compared with the prior-year period, increasing in all countries of our segment, especially in the Netherlands, Croatia and Slovakia. The majority of this growth was attributable to consumer business. Attractive rate plans combined with our portfolio of terminal equipment resulted in contract customer additions and increased usage rates in both data and voice services. As a result, we increased revenue from terminal equipment sales, too. We also generated higher revenues in broadband/TV business, with TV business recording an increase of around 16 percent against the prior-year period. Our focused roll-out of mobile and fixed-network broadband technologies also contributed successfully to this trend. We won significantly more customers with our TV services in particular in Greece, Romania and Hungary. Thanks to the expansion of our product and service portfolio in Croatia, for example to include cloud services, B2B/ICT also made a positive contribution to revenue. In the adjacent industries, the energy business in Hungary was again successful, with a year-on-year increase in revenue.

### EBITDA, adjusted EBITDA.

Our Europe operating segment generated adjusted EBITDA of EUR 2.2 billion in the first half of 2013, a year-on-year decrease of 8.0 percent. Adjusted for the deconsolidation of Hellas Sat as well as the slightly negative exchange rate effects compared with the euro, adjusted EBITDA decreased by 7.7 percent. This remaining operational decline at segment level was largely attributable to Greece, with its mobile business, as well as to the Czech Republic, the Netherlands, Croatia and Hungary. In Hungary, the decrease is mainly attributable to the utility tax introduced by the national government as of January 1, 2013. The tax due for full-year 2013 reduced our EBITDA by EUR 23 million in the first half of 2013.

The overall decrease in revenue at segment level had a negative impact on the development of EBITDA compared with the prior-year period. In addition, changes in legislation, taxes and duties, and national austerity programs

adversely affected the development of earnings. By systematically reducing indirect costs through our efficiency enhancement measures, which are primarily reflected in lower personnel costs and costs for goods and services purchased, we partially offset the negative effects from the decline in revenue. In addition, the regulation-induced reduction in interconnection costs and a focus on targeting specific customer groups resulted in lower direct costs.

Increased adjusted EBITDA contributions in Poland and in the Greek fixed-network business partially offset the described decreases.

### Development of operations in selected countries.

As part of the strategic focus of our Europe segment, our entities have been assigned to four clusters according to their respective market position: **“Senior leaders”** are entities that have leading positions in both mobile and fixed-network operations, such as those in Greece, Hungary, Croatia and the F.Y.R.O. Macedonia. The entities in this cluster aim to maintain their market leadership in both the fixed and mobile markets. The cluster of **“junior leaders”** comprises entities which have a strong position in the fixed network, but are not mobile market leaders when viewed separately. Our entities in Romania, Slovakia and Montenegro are such junior leaders and want to use their strong position in the fixed network to drive forward their mobile business. Our mobile-only entities belong to one of two clusters: “mobile runner-ups” or “smart attackers.” Our **“mobile runner-ups,”** for example in Poland and the Czech Republic, are entities that are not yet market leaders, but aim to achieve that position. Our subsidiaries in the Netherlands, Austria and Albania are **“smart attackers,”** meaning they still have some way to go to catch up with the other market players. They focus on increasing their enterprise value through efficient measures. Below, we present one national company for each of the four clusters by way of example.

**Greece (senior leader).** Revenue in Greece totaled EUR 1.5 billion in the first half of 2013, a year-on-year decrease of 11.5 percent. More than half of this decline is attributable to mobile business, in particular consumer business. Voice revenue declined in particular, due to the third cut in termination rates imposed by the regulatory authorities since July 2012. In addition, an ongoing price war further impacted on mobile revenue. Despite the difficult environment, mobile data revenue increased by around 7 percent compared with the first half of the prior year due to greater data usage as well as more sales of data rate plans. Thanks to the rapid roll-out of LTE stations, we have now achieved coverage, for example, in Athens of around 80 percent of the population.

Fixed-network operations were also affected by revenue reductions. Voice revenue declined as a result of line losses of around 7 percent in traditional telephony. In addition, the low price level also continued to put pressure on our revenue. Despite another only temporary approval of our VDSL services by the regulatory authorities, our company in Greece is focusing on rapidly rolling out the VDSL network. We thus already achieved double-digit growth in the number of DSL lines. TV business also benefited from a larger customer base – especially due to an expanded TV offering.

In Greece, adjusted EBITDA decreased to EUR 564 million. This corresponds to a decline of 8.9 percent compared with the same period in 2012, mainly due to the negative effects from the decline in revenue. This decrease was partially offset by lower direct costs, on the one hand due to a regulation-induced reduction in interconnection costs and, on the other, to cuts in mobile customer acquisition expenses. In terms of indirect costs, we partially compensated the negative revenue effects with our programs to enhance efficiency in mobile and fixed-network operations. The success of these programs can be seen in particular in lower personnel costs due to lower staff levels and lower costs for goods and services purchased.



**Slovakia (junior leader).** In the first half of 2013, our Slovak subsidiary generated revenue of EUR 392 million, down 3.9 percent year-on-year. This decline is largely due to mobile business. Mobile voice revenue in particular was subject to price reductions due to competition as well as regulatory decisions, which were only partially offset by increased usage. In absolute figures, the impact on the consumer business was stronger than on the business customers area. Mobile data business made a positive contribution to revenue with double-digit growth as a result of increased customer usage. Higher terminal equipment sales also slightly offset decreases in revenue. In the fixed network, the decreases were largely attributable to lower revenue in voice telephony, mainly due to line losses in traditional telephony (PSTN). They also decreased due to migration to IP lines. The positive contribution to revenue in broadband and TV is attributable to growth in TV, especially IPTV. B2B/ICT also began to grow again in the second quarter of 2013 compared with the prior-year quarter.

Adjusted EBITDA amounted to EUR 162 million, thus falling 5.3 percent compared with the prior-year period – primarily as a result of the negative effects from the decline in revenue. Regarding direct costs, a slight increase in expenditure for customer acquisition and retention was more than offset by the regulation-induced reduction in interconnection costs. Savings in indirect costs as a result of measures to increase efficiency made a positive contribution to EBITDA.

**Poland (mobile runner-up).** In the first half of 2013, revenue in Poland totaled EUR 792 million, down 4.7 percent year-on-year. Adjusted for the positive exchange rate performance of the Polish zloty against the euro, revenue decreased by 6.2 percent. This decrease, which was primarily attributable to consumer business, was driven in part by regulation-induced reductions in termination rates and in part by market-related lower pricing. Text messaging revenue also declined year-on-year as a result of lower average prices and reduced use of text messaging. Higher terminal equipment revenue made a significant positive contribution to revenue, primarily as a result of the successful marketing of smartphones, accounting for around 70 percent in the first half of 2013.

Adjusted EBITDA amounted to EUR 287 million in the first half of 2013, up 7.9 percent year-on-year. Adjusted for the positive exchange rate effects, the increase was 6.2 percent. This increase was attributable, on the one hand, to lower direct costs compared with the prior-year period: a regulation-induced reduction in interconnection costs and a more personalized dialog with customers for the purpose of customer acquisition and retention. On the other hand, EBITDA increased due to lower indirect costs.

**Netherlands (smart attacker).** In the first six months of 2013, revenue in the Netherlands decreased by 4.9 percent year-on-year to EUR 799 million. This decrease is mainly attributable to sales deductions in connection with customer retention measures in the consumer segment. As a result, in a highly competitive market, we retained a considerable proportion of our contract customers. Revenue was also adversely affected by lower mobile termination rates as well as sharply reduced use of text messaging. These negative revenue effects were offset in part by the successful mobile data business, thanks to contract additions with new data rate plans. Due to the ongoing high demand for smartphones – especially high-priced devices – sales of terminal equipment increased, thus generating a positive contribution to revenue.

Adjusted EBITDA declined by 10.5 percent year-on-year in the first half of 2013 to EUR 222 million. We partially compensated for this largely revenue-driven decrease through savings in direct costs: Regulation-induced lower interconnection costs more than offset higher expenditure for customer retention. A reduction in indirect costs, including in personnel costs and costs for goods and services purchased, resulted in an improvement in adjusted EBITDA.

## EBIT.

EBIT in our Europe operating segment totaled EUR 859 million in the first half of 2013, down 4.6 percent year-on-year, as a result of the decline in adjusted EBITDA. This was contrasted by lower depreciation and amortization year-on-year: On the one hand, the disclosure of Globul in Bulgaria as held for sale from May 2013 resulted in the suspension of depreciation and amortization. On the other, the deconsolidation of Hellas Sat in Greece resulted in lower depreciation and amortization. In addition, lower depreciation and amortization as a result of restrained capital expenditure in many countries of our segment offset the decline in adjusted EBITDA.

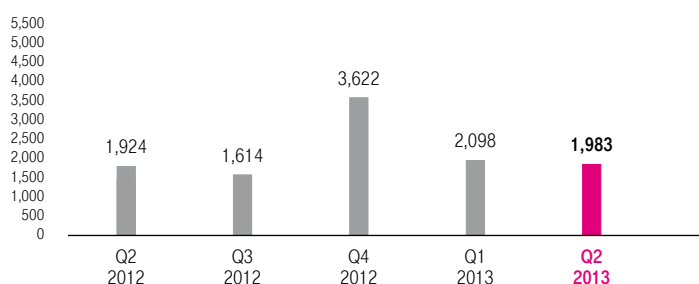
## Cash capex.

In the first half of 2013, our Europe operating segment reported cash capex of EUR 1.9 billion. This is a significant increase against the prior-year period, attributable mainly to the acquisition of mobile licenses in the Netherlands and Romania. We also invest in networks for the future in other countries of our segment. Most countries, however, exercised restraint in their capital spending. The reasons for this included the difficult market situation, decisions by regulatory authorities, and additional financial burdens, such as the taxes in Hungary or the real estate tax in Greece.

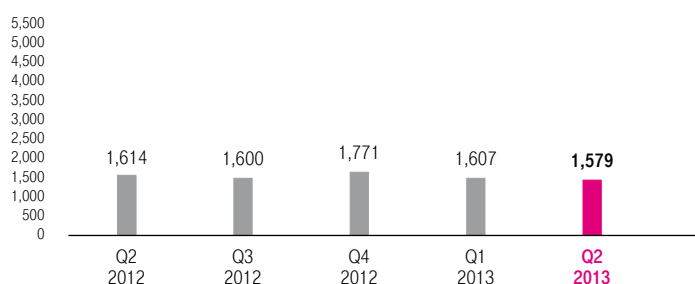
## SYSTEMS SOLUTIONS.

### SELECTED KPIs.

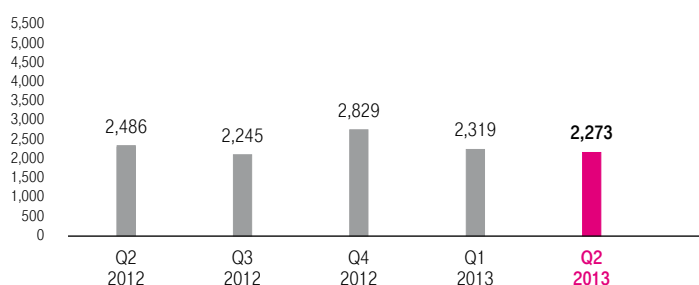
Order entry (Market Unit). (millions of €)



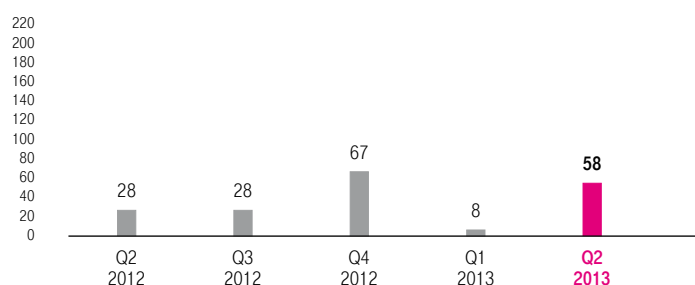
External revenue. (millions of €)



Revenue. (millions of €)



Adjusted EBIT. (millions of €)



		June 30, 2013	Mar. 31, 2013	Change June 30, 2013/ Mar. 31, 2013 %	Dec. 31, 2012	Change June 30, 2013/ Dec. 31, 2012 %	June 30, 2012	Change June 30, 2013/ June 30, 2012 %
<b>ORDER ENTRY</b>	millions of €	4,081	2,098	n.a.	8,737	n.a.	3,501	16.6
<b>COMPUTING &amp; DESKTOP SERVICES</b>								
Number of servers managed and serviced	units	58,520	56,721	3.2	57,121	2.4	n.a.	n.a.
Number of workstations managed and serviced	millions	1.21	1.36	(11.0)	1.93	(37.3)	n.a.	n.a.
<b>SYSTEMS INTEGRATION</b>								
Hours billed	millions	1.6	1.7	n.a.	6.3	n.a.	n.a.	n.a.
Utilization rate	%	82.0	81.4	0.6p	85.1	(3.1)p	n.a.	n.a.

### Development of business.

In the first half of 2013, order entry increased substantially year-on-year by 16.6 percent. This encouraging development is due to the conclusion of new deals in Germany and abroad, e.g., with Deutsche Rentenversicherung (German statutory pension insurance scheme), the Finnish elevator and escalator company KONE, EADS and the Swiss National Railways (SBB). In addition, our standard solutions in the growth area of cloud computing succeeded in the face of strong competition, winning us contracts with many of our corporate customers. T-Systems continued to expand its dynamic resources accordingly in the reporting period. For our customers, this means they receive bandwidth, computing capacity and memory on demand, pay for what they use, and share the infrastructure.

New deals require additional ICT resources, leading to a year-on-year increase in the number of servers managed and serviced. This was partially offset by technological progress: Demand is being met by higher-performance servers with improved capacity utilization. A similar trend can be seen in data centers, where consolidation is creating larger, higher-performance units. The number of workstations managed decreased mainly as a result of staff restructuring measures and IT cost cutting initiatives within the Group.

**DEVELOPMENT OF OPERATIONS.<sup>a</sup>**

	Q1 2013 millions of €	Q2 2013 millions of €	Q2 2012 millions of €	Change %	H1 2013 millions of €	H1 2012 millions of €	Change %	FY 2012 millions of €
<b>TOTAL REVENUE</b>	2,319	2,273	2,486	(8.6)	4,592	4,942	(7.1)	10,016
Loss from operations <b>(EBIT)</b>	(66)	(110)	(75)	(46.7)	(176)	(133)	(32.3)	(307)
Special factors affecting EBIT	(74)	(168)	(103)	(63.1)	(242)	(148)	(63.5)	(417)
EBIT (adjusted for special factors)	8	58	28	n.a.	66	15	n.a.	110
EBIT margin (adjusted for special factors) %	0.3	2.6	1.1		1.4	0.3		1.1
Depreciation, amortization and impairment losses	(181)	(162)	(151)	(7.3)	(343)	(306)	(12.1)	(649)
EBITDA	115	52	76	(31.6)	167	173	(3.5)	342
Special factors affecting EBITDA	(60)	(169)	(103)	(64.1)	(229)	(148)	(54.7)	(405)
<b>EBITDA (ADJUSTED FOR SPECIAL FACTORS)</b>	175	221	179	23.5	396	321	23.4	747
EBITDA margin (adjusted for special factors) %	7.5	9.7	7.2		8.6	6.5		7.5
<b>CASH CAPEX</b>	(212)	(215)	(283)	24.0	(427)	(505)	15.4	(1,187)

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

**Total revenue.**

Total revenue in our Systems Solutions operating segment in the reporting period amounted to EUR 4.6 billion, a year-on-year decrease of 7.1 percent. This decrease relates almost exclusively to lower revenues recorded by Telekom IT.

Revenue from the Market Unit includes revenue generated with external customers as well as intragroup revenues for telecommunications services and international IT services that do not fall within the remit of Telekom IT. At EUR 3.8 billion, revenue remained close to the prior-year level and showed a stable development both nationally and internationally. The contracts signed in 2012 had a positive impact on revenue, which was, however, offset by a general decline in prices in IT and communications business.

In the Telekom IT business unit, which pools all of the Group's internal national IT projects, revenue was well down against the prior year by 27.5 percent, mainly due to the Group's efforts to reduce IT costs as well as to seasonal effects in project business.

**EBITDA, adjusted EBITDA.**

Adjusted EBITDA in our Systems Solutions operating segment increased by 23.4 percent in the reporting period. This positive trend is attributable both to higher profitability in operations and to the results of effective restructuring and efficiency enhancement measures. The adjusted EBITDA margin improved from 6.5 to 8.6 percent. Unadjusted EBITDA decreased by 3.5 percent as a result of the slowdown in the strong operational improvement, in particular due to expenses for restructuring measures and for the deconsolidation of T-Systems Italia.

**EBIT, adjusted EBIT.**

Adjusted EBIT for the first half of 2013 was EUR 51 million higher than in the prior-year period. The improvement in adjusted EBITDA was offset by slightly higher depreciation, amortization and impairment losses. The adjusted EBIT margin increased from 0.3 to 1.4 percent in the reporting period.

**Cash capex.**

Cash capex was reduced by 15.4 percent year-on-year to EUR 0.4 billion. We were able to more than offset cash capex for new contracts and customer relationships by lower expenditure thanks to enhanced efficiencies, for example, through the continued standardization of ICT platforms. Telekom IT management aims to reduce its own cash capex in the long term. Cash outflows include payments for the expansion of the Dynamic Computing platform and for technical upgrades in connection with new deals.

## GROUP HEADQUARTERS & GROUP SERVICES.

As a result of the realignment of the central management and service functions, the green light was given for our new Group Headquarters and the newly formed Group Services on January 1, 2013. As part of this process, the 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. Comparative figures have been adjusted accordingly. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements (page 46).

As of June 30, 2013, Vivento, our personnel service provider, had a workforce of around 8,300 employees (June 30, 2012: around 8,500), of which around 3,700 were deployed externally, mainly in the public sector, for example at the Federal Employment Agency. Another 3,300 or so employees were employed within the Group, especially in service centers. 1,300 employees were placed in Vivento's operational and strategic units or continued to be managed by Vivento. Vivento took on a total of around 600 new employees in the reporting period; around the same number of employees left the personnel service provider to pursue new opportunities.

## DEVELOPMENT OF OPERATIONS.

	Q1 2013 millions of €	Q2 2013 millions of €	Q2 2012 millions of €	Change %	H1 2013 millions of €	H1 2012 millions of €	Change %	FY 2012 millions of €
<b>TOTAL REVENUE</b>	691	761	694	9.7	1,452	1,369	6.1	2,835
Of which: Digital Business Unit	213	234	204	14.7	447	398	12.3	868
<b>Loss from operations (EBIT)</b>	(284)	(327)	(343)	4.7	(611)	(634)	3.6	(1,750)
Depreciation, amortization and impairment losses	(164)	(166)	(186)	10.8	(330)	(375)	12.0	(753)
EBITDA	(120)	(161)	(157)	(2.5)	(281)	(259)	(8.5)	(997)
Special factors affecting EBITDA	(21)	(50)	(79)	36.7	(71)	(18)	n.a.	(282)
<b>EBITDA (ADJUSTED FOR SPECIAL FACTORS)</b>	(99)	(111)	(78)	(42.3)	(210)	(241)	12.9	(715)
Of which: Digital Business Unit	30	25	44	(43.2)	55	100	(45.0)	137
<b>CASH CAPEX</b>	(77)	(94)	(72)	(30.6)	(171)	(216)	20.8	(379)

### Total revenue.

Total revenue in the Group Headquarters & Group Services segment in the reporting period increased by 6.1 percent year-on-year, primarily due to revenue growth at the Digital Business Unit (DBU) and higher revenues from Group Services.

### EBITDA, adjusted EBITDA.

Adjusted EBITDA at Group Headquarters & Group Services improved by 12.9 percent year-on-year in the first half of 2013. This improvement was mainly attributable to income in connection with our procurement joint venture BuyIn and the aforementioned increases in revenue. Despite operational improvements resulting from cost cuts, DBU's cost-intensive measures to move into the growth businesses had a negative effect on earnings.

In the first half of 2013, EBITDA was adversely affected by negative special factors totaling EUR 71 million, primarily due to expenses in connection with staff-related measures, in particular for early retirement and severance payments. In the first half of 2012, EBITDA had been impacted by special factors totaling EUR 18 million, with expenses for staff-related measures reducing the positive effect of a cost refund by Kreditanstalt für Wiederaufbau in connection with a settlement reached in the United States.

### EBIT.

The year-on-year decrease in loss from operations was primarily due to lower depreciation, amortization and impairment losses.

### Cash capex.

Cash capex decreased year-on-year by 20.8 percent, primarily due to the reduced number of vehicles bought and few investments in land and buildings.

## RISK SITUATION.

This section provides important additional information and explains recent changes in the risks and opportunities as described in the combined management report for the 2012 financial year (2012 Annual Report, page 149 et seq.). Readers are also referred to the Disclaimer at the end of this report.

### Litigation.

**Prospectus liability proceedings.** In the model proceedings ("Musterverfahren") relating to Deutsche Telekom's second public offering (DT2), a hearing took place before the Frankfurt Higher Regional Court on February 27, 2013. On July 3, 2013, the court issued a decision in the model proceedings and ruled that the disputed stock exchange prospectus does not contain any errors. As a result, there is no basis for holding Deutsche Telekom AG liable. The plaintiff's side filed an appeal against the ruling with the Federal Court of Justice. In the model proceedings relating to the third public offering (DT3), the parties continue to pursue appeal proceedings ("Rechtsbeschwerdeverfahren") before the Federal Court of Justice.

**Claims for damages due to price squeeze.** In the proceedings brought by EWE Tel and NetCologne against Telekom Deutschland GmbH, the Cologne Regional Court found there to be a liability for damages on the merits of the case in a ruling dated January 17, 2013 without ruling on the amount of said liability, but rejected part of the claims as barred under the statute of limitations. EWE Tel and NetCologne as well as Telekom Deutschland GmbH have all appealed to the Düsseldorf Higher Regional Court. DOKOM GmbH withdrew its complaint (demanding around EUR 4.5 million plus interest) on July 10, 2013 following a settlement agreed with Telekom Deutschland GmbH. In its ruling of July 24, 2013, the Düsseldorf Higher Regional Court dismissed Versatel's appeal (demanding approximately EUR 70 million plus interest) and did not allow the appeal before the Federal Court of Justice.

**Claims relating to charges for shared use of cable ducts.** Kabel Deutschland Vertrieb und Service GmbH (KDG) quantified its claim for allegedly excessive charges from 2012 and is now demanding around EUR 340 million plus interest as well as around EUR 10 million for acquired interest benefits from Telekom Deutschland GmbH. KDG is also demanding a reduction in charges for the future. A hearing took place on June 12, 2013. The Court intends to issue a ruling on August 14, 2013. It is currently not possible to estimate the financial impact of the proceedings with sufficient certainty.

**Claims for damages concerning the provision of subscriber data.** In rulings on May 28, 2013, the Cologne Regional Court rejected the claims for damages of Dr. Harisch (demanding approximately EUR 612 million plus interest) and telegate AG (demanding approximately EUR 86 million plus interest). Both Dr. Harisch and telegate AG have appealed against the rulings.

**Monthly charges for the unbundled local loop (ULLs).** Several competitors filed actions against the re-approved ULL one-time charges from 2003, which only applied to the former complainants.

**MetroPCS.** Now that the MetroPCS shareholders have given their approval for the – already closed – business combination with T-Mobile USA, the class actions filed in the U.S. states of Texas and Delaware are now focusing on claims for damages, in particular reimbursement of litigation costs. Additional proceedings filed in New York claim damages from MetroPCS (now T-Mobile US) and individual members of the management.

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

### Actions concluded in 2013.

**Eutelsat arbitration proceedings.** The parties agreed a settlement to end the proceedings and the arbitral tribunal declared the proceedings closed in a ruling on March 20, 2013. This marks the final conclusion of the proceedings.

**Shareholder litigation.** In a ruling on February 20, 2013, the Federal Court of Justice rejected the complaint against non-allowance of appeal filed by a shareholder (actions seeking declaration of nullity of the 2010 financial statements and the resolutions concerning the approval of the actions of Board members for the 2010 financial year). This marks the final and legally binding conclusion of the proceedings in our favor.

**Year-end bonus for civil servants.** The Federal Administrative Court rejected the appeals by the plaintiffs in April 2013, taking into consideration the ruling by the Federal Constitutional Court dated January 17, 2012. This concluded the legal dispute.

**Mobile communications patent litigation.** Deutsche Telekom AG and ICom GmbH & Co. KG signed a license agreement. The license agreement allows the Deutsche Telekom Group to use all current and future patents in the ICom portfolio worldwide. Furthermore, all pending mutual infringement and nullity proceedings were thus ended through withdrawal of the respective actions. This terminates the series of proceedings.

### Regulation.

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

- In **Germany**, in June 2013, the Federal Network Agency put a frequency strategy paper and the draft for a tender process for the 0.7 GHz, 0.9 GHz, 1.5 GHz and 1.8 GHz frequency ranges out for consultation with a deadline of October 4, 2013. The authorities plan to allocate spectrum in these ranges in 2014/2015 by auction. A frequency reserve of 2 x 5 MHz in the 0.9 GHz range, which is important for ongoing GSM operation, is to be granted to each of the existing mobile network operators. Deutsche Telekom will participate in the process of commenting on the documents and in particular will advocate early legal and planning certainty.
- Due to a court ruling, the **Hungarian regulatory authorities** had to annul the result of the frequency auction carried out in the spring of 2012 in which frequencies were awarded to a new state-owned mobile communications company and revoked the results of the auction. The frequencies as well as further frequencies which will shortly become available are expected to be awarded in fall 2013. This will give Magyar Telekom another opportunity to secure additional frequency resources as planned.
- In the **Czech Republic**, the spectrum auction in March 2013 was halted. A consultation on the changes in the conditions of award will run until the end of July 2013. The revised auction process is expected to be put into action from November 2013.
- The responsible national regulatory authority in **Slovakia** has also put draft conditions of award out for consultation. There the plan is to auction frequencies in the 0.8 GHz, 1.8 GHz and 2.6 GHz ranges in November 2013. In addition to the three existing mobile network operators, a potential new player is expected to enter the market, for which frequency has been reserved in the 1.8 GHz range.
- In **Austria**, the regulatory authority is preparing to auction spectrum in the 0.8 GHz, 0.9 GHz and 1.8 GHz ranges. The bidding phase is expected to begin in September 2013. Some of the spectrum to be auctioned is GSM frequencies of the three mobile network operators, which will expire between 2015 and 2019 and which will still be required for GSM. In addition, the auction method to be used will be relatively intransparent, with spectrum reserved for a potential new player in the market. T-Mobile Austria has registered for the process and is currently working intensively on preparations for the acquisition of spectrum.
- **Polska Telefonia Cyfrowa** (PTC) secured an additional 1.8 GHz of spectrum in the tender process in February 2013. The authority is further planning to stage an auction for the 0.8 GHz and 2.6 GHz frequencies at the end of the year at the earliest.

**Net neutrality.** Both the European Commission and the Federal Ministry of Economics are currently developing rules to secure Net neutrality. Depending on what form they take, such regulations could substantially limit our degree of product design freedom. We expect draft rules on Net neutrality to be published at EU level in the third quarter of 2013.

**Draft Regulation by the European Commission on the internal telecommunications market.** In the first half of September 2013, the European Commission will submit proposals to the European Parliament and the Council for an EU Regulation to create an internal market for electronic communications. In addition to positive proposals in the areas of frequency policy, Net neutrality and regulatory principles, an initial internal draft also provides for regulatory cuts in roaming rates (especially for incoming calls and wholesale rates for data roaming) and international call rates in the EU. The proposals are currently under discussion in the Commission. Further changes are to be expected in the subsequent legislative process in the EU Parliament and Council. The final regulations may entail both positive and negative effects.

### Other.

**Liability for the payment of VAT on services provided by external companies.** In addition to the telecommunications services of Telekom Deutschland GmbH, mobile customers of Telekom Deutschland GmbH have the option of additionally making use of services provided by external companies. The charges for these services are listed in a separate section in the mobile communications invoice of Telekom Deutschland GmbH, which does not state VAT, and are collected on behalf of the external companies. VAT is not transferred by Deutsche Telekom to the tax authorities. Referring to the Telecommunications Act, the tax authorities are of the opinion that Deutsche Telekom is liable to pay this VAT and not the external companies as service providers under civil law. Deutsche Telekom is of the opinion that these statutory regulations do not comply with European law. Should Deutsche Telekom lose the case, the tax liability would amount to around EUR 0.1 billion.

**Sale of the SI business unit at T-Systems France.** When selling the Systems Integration business unit of T-Systems France, 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 around EUR 70 million will be paid to the staff in the event of the insolvency of the buyer; this amount will decrease with each month expired of the term of the guarantee.

At the time of preparing this report, neither our risk management system nor our management could identify any material risks to the Company's continued existence as a going concern.

## EVENTS AFTER THE REPORTING PERIOD (JUNE 30, 2013).

For details on the ruling by the Frankfurt Higher Regional Court on July 3, 2013 in the model **prospect liabilities proceedings** and on developments in July 2013 regarding the **claims for damages due to the price squeeze**, please refer to the section "Risk situation," page 29.

**Regulation of mobile and fixed-network termination rates in Germany.** The Federal Network Agency published the final MTR decisions on July 19, 2013. For further details, please refer to the section "The economic environment," pages 9 and 10.

**Sale of Globul and Germanos.** The sale of Cosmo Bulgaria Mobile (Globul) and Germanos Telecom Bulgaria (Germanos) by OTE, which is part of the Europe operating segment, to the Norwegian telecommunications provider Telenor, which will acquire 100 percent of the shares, was completed on July 31, 2013. All responsible authorities had previously approved the transaction. The sale price is EUR 0.7 billion. The proceeds before taxes from the sale are expected to be EUR 0.2 billion.

## DEVELOPMENT OF REVENUE AND PROFITS.

The statements in this section reflect the current views of our management. The following explains the current main findings on changes to the development of revenue and profits in 2013 published in the 2012 combined management report (2012 Annual Report, page 178 et seq.). Other statements made therein remain valid. For additional information and recent changes in the economic situation, please refer to the section "The economic environment" in this interim Group management report. Readers are also referred to the Disclaimer at the end of this report.

### Changes from the 2012 Annual Report.

In the 2012 Annual Report, Deutsche Telekom presented the expectations of the Group and T-Mobile USA for 2013 on the basis of a pro-forma calculation taking into account MetroPCS for twelve months. At the shareholders' meeting of MetroPCS on April 24, 2013, the shareholders of MetroPCS approved the merger of MetroPCS and T-Mobile USA. The business combination was closed on May 1, 2013. As a result of the closing of the merger as of May 1, 2013, the new entity will now be included in the Deutsche Telekom Group for eight months instead of twelve.

The effects on our financial indicators in 2013 for the United States operating segment are as follows:

- **Revenue:** T-Mobile US has switched its business model to what it calls its "Un-carrier" strategy, which already shows first signs of success. Considerable customer additions have been recorded in the current year on the back of various measures, such as the inclusion of the Apple iPhone in the company's handset portfolio, the radical simplification of the rate plans and making contract terms more flexible. In the three months from April through June 2013, this resulted in the first significant quarterly net increase in the number of postpaid customers for some considerable time. T-Mobile US expects the positive customer trend recorded in the second quarter to continue over the full year. In view of this overall positive development, we continue to expect stabilization of the revenue trend on a like-for-like basis compared with the prior year.
- **EBITDA (adjusted for special factors):** In our 2012 Annual Report, we had stated that we expected to generate EBITDA of approximately USD 6 billion on the assumption that MetroPCS would be consolidated for the full twelve months. Now, however, as MetroPCS is only to be included for eight months of the year, and as a result of the increased level of capital expenditure to increase customer acquisition, T-Mobile US expects to generate adjusted EBITDA in 2013 of approximately USD 4.8 to 5.0 billion.
- **Investments:** As MetroPCS is now to be included in the Group for eight months of the year, T-Mobile US expects capital expenditure to amount to around USD 4.0 to 4.2 billion. In our 2012 Annual Report, when MetroPCS was expected to be included for twelve months, we stated that we expected capital expenditure of USD 4.7 to 4.8 billion.

With respect to our Systems Solutions operating segment, we stated in our 2012 Annual Report that we expected our revenue trend to remain stable compared with the prior year. Following the sale of T-Systems Italia and the Systems Integration business unit of T-Systems France, as well as internal measures to streamline IT and the corresponding negative impact on revenue at Telekom IT, we now expect to record slightly less revenue than in the prior year.

At Group level and on a like-for-like basis, we continue to expect a slight decrease in revenue in 2013 year-on-year. We further stated in our 2012 Annual Report that we expected adjusted EBITDA in 2013 – assuming inclusion of MetroPCS for the full twelve months – of around EUR 18.4 billion and free cash flow of approximately EUR 5 billion. In view of the aforementioned effects in the United States and with MetroPCS included for eight months, we now expect to generate adjusted EBITDA of around EUR 17.5 billion and free cash flow of around EUR 4.5 billion.



# INTERIM CONSOLIDATED FINANCIAL STATEMENTS.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

	June 30, 2013 millions of €	Dec. 31, 2012 <sup>a</sup> millions of €	Change millions of €	Change %	June 30, 2012 <sup>a</sup> millions of €
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>	<b>18,212</b>	<b>15,019</b>	<b>3,193</b>	<b>21.3</b>	<b>15,183</b>
Cash and cash equivalents	5,243	4,026	1,217	30.2	2,950
Trade and other receivables	6,763	6,417	346	5.4	6,608
Current recoverable income taxes	105	95	10	10.5	69
Other financial assets	2,100	2,020	80	4.0	2,516
Inventories	1,424	1,106	318	28.8	1,124
Non-current assets and disposal groups held for sale	744	90	654	n.a.	135
Other assets	1,833	1,265	568	44.9	1,781
<b>NON-CURRENT ASSETS</b>	<b>97,902</b>	<b>92,923</b>	<b>4,979</b>	<b>5.4</b>	<b>105,773</b>
Intangible assets	47,246	41,732	5,514	13.2	51,284
Property, plant and equipment	38,026	37,522	504	1.3	40,686
Investments accounted for using the equity method	6,218	6,726	(508)	(7.6)	6,766
Other financial assets	1,346	1,901	(555)	(29.2)	2,099
Deferred tax assets	4,742	4,712	30	0.6	4,620
Other assets	324	330	(6)	(1.8)	318
<b>TOTAL ASSETS</b>	<b>116,114</b>	<b>107,942</b>	<b>8,172</b>	<b>7.6</b>	<b>120,956</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>	<b>25,296</b>	<b>22,995</b>	<b>2,301</b>	<b>10.0</b>	<b>22,811</b>
Financial liabilities	10,874	9,260	1,614	17.4	9,784
Trade and other payables	6,831	6,445	386	6.0	5,356
Income tax liabilities	346	440	(94)	(21.4)	608
Other provisions	2,575	2,885	(310)	(10.7)	2,615
Liabilities directly associated with non-current assets and disposal groups held for sale	235	9	226	n.a.	0
Other liabilities	4,435	3,956	479	12.1	4,448
<b>NON-CURRENT LIABILITIES</b>	<b>59,568</b>	<b>54,416</b>	<b>5,152</b>	<b>9.5</b>	<b>60,271</b>
Financial liabilities	39,473	35,354	4,119	11.7	38,414
Provisions for pensions and other employee benefits	7,131	7,312	(181)	(2.5)	7,282
Other provisions	1,998	1,857	141	7.6	1,736
Deferred tax liabilities	6,934	5,988	946	15.8	8,757
Other liabilities	4,032	3,905	127	3.3	4,082
<b>LIABILITIES</b>	<b>84,864</b>	<b>77,411</b>	<b>7,453</b>	<b>9.6</b>	<b>83,082</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>31,250</b>	<b>30,531</b>	<b>719</b>	<b>2.4</b>	<b>37,874</b>
Issued capital	11,395	11,063	332	3.0	11,063
Treasury shares	(6)	(6)	0	0.0	(6)
<b>Capital reserves</b>	<b>11,389</b>	<b>11,057</b>	<b>332</b>	<b>3.0</b>	<b>11,057</b>
Capital reserves	51,297	51,506	(209)	(0.4)	51,505
Retained earnings including carryforwards	(37,348)	(29,106)	(8,242)	(28.3)	(28,582)
Total other comprehensive income	(2,215)	(2,176)	(39)	(1.8)	(1,598)
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale	0	-	-	-	-
Net profit (loss)	1,094	(5,353)	6,447	n.a.	1,027
<b>ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>24,217</b>	<b>25,928</b>	<b>(1,711)</b>	<b>(6.6)</b>	<b>33,409</b>
Non-controlling interests	7,033	4,603	2,430	52.8	4,465
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>116,114</b>	<b>107,942</b>	<b>8,172</b>	<b>7.6</b>	<b>120,956</b>

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

## CONSOLIDATED INCOME STATEMENT.

	Q2 2013 millions of €	Q2 2012 <sup>a</sup> millions of €	Change %	H1 2013 millions of €	H1 2012 <sup>a</sup> millions of €	Change %	FY 2012 <sup>a</sup> millions of €
<b>NET REVENUE</b>	<b>15,157</b>	<b>14,379</b>	<b>5.4</b>	<b>28,942</b>	<b>28,811</b>	<b>0.5</b>	<b>58,169</b>
Cost of sales	(8,968)	(8,287)	(8.2)	(16,922)	(16,540)	(2.3)	(34,256)
<b>GROSS PROFIT</b>	<b>6,189</b>	<b>6,092</b>	<b>1.6</b>	<b>12,020</b>	<b>12,271</b>	<b>(2.0)</b>	<b>23,913</b>
Selling expenses	(3,466)	(3,502)	1.0	(6,611)	(6,929)	4.6	(14,075)
General and administrative expenses	(1,235)	(1,231)	(0.3)	(2,391)	(2,520)	5.1	(4,855)
Other operating income	263	265	(0.8)	619	599	3.3	2,968
Other operating expenses	(226)	(204)	(10.8)	(420)	(338)	(24.3)	(11,913)
<b>PROFIT (LOSS) FROM OPERATIONS</b>	<b>1,525</b>	<b>1,420</b>	<b>7.4</b>	<b>3,217</b>	<b>3,083</b>	<b>4.3</b>	<b>(3,962)</b>
Finance costs	(521)	(512)	(1.8)	(1,043)	(1,047)	0.4	(2,033)
Interest income	74	80	(7.5)	139	163	(14.7)	306
Interest expense	(595)	(592)	(0.5)	(1,182)	(1,210)	2.3	(2,339)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	6	(32)	n.a.	(74)	(84)	11.9	(154)
Other financial income (expense)	(146)	(50)	n.a.	(224)	(8)	n.a.	(225)
<b>PROFIT (LOSS) FROM FINANCIAL ACTIVITIES</b>	<b>(661)</b>	<b>(594)</b>	<b>(11.3)</b>	<b>(1,341)</b>	<b>(1,139)</b>	<b>(17.7)</b>	<b>(2,412)</b>
<b>PROFIT (LOSS) BEFORE INCOME TAXES</b>	<b>864</b>	<b>826</b>	<b>4.6</b>	<b>1,876</b>	<b>1,944</b>	<b>(3.5)</b>	<b>(6,374)</b>
Income taxes	(220)	(227)	3.1	(611)	(562)	(8.7)	1,516
<b>PROFIT (LOSS)</b>	<b>644</b>	<b>599</b>	<b>7.5</b>	<b>1,265</b>	<b>1,382</b>	<b>(8.5)</b>	<b>(4,858)</b>
<b>PROFIT (LOSS) ATTRIBUTABLE TO</b>							
Owners of the parent (net profit (loss))	530	482	10.0	1,094	1,027	6.5	(5,353)
Non-controlling interests	114	117	(2.6)	171	355	(51.8)	495
<b>INCLUDED IN CONSOLIDATED INCOME STATEMENT</b>							
Personnel costs	(3,767)	(3,779)	0.3	(7,419)	(7,343)	(1.0)	(14,726)
Depreciation, amortization and impairment losses	(2,507)	(2,800)	10.5	(4,894)	(5,534)	11.6	(21,957)
Of which: amortization and impairment of intangible assets	(844)	(812)	(3.9)	(1,601)	(1,611)	0.6	(12,259)
Of which: depreciation and impairment of property, plant and equipment	(1,663)	(1,988)	16.3	(3,293)	(3,923)	16.1	(9,698)

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

## EARNINGS PER SHARE.

	Q2 2013	Q2 2012 <sup>a</sup>	Change %	H1 2013	H1 2012 <sup>a</sup>	Change %	FY 2012 <sup>a</sup>
Profit (loss) attributable to the owners of the parent (net profit (loss))	530	482	10.0	1,094	1,027	6.5	(5,353)
Weighted average number of ordinary shares (basic/diluted)	4,319	4,300	0.4	4,319	4,300	0.4	4,300
<b>EARNINGS PER SHARE BASIC/DILUTED</b>	<b>€ 0.12</b>	<b>0.11</b>	<b>9.1</b>	<b>0.25</b>	<b>0.24</b>	<b>4.2</b>	<b>(1.24)</b>

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.<sup>a</sup>**

	Q2 2013 millions of €	Q2 2012 <sup>b</sup> millions of €	Change millions of €	H1 2013 millions of €	H1 2012 <sup>b</sup> millions of €	Change millions of €	FY 2012 <sup>b</sup> millions of €
<b>PROFIT (LOSS)</b>	<b>644</b>	<b>599</b>	<b>45</b>	<b>1,265</b>	<b>1,382</b>	<b>(117)</b>	<b>(4,858)</b>
<b>Items not reclassified to the income statement retrospectively</b>							
Gain (loss) from the remeasurement of defined benefit plans	30	(804)	834	177	(1,086)	1,263	(1,822)
Share of profit (loss) of investments accounted for using the equity method	0	0	0	(17)	0	(17)	0
Income taxes relating to components of other comprehensive income	(6)	246	(252)	(52)	329	(381)	556
	24	(558)	582	108	(757)	865	(1,266)
<b>Items reclassified to the income statement retrospectively, if certain reasons are given</b>							
Exchange differences on translating foreign operations							
Recognition of other comprehensive income in income statement	0	0	0	0	0	0	4
Change in other comprehensive income (not recognized in income statement)	(266)	974	(1,240)	(452)	869	(1,321)	318
Available-for-sale financial assets							
Recognition of other comprehensive income in income statement	0	(2)	2	0	(227)	227	(227)
Change in other comprehensive income (not recognized in income statement)	(11)	1	(12)	(2)	14	(16)	33
Gains (losses) from hedging instruments							
Recognition of other comprehensive income in income statement	54	(49)	103	145	(44)	189	9
Change in other comprehensive income (not recognized in income statement)	(65)	16	(81)	(135)	(45)	(90)	(219)
Share of profit (loss) of investments accounted for using the equity method							
Recognition of other comprehensive income in income statement	0	0	0	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	5	0	5	3	0	3	22
Income taxes relating to components of other comprehensive income	5	5	0	(3)	39	(42)	77
	(278)	945	(1,223)	(444)	606	(1,050)	17
<b>OTHER COMPREHENSIVE INCOME</b>	<b>(254)</b>	<b>387</b>	<b>(641)</b>	<b>(336)</b>	<b>(151)</b>	<b>(185)</b>	<b>(1,249)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>390</b>	<b>986</b>	<b>(596)</b>	<b>929</b>	<b>1,231</b>	<b>(302)</b>	<b>(6,107)</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>							
Owners of the parent	270	896	(626)	764	1,016	(252)	(6,466)
Non-controlling interests	120	90	30	165	215	(50)	359

<sup>a</sup> The structure of the statement of comprehensive income was adjusted retrospectively due to the application of IAS 1 (amended) as of January 1, 2013.

<sup>b</sup> The prior-year comparatives were adjusted retrospectively due to the application of IAS 19 (amended) as of January 1, 2013.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.

	Issued capital and reserves attributable to owners of the parent				
	Equity contributed			Consolidated shareholders' equity generated	
	Issued capital	Treasury shares	Capital reserves	Retained earnings incl. carryforwards <sup>b</sup>	Net profit (loss) <sup>b</sup>
	millions of €	millions of €	millions of €	millions of €	millions of €
<b>BALANCE AT JANUARY 1, 2012</b>	<b>11,063</b>	<b>(6)</b>	<b>51,504</b>	<b>(25,371)</b>	<b>538</b>
Changes in the composition of the Group					
Unappropriated profit (loss) carried forward				538	(538)
Dividends				(3,010)	
Proceeds from the exercise of stock options/share matching plan			1		
Profit (loss)					1,027
Other comprehensive income				(739)	
Transfer to retained earnings					
<b>BALANCE AT JUNE 30, 2012</b>	<b>11,063</b>	<b>(6)</b>	<b>51,505</b>	<b>(28,582)</b>	<b>1,027</b>
<b>BALANCE AT JANUARY 1, 2013</b>	<b>11,063</b>	<b>(6)</b>	<b>51,506</b>	<b>(29,106)</b>	<b>(5,353)</b>
Changes in the composition of the Group					
Transactions among owners			(1,032)		
Unappropriated profit (loss) carried forward				(5,353)	5,353
Dividends				(3,010)	
Capital increase	332		811		
Proceeds from the exercise of stock options/share matching plan			12		
Share buy-back				(2)	
Profit (loss)					1,094
Other comprehensive income				122	
Transfer to retained earnings				1	
<b>BALANCE AT JUNE 30, 2013</b>	<b>11,395</b>	<b>(6)</b>	<b>51,297</b>	<b>(37,348)</b>	<b>1,094</b>

<sup>a</sup> The structure and the prior-year comparatives of the consolidated statement of comprehensive income were adjusted retrospectively as of January 1, 2013 to present the share of investments accounted for using the equity method in total other comprehensive income.

<sup>b</sup> The prior-year comparatives were adjusted retrospectively due to the application of IAS 19 (amended) as of January 1, 2013.

Issued capital and reserves attributable to owners of the parent						Total	Non-controlling interests <sup>b</sup>	Total shareholders' equity
Total other comprehensive income								
Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets	Hedging instruments <sup>a</sup>	Investments accounted for using the equity method <sup>a</sup>	Taxes <sup>b</sup>			
millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
(2,778)	(33)	102	537	20	(174)	35,402	4,630	40,032
						0		0
						0		0
						(3,010)	(381)	(3,391)
						1	1	2
						1,027	355	1,382
862		(78)	(89)		33	(11)	(140)	(151)
						0		0
(1,916)	(33)	24	448	20	(141)	33,409	4,465	37,874
(2,448)	(36)	43	327	42	(104)	25,928	4,603	30,531
						0	304	304
414		(1)			1	(618)	2,314	1,696
						0		0
						(3,010)	(358)	(3,368)
						1,143		1,143
						12	5	17
						(2)		(2)
						1,094	171	1,265
(441)		(2)	10	(14)	(5)	(330)	(6)	(336)
	(1)					0		0
(2,475)	(37)	40	337	28	(108)	24,217	7,033	31,250

## CONSOLIDATED STATEMENT OF CASH FLOWS.

	Q2 2013 millions of €	Q2 2012 <sup>a</sup> millions of €	H1 2013 millions of €	H1 2012 <sup>a</sup> millions of €	FY 2012 <sup>a</sup> millions of €
<b>PROFIT (LOSS)</b>	<b>644</b>	<b>599</b>	<b>1,265</b>	<b>1,382</b>	<b>(4,858)</b>
Depreciation, amortization and impairment losses	2,507	2,800	4,894	5,534	21,957
Income tax expense (benefit)	220	227	611	562	(1,516)
Interest income and interest expense	521	512	1,043	1,047	2,033
Other financial (income) expense	146	50	224	8	225
Share of (profit) loss of associates and joint ventures accounted for using the equity method	(6)	32	74	84	154
(Profit) loss on the disposal of fully consolidated subsidiaries	47	0	(8)	0	(6)
Other operating income from the agreement with Crown Castle concerning the leasing and use of cell towers in the United States	-	-	-	-	(1,444)
Other non-cash transactions	18	14	21	12	15
(Gain) loss from the disposal of intangible assets and property, plant and equipment	24	25	44	52	(83)
Change in assets carried as working capital	(508)	237	(856)	(306)	(24)
Change in provisions	(595)	(635)	(703)	(565)	(203)
Change in other liabilities carried as working capital	657	(73)	856	(441)	(406)
Income taxes received (paid)	(173)	(106)	(357)	(213)	(694)
Dividends received	2	165	112	359	490
Net payments from entering into or canceling interest rate swaps	67	0	67	83	122
<b>CASH GENERATED FROM OPERATIONS</b>	<b>3,571</b>	<b>3,847</b>	<b>7,287</b>	<b>7,598</b>	<b>15,762</b>
Interest paid	(820)	(973)	(1,738)	(1,858)	(3,060)
Interest received	280	317	434	424	875
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>3,031</b>	<b>3,191</b>	<b>5,983</b>	<b>6,164</b>	<b>13,577</b>
Cash outflows for investments in					
Intangible assets	(426)	(337)	(1,671)	(780)	(2,120)
Property, plant and equipment	(1,772)	(1,289)	(3,551)	(3,015)	(6,312)
Non-current financial assets	(32)	(66)	(202)	(105)	(1,028)
Payments to acquire control of subsidiaries and associates	(1)	(17)	(2)	(17)	(19)
Proceeds from disposal of					
Intangible assets	0	0	5	0	26
Property, plant and equipment	53	47	126	99	187
Cell towers from the framework agreement with Crown Castle in the United States	-	-	-	-	1,769
Non-current financial assets	25	22	27	411	549
Proceeds from the loss of control of subsidiaries and associates	61	0	92	0	50
Net change in cash and cash equivalents due to the first-time full consolidation of MetroPCS	1,641	-	1,641	-	-
Net change in short-term investments and marketable securities and receivables	(322)	549	(21)	207	219
Other	50	0	4	8	8
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(723)</b>	<b>(1,091)</b>	<b>(3,552)</b>	<b>(3,192)</b>	<b>(6,671)</b>
Proceeds from issue of current financial liabilities	2,678	5,742	5,905	13,193	22,664
Repayment of current financial liabilities	(2,392)	(4,921)	(7,917)	(15,261)	(29,064)
Proceeds from issue of non-current financial liabilities	108	162	3,077	1,854	3,539
Repayment of non-current financial liabilities	0	(37)	(127)	(81)	(171)
Dividends	(2,015)	(3,336)	(2,032)	(3,395)	(3,400)
Share buy-back	0	-	(2)	-	-
Repayment of lease liabilities	(39)	(41)	(82)	(83)	(169)
Stock options of other T-Mobile US shareholders (previous MetroPCS programs)	58	-	58	-	-
Other	1	0	0	0	0
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(1,601)</b>	<b>(2,431)</b>	<b>(1,120)</b>	<b>(3,773)</b>	<b>(6,601)</b>
Effect of exchange rate changes on cash and cash equivalents	(16)	(13)	(9)	2	(28)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	12	-	(85)	-	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>703</b>	<b>(344)</b>	<b>1,217</b>	<b>(799)</b>	<b>277</b>
<b>CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD</b>	<b>4,540</b>	<b>3,294</b>	<b>4,026</b>	<b>3,749</b>	<b>3,749</b>
<b>CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD</b>	<b>5,243</b>	<b>2,950</b>	<b>5,243</b>	<b>2,950</b>	<b>4,026</b>

<sup>a</sup> The prior-year comparatives for net cash from operating activities were adjusted retrospectively due to the application of IAS 19 (amended) as of January 1, 2013.

## SIGNIFICANT EVENTS AND TRANSACTIONS.

### ACCOUNTING POLICIES.

In accordance with § 37y of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) in conjunction with § 37w (2) WpHG, Deutsche Telekom AG's half-year financial report comprises interim consolidated financial statements and an interim management report for the Group as well as a responsibility statement pursuant to § 297 (2) sentence 4 and § 315 (1) sentence 6 of the German Commercial Code (Handelsgesetzbuch – HGB). The interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial reporting as adopted by the EU. The interim management report for the Group was prepared in accordance with the applicable provisions of the WpHG.

### Statement of compliance.

The interim consolidated financial statements for the period ended June 30, 2013 are in compliance with International Accounting Standard (IAS) 34. As permitted by IAS 34, it has been decided to publish a condensed version compared to the consolidated financial statements at December 31, 2012. All IFRSs applied by Deutsche Telekom have been adopted by the European Commission for use within the EU.

In the opinion of the Board of Management, the reviewed half-year financial report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the results of operations, financial position and cash flows of the Group. Please refer to the notes to the consolidated financial statements as of December 31, 2012 for the accounting policies applied for the Group's financial reporting (2012 Annual Report, page 201 et seq.).

Group Headquarters was realigned as of January 1, 2013. The segment includes central management and service functions as well as the newly formed Group Services. As part of this process, the 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. Comparative figures have been adjusted accordingly.

### Initial application of standards, interpretations and amendments to standards and interpretations in the reporting period relevant for the 2013 financial year.

In May 2011, the IASB issued **IFRS 13 "Fair Value Measurement."** With this standard, 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 fair value 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 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 fair value 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 that do not have any observable inputs. 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 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 also 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 are as follows:

- In the case of early retirement for civil servants, the new standard changes the time when the expense is recorded. The provisions are now only recognized when the civil servant accepts the offer, rather than when the overall program is communicated. In the consolidated income statement as of June 30, 2012, this has a positive effect on earnings of EUR 0.3 billion (before taxes). In the consolidated income statement as of December 31, 2012, the effects balance out completely during the year because this program is only approved once a year.
- 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. As of June 30, 2012, this has a negative effect on earnings of EUR 0.1 billion (before taxes). In the consolidated income statement as of December 31, 2012, this has a negative effect on earnings of EUR 0.1 billion (before taxes).
- 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. 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 arise for Deutsche Telekom in the consolidated income statements as of June 30, 2012 and December 31, 2012.

The change in the time of recognition resulting from the new standard, especially in the case of early retirement for civil servants, affects the deferred tax assets recognized in Deutsche Telekom's consolidated statement of financial position. Following the adjustment, these decreased by EUR 0.1 billion as of June 30, 2012. In the consolidated statement of financial position as of December 31, 2012, the effects balance out completely during the year. Due to the retrospective application of IAS 19, the carryforward of retained earnings in the statement of changes in equity as of January 1, 2012 also increased by EUR 0.1 billion to minus EUR 25.4 billion.

In addition, disclosure requirements for the pension provisions in the consolidated annual financial statements 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.

Deutsche Telekom also reduced the yield on the capital accounts in its company pension plan in Germany from an annual 5 percent to 3.75 percent by changing the plan. This change is not related to the application of IAS 19 (amended). The objective of the change is to achieve a standard Group-wide market return on the contributions to the capital account using a capital market-based interest rate. As market interest rates had fallen sharply, the return was no longer in line with the market. The change in the interest rate will be applied prospectively and result in a positive one-time effect of EUR 0.1 billion (before taxes) in the 2013 consolidated income statement.

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. When applied, 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.

For more information on standards, interpretations, and amendments that have been issued but not yet applied, as well as disclosures on the recognition and measurement of items in the statement of financial position and discretionary decisions and estimation uncertainties, please refer to the section on accounting policies in the notes to the consolidated financial statements on page 202 et seq. of the 2012 Annual Report.



## CHANGES IN THE COMPOSITION OF THE GROUP AND TRANSACTIONS AMONG OWNERS.

As of June 30, 2013, Deutsche Telekom conducted the following transactions, which had an impact on the composition of the Group.

### 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., telephones and smart-phones) 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 shares in the combined company 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 corresponds 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 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. 74.29 percent of the USD 1.5 billion paid to previous MetroPCS shareholders is to be deducted from the purchase price to determine 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 held 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:

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

The fair values of MetroPCS's acquired assets and liabilities recognized at the acquisition date are presented in the following table. Since the purchase price allocation is provisional, the figures, in particular regarding financial assets and liabilities, may still change. In accordance with IFRS 3, purchase price allocation must be completed no later than one year after the acquisition date.

	Fair value at the acquisition date millions of €
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	<b>1,980</b>
Cash and cash equivalents	1,639
Trade and other receivables	65
Other financial assets	10
Inventories	131
Other assets	135
<b>NON-CURRENT ASSETS</b>	<b>6,214</b>
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	126
Deferred tax assets	3
<b>ASSETS</b>	<b>8,194</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
<b>CURRENT LIABILITIES</b>	<b>521</b>
Financial liabilities	43
Trade and other payables	205
Income tax liabilities	1
Other provisions	68
Other liabilities	204
<b>NON-CURRENT LIABILITIES</b>	<b>5,733</b>
Financial liabilities	4,947
Other provisions	161
Deferred tax liabilities	518
Other liabilities	107
<b>LIABILITIES</b>	<b>6,254</b>

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:

	Fair value at the acquisition date millions of €
Consideration transferred	1,640
Assets acquired for 100 % of the shares	(7,239)
Assets acquired for 25.71 % of the shares (non-controlling interests)	1,861
Liabilities acquired for 100 % of the shares	6,254
Liabilities acquired for 25.71 % of the shares (non-controlling interests)	(1,608)
MetroPCS stock option program	47
<b>GOODWILL</b>	<b>955</b>

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 arising from 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 June 30, 2013:

	Development of goodwill millions of €
Goodwill on May 1, 2013	955
Exchange rate effects	0
<b>GOODWILL ON JUNE 30, 2013</b>	<b>955</b>

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 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 611 million on account of the acquisition of MetroPCS (please also refer to the table on the changes in the composition of the Group). Had the business combination already occurred on January 1, 2013, net revenue as of June 30, 2013 would have been EUR 1,940 million higher. Deutsche Telekom's net profit/loss for the current reporting period includes profit from MetroPCS of EUR 11 million. Had the business combination already occurred on January 1, 2013, net profit as of June 30, 2013 would have been EUR 86 million higher.

Transaction costs of EUR 37 million were incurred up to June 30, 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. Under this program, beneficiaries will receive shares of T-Mobile US at the end of the two- to four-year vesting period. In addition, T-Mobile US will grant shares to executives in upper management in line with the results-based targets achieved. These shares will be allocated at the end of the vesting period. As of June 30, 2013, neither the expense nor the effect on capital reserves recognized in shareholders' equity from this program was material for Deutsche Telekom.

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. The stake held by Deutsche Telekom AG in MetroPCS was diluted to 73.73 percent as a result of the options exercised by June 30, 2013.

#### 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.

### Presentation of the quantitative effects on the composition of the Group.

The following table shows the effect of changes in the composition of the Group on the consolidated income statement and segment reporting for the first half of 2013.

	Germany	United States	Europe	Systems Solutions	Group Headquarters & Group Services	Reconciliation	Total
	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
Net revenue	(7)	611	(5)	(17)	0	0	582
Cost of sales	3	(416)	2	19	0	0	(392)
<b>GROSS PROFIT (LOSS)</b>	<b>(4)</b>	<b>195</b>	<b>(3)</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>190</b>
Selling expenses	0	(108)	1	2	0	0	(105)
General and administrative expenses	1	(34)	0	1	0	0	(32)
Other operating income	0	1	0	0	0	1	2
Other operating expenses	(1)	0	0	0	0	0	(1)
<b>PROFIT (LOSS) FROM OPERATIONS</b>	<b>(4)</b>	<b>54</b>	<b>(2)</b>	<b>5</b>	<b>0</b>	<b>1</b>	<b>54</b>
Finance costs	0	(43)	(1)	0	0	0	(44)
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)	2	0	0	0	0	(1)	1
<b>PROFIT (LOSS) FROM FINANCIAL ACTIVITIES</b>	<b>2</b>	<b>(43)</b>	<b>(1)</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>(43)</b>
<b>PROFIT (LOSS) BEFORE INCOME TAXES</b>	<b>(2)</b>	<b>11</b>	<b>(3)</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>11</b>
Income taxes	0	0	0	0	0	0	0
<b>PROFIT (LOSS)</b>	<b>(2)</b>	<b>11</b>	<b>(3)</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>11</b>

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

#### Non-current assets and disposal groups held for sale.

Non-current assets and disposal groups held for sale increased to EUR 0.7 billion compared with December 31, 2012, primarily due to the proposed sale of shares in Cosmo Bulgaria Mobile (Globul) and Germanos Telecom Bulgaria (Germanos). OTE, which is part of the Europe operating segment, announced on April 26, 2013 that it had signed an agreement on this sale. The sale was not completed as of June 30, 2013.

#### Intangible assets and property, plant and equipment.

**Intangible assets** increased by EUR 5.5 billion to EUR 47.2 billion as a result of the effects from changes in the composition of the Group following the full consolidation of MetroPCS accounting for EUR 4.1 billion. These assets included, among others, FCC licenses of EUR 2.9 billion, and capitalized customer bases of EUR 0.8 billion (please also refer to disclosures on the acquisition of MetroPCS, pages 41 and 42). Capital expenditure of EUR 2.9 billion also increased the carrying amount of intangible assets. Additions in the first half of 2013 included goodwill of EUR 1.0 billion from the acquisition of MetroPCS, spectrum of EUR 1.1 billion acquired in particular at T-Mobile Netherlands. These additions were offset by amortization of EUR 1.6 billion.

In June 2013, T-Mobile US committed to buy spectrum worth EUR 0.2 billion. The transaction is expected to be closed in the second half of 2013.

**Property, plant and equipment** increased by EUR 0.5 billion to EUR 38.0 billion as a result of capital expenditure totaling EUR 3.7 billion. Capital expenditure for the LTE roll-out in the United States operating segment, for example, contributed EUR 1.9 billion to this increase. Property, plant and equipment also increased due to effects from changes in the composition of the Group totaling EUR 1.0 billion in connection with the full consolidation of MetroPCS (please also refer to disclosures on the acquisition of MetroPCS, pages 41 and 42). This included in particular EUR 0.7 billion for technical equipment and machinery and EUR 0.3 billion for land and buildings. The carrying amounts of property, plant and equipment were reduced by the following amounts: EUR 3.3 billion for depreciation and EUR 0.3 billion which were reclassified to non-current assets and disposal groups held for sale in connection with the sale of Globul and Germanos which was completed on July 31, 2013. EUR 0.2 billion were derecognized as disposals.

#### Investments accounted for using the equity method.

Investments accounted for using the equity method decreased by EUR 0.5 billion to EUR 6.2 billion in the first half of 2013. This decrease was mainly due to the Everything Everywhere joint venture. Exchange rate effects reduced the carrying amount of the investment by EUR 0.3 billion; a dividend received and a loss reduced the carrying amount by EUR 0.1 billion each.

### Financial liabilities.

Financial liabilities increased by EUR 5.7 billion to a total of EUR 50.3 billion compared with the end of 2012. The first-time inclusion of MetroPCS gave rise to effects from changes in the composition of the Group of EUR 5.0 billion.

The following table shows the composition and maturity structure of financial liabilities as of June 30, 2013:

	June 30, 2013 millions of €	Due ≤ 1 year millions of €	Due > 1 ≤ 5 years millions of €	Due > 5 years millions of €
Bonds and other securitized liabilities	40,087	6,550	13,602	19,935
Liabilities to banks	3,981	1,585	2,196	200
Finance lease liabilities	1,510	163	560	787
Liabilities to non-banks from promissory notes	1,135	78	594	463
Other interest-bearing liabilities	857	612	150	95
Other non-interest-bearing liabilities	1,776	1,686	89	1
Derivative financial liabilities	1,001	200	460	341
<b>FINANCIAL LIABILITIES</b>	<b>50,347</b>	<b>10,874</b>	<b>17,651</b>	<b>21,822</b>

### Liabilities directly associated with non-current assets and disposal groups held for sale.

The increase of EUR 0.2 billion compared with December 31, 2012 was attributable to the proposed sale of shares in Cosmo Bulgaria Mobile (Globul) and Germanos Telecom Bulgaria (Germanos). The sale was not completed as of June 30, 2013.

### Shareholders' equity.

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 in kind, i.e., shares of Deutsche Telekom AG with an equivalent value. Dividend entitlements of Deutsche Telekom AG shareholders amounting to EUR 1.1 billion were paid in the form of shares from authorized capital and thus did not have an impact on cash flows. For the payment in kind, Deutsche Telekom carried out an increase in issued capital of EUR 0.3 billion in June 2013 against contribution of dividend entitlements. In this context, capital reserves increased by EUR 0.8 billion. This increased the number of shares by 129.9 million.

## SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT.

### Other operating income.

	H1 2013 millions of €	H1 2012 millions of €
Income from reimbursements	180	197
Income from the reversal of impairment losses on non-current financial assets in accordance with IFRS 5	1	3
Income from the disposal of non-current assets	49	20
Income from insurance compensation	44	23
Income from divestitures	60	-
Miscellaneous other operating income	285	356
	<b>619</b>	<b>599</b>

Miscellaneous other operating income decreased year-on-year by EUR 0.1 billion. Proceeds of EUR 0.1 billion from a concluded legal dispute with Kreditanstalt für Wiederaufbau affected this item positively in the prior-year period. Miscellaneous other operating income otherwise included a large number of smaller individual items.

### Other operating expenses.

	H1 2013 millions of €	H1 2012 millions of €
Losses on disposal of non-current assets	(93)	(74)
Impairment losses	(38)	(21)
Losses from divestitures	(52)	-
Miscellaneous other operating expenses	(237)	(243)
	<b>(420)</b>	<b>(338)</b>

Miscellaneous other operating expenses did not change significantly compared with the prior-year period and include a large number of smaller individual items.

### Profit/loss from financial activities.

The increase of EUR 0.2 billion in the loss from financial activities compared with the prior-year period is attributable to the sale of Telekom Srbija. In connection with this transaction, other financial income/expense had included income of EUR 0.2 billion in the prior-year period.

### Income taxes.

A tax expense of EUR 0.6 billion was recorded in the first half of 2013, 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. Additionally, the tax rate was raised in Greece. This resulted in a non-cash deferred tax expense of EUR 0.1 billion in the reporting period. This effect was offset by tax income also amounting to EUR 0.1 billion which was attributable to lower tax liabilities for prior years.

**OTHER DISCLOSURES.****Depreciation, amortization and impairment losses.**

Depreciation, amortization and impairment losses decreased by EUR 0.6 billion year-on-year to EUR 4.9 billion, in particular due to lower depreciation and amortization in the United States and Germany operating segments in the first half of 2013. The carrying amount of property, plant and equipment, and intangible assets in the United States operating segment was reduced as a result of an impairment loss recognized in the third quarter of 2012. The expiry of economic useful lives of parts of outside plant in the Germany operating segment resulted in lower depreciation and amortization.

**Notes to the consolidated statement of cash flows.**

**Net cash from operating activities.** Net cash from operating activities in the first half of 2013 decreased by EUR 0.2 billion compared with the prior-year period to EUR 6.0 billion. Negative effects were recorded since the dividend received from the Everything Everywhere joint venture was EUR 0.2 billion lower than in the prior-year period, while income taxes were EUR 0.1 billion higher as a result of the income received in connection with the termination of the agreement with AT&T on the sale of T-Mobile USA (AT&T transaction). In addition, net cash from operating activities was impacted by an increase of EUR 0.2 billion in severance payments and of EUR 0.1 billion in compensation payments for MetroPCS employees due to the business combination with T-Mobile USA. These negative effects were partly offset by the year-on-year decrease of EUR 0.1 billion in net interest payments. Furthermore, net cash from operating activities in the first half of 2012 had included cash outflows of EUR 0.3 billion in connection with the AT&T transaction.

**Net cash used in investing activities.**

	H1 2013 millions of €	H1 2012 millions of €
Cash capex		
Germany operating segment	(1,238)	(1,722)
United States operating segment	(1,656)	(996)
Europe operating segment	(1,900)	(797)
Systems Solutions operating segment	(427)	(505)
Group Headquarters & Group Services	(171)	(216)
Reconciliation	170	441
Net change in cash and cash equivalents due to the first-time inclusion of MetroPCS	1,641	-
Proceeds from the disposal of property, plant and equipment	126	99
Proceeds from the loss of control of subsidiaries and associates <sup>a</sup>	92	-
Net cash flows for collateral deposited for hedging transactions	(204)	(50)
Acquisition of government bonds (net)	(127)	-
Sale of Telekom Srbija	-	380
Repayment of a bond issued by the Everything Everywhere joint venture	-	218
Other	142	(44)
	<b>(3,552)</b>	<b>(3,192)</b>

<sup>a</sup> Includes proceeds of EUR 157 million from the sale of Hellas Sat.

**Net cash used in financing activities.**

	H1 2013 millions of €	H1 2012 millions of €
Issuance of euro bonds	1,972	-
Issuance of euro bonds by OTE	888	-
Commercial paper (net)	604	1,260
Issuance of medium-term notes (non-current)	138	342
T-Mobile US stock options	58	-
Issuance of U.S. dollar bonds	-	1,502
Dividends (including to non-controlling interests) <sup>a</sup>	(2,032)	(3,395)
Repayment of credit line by OTE	(600)	-
Repayment of financial liabilities to Sireo	(534)	-
Net cash flows for collateral deposited for hedging transactions	(430)	143
Repayment/buy-back of euro bonds by OTE	(428)	-
Repayment of yen bond	(385)	-
Net repayment of cash deposits from the Everything Everywhere joint venture	(271)	(33)
Repayment of promissory note	(99)	-
Repayment of lease liabilities	(82)	(83)
Repayment of EIB loans	(32)	(532)
Repayment of medium-term notes (current)	(29)	(999)
Repayment of euro bonds	-	(1,978)
Other	142	-
	<b>(1,120)</b>	<b>(3,773)</b>

<sup>a</sup> In June 2013, dividend entitlements of Deutsche Telekom AG shareholders in the amount of EUR 1.1 billion did not have an effect on cash flows when fulfilled, but were substituted by shares from authorized capital (please refer to the disclosures on shareholders' equity, page 44). The dividend entitlements of Deutsche Telekom AG shareholders having an effect on cash flows totaled EUR 1.9 billion.

### Segment reporting.

The following table gives an overall summary of Deutsche Telekom's operating segments and Group Headquarters & Group Services for the first halves of 2013 and 2012.

Group Headquarters was realigned as of January 1, 2013. The segment includes central management and service functions as well as the newly formed Group Services. As part of this process, it was renamed Group Headquarters & Group Services. Our 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.

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. Reporting was changed to improve the way in which these units can be managed. Comparative figures have been adjusted retrospectively.

A reconciliation for the changes in the disclosure of key performance indicators can be found in the section "Additional information" on page 56 of this Interim Group Report.

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

### Half-year segment information.<sup>a</sup>

	Net revenue	Inter- segment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets <sup>b,c</sup>	Segment liabilities <sup>b</sup>	Investments accounted for using the equity method <sup>b</sup>
	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
<b>H1 2013</b>									
<b>H1 2012</b>									
Germany	10,443	688	11,131	2,335	(1,944)	0	32,056	23,938	17
	10,604	665	11,269	2,228	(2,203)	0	31,224	22,972	16
United States	8,364	2	8,366	813	(926)	1	36,776	25,790	206
	7,660	3	7,663	740	(1,190)	(11)	27,436	21,254	215
Europe	6,427	320	6,747	859	(1,376)	(2)	36,929	13,330	5,923
	6,816	342	7,158	900	(1,442)	(5)	36,579	12,079	6,410
Systems Solutions	3,186	1,406	4,592	(176)	(329)	(14)	8,855	5,684	10
	3,238	1,704	4,942	(133)	(305)	(1)	9,045	5,872	23
Group Headquarters & Group Services	522	930	1,452	(611)	(308)	(22)	96,008	54,969	62
	493	876	1,369	(634)	(329)	(46)	95,182	53,524	62
<b>TOTAL</b>	<b>28,942</b>	<b>3,346</b>	<b>32,288</b>	<b>3,220</b>	<b>(4,883)</b>	<b>(37)</b>	<b>210,624</b>	<b>123,711</b>	<b>6,218</b>
	<b>28,811</b>	<b>3,590</b>	<b>32,401</b>	<b>3,101</b>	<b>(5,469)</b>	<b>(63)</b>	<b>199,466</b>	<b>115,701</b>	<b>6,726</b>
Reconciliation	-	(3,346)	(3,346)	(3)	26	0	(94,510)	(38,847)	-
	-	(3,590)	(3,590)	(18)	(2)	0	(91,524)	(38,290)	-
<b>GROUP</b>	<b>28,942</b>	<b>-</b>	<b>28,942</b>	<b>3,217</b>	<b>(4,857)</b>	<b>(37)</b>	<b>116,114</b>	<b>84,864</b>	<b>6,218</b>
	<b>28,811</b>	<b>-</b>	<b>28,811</b>	<b>3,083</b>	<b>(5,471)</b>	<b>(63)</b>	<b>107,942</b>	<b>77,411</b>	<b>6,726</b>

<sup>a</sup> As of July 1, 2012, Deutsche Telekom reorganized its corporate IT infrastructure (please refer to the section "Segment reporting" in the 2012 Annual Report, page 256 et seq.).

The prior-year comparatives were therefore adjusted retrospectively.

<sup>b</sup> Figures relate to the reporting dates of June 30, 2013 and December 31, 2012, respectively.

<sup>c</sup> At Group Headquarters & Group Services, part of the dividend to which Deutsche Telekom AG shareholders were entitled did not have an effect on cash flows, but was provided in the form of shares (please refer to the section "Shareholders' equity," page 44).

Due to the completed acquisition of MetroPCS, Deutsche Telekom changed the internal financing structure with T-Mobile US in the second quarter of 2013. Existing financial liabilities were redeemed and new financial liabilities were issued at different terms and conditions (please also refer to details on the acquisition of MetroPCS, pages 41 and 42).

**Contingent liabilities.**

This section provides additional information and explains recent changes in the contingent liabilities as described in the consolidated financial statements for the 2012 financial year.

**Claims relating to charges for shared use of cable ducts.** Kabel Deutschland Vertrieb und Service GmbH (KDG) quantified its claim for allegedly excessive charges from 2012 and is now demanding around EUR 340 million plus interest as well as around EUR 10 million for acquired interest benefits from Telekom Deutschland GmbH. KDG is also demanding a reduction in charges for the future. A hearing took place on June 12, 2013. The Court intends to issue a ruling on August 14, 2013. It is currently not possible to estimate the financial impact of the proceedings with sufficient certainty.

**Mobile communications patent litigation.** Deutsche Telekom AG and IPCom GmbH & Co. KG signed a license agreement. The license agreement allows the Deutsche Telekom Group to use all current and future patents in the IPCom portfolio worldwide. Furthermore, all pending mutual infringement and nullity proceedings were thus ended through withdrawal of the respective actions. This terminates the series of proceedings.

**Liability for the payment of VAT on services provided by external companies.**

In addition to the telecommunications services of Telekom Deutschland GmbH, mobile customers of Telekom Deutschland GmbH have the option of additionally making use of services provided by external companies. The charges for these services are listed in a separate section in the mobile communications invoice of Telekom Deutschland GmbH, which does not state VAT, and are collected on behalf of the third-party companies. VAT is not transferred by Deutsche Telekom to the tax authorities. Referring to the Telecommunications Act, the tax authorities are of the opinion that Deutsche Telekom is liable to pay this VAT and not the external companies as service providers under civil law. Deutsche Telekom is of the opinion that these statutory regulations do not comply with European law. Should Deutsche Telekom lose the case, the tax liability would amount to around EUR 0.1 billion.

**Sale of the SI business unit at T-Systems France.** When selling the Systems Integration business unit of T-Systems France, 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 around EUR 70 million will be paid to the staff in the event of the insolvency of the buyer; this amount will decrease with each month expired of the term of the guarantee.

**Contingent assets.**

**German Main Customs Office.** The electricity tax claims of EUR 0.2 billion asserted against the German Main Customs Office and previously disclosed as contingent assets were recognized in profit and loss following the ruling of the Munich Finance Court dated May 3, 2013 in Deutsche Telekom's favor.

## DISCLOSURES ON FINANCIAL INSTRUMENTS.

## Carrying amounts, amounts recognized, and fair values by class and measurement category.

	Category in accordance with IAS 39	Carrying amounts June 30, 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
		millions of €	millions of €	millions of €	millions of €	millions of €
<b>ASSETS</b>						
Cash and cash equivalents	LaR	5,243	5,243			
Trade receivables	LaR	6,619	6,619			
Originated loans and receivables	LaR/n.a.	1,956	1,740			
Other non-derivative financial assets						
Held-to-maturity investments	HtM	21	21			
Financial assets available for sale	AFS	586		229	357	
Derivative financial assets						
Derivatives without a hedging relationship	FAHFT	751				751
Derivatives with a hedging relationship	n.a.	131			85	46
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Trade payables	FLAC	6,816	6,816			
Bonds and other securitized liabilities	FLAC	40,087	40,087			
Liabilities to banks	FLAC	3,981	3,981			
Liabilities to non-banks from promissory notes	FLAC	1,135	1,135			
Other interest-bearing liabilities	FLAC	857	857			
Other non-interest-bearing liabilities	FLAC	1,776	1,776			
Finance lease liabilities	n.a.	1,510				
Derivative financial liabilities						
Derivatives without a hedging relationship	FLHFT	476				476
Derivatives with a hedging relationship	n.a.	525			367	158
Of which: aggregated by category in accordance with IAS 39						
Loans and receivables	LaR	13,602	13,602			
Held-to-maturity investments	HtM	21	21			
Available-for-sale financial assets	AFS	586		229	357	
Financial assets held for trading	FAHFT	751				751
Financial liabilities measured at amortized cost	FLAC	54,652	54,652			
Financial liabilities held for trading	FLHFT	476				476



Amounts recognized in the statement of financial posi- tion according to IAS 17 millions of €	Fair value June 30, 2013 millions of €	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2012 millions of €	Amounts recognized in the statement of financial position according to IAS 39				Amounts recognized in the statement of financial posi- tion according to IAS 17 millions of €	Fair value Dec. 31, 2012 millions of €
				Amortized cost millions of €	Cost millions of €	Fair value recognized in equity millions of €	Fair value recognized in profit or loss millions of €		
	5,243	LaR	4,026	4,026					4,026
	6,619	LaR	6,316	6,316					6,316
216	1,956	LaR/n.a.	2,123	1,875				248	2,123
	21	HtM	131	131					131
	357	AfS	380		230	150			150
	751	FAHfT	531				531		531
	131	n.a.	756			257	499		756
	6,816	FLAC	6,415	6,415					6,415
	43,897	FLAC	33,674	33,674					38,544
	4,118	FLAC	3,912	3,912					4,082
	1,367	FLAC	1,167	1,167					1,383
	892	FLAC	2,085	2,085					2,085
	1,776	FLAC	1,611	1,611					1,611
1,510	1,820	n.a.	1,246					1,246	1,635
	476	FLHfT	335				335		335
	525	n.a.	584			584			584
	13,602	LaR	12,217	12,217					12,217
	21	HtM	131	131					131
	357	AfS	380		230	150			150
	751	FAHfT	531				531		531
	58,866	FLAC	48,864	48,864					54,120
	476	FLHfT	335				335		335

## Financial instruments measured at fair value.

	June 30, 2013				Dec. 31, 2012			
	Level 1 millions of €	Level 2 millions of €	Level 3 millions of €	Total millions of €	Level 1 millions of €	Level 2 millions of €	Level 3 millions of €	Total millions of €
<b>ASSETS</b>								
Available-for-sale financial assets (AfS)	329	28		357	107	43		150
Financial assets held for trading (FAHFT)		751		751		531		531
Derivative financial assets with a hedging relationship		131		131		756		756
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>								
Financial liabilities held for trading (FLHFT)		476		476		335		335
Derivative financial liabilities with a hedging relationship		525		525		584		584

Cash and cash equivalents, and trade and other receivables mainly have short-term maturities. For this reason, their carrying amounts at the reporting date approximate their fair values.

The fair values of other non-current receivables and held-to-maturity financial investments due after more than one year correspond to the present values of the payments related to the assets, taking into account the current interest rate parameters that reflect market- and partner-based changes to terms and conditions, and expectations. 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. EUR 329 million (December 31, 2012: EUR 107 million) is presented in Level 1, mainly attributable to government bonds.

Trade and other payables, as well as other liabilities, generally have short times to maturity; the values reported approximate the fair values.

The fair values of the quoted bonds and other securitized liabilities equal the nominal amounts multiplied by the price quotations at the reporting date.

The fair values of unquoted bonds, liabilities to banks, liabilities to non-banks from promissory notes, and other financial 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.

The fair value of traded derivatives is equal to their market value, which can be positive or negative. If there is no market value available, the fair value is determined using standard financial valuation models. The fair value of derivatives is the value that Deutsche Telekom would receive or have to pay if the financial instrument were discontinued 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.

**Disclosures on credit risk.** In line with the contractual provisions, in the event of insolvency all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 210 million (December 31, 2012: EUR 729 million), which further reduced the credit risk. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 882 million as of the reporting date (December 31, 2012: EUR 1,287 million) had a maximum credit risk of EUR 18 million (December 31, 2012: EUR 60 million) as of June 30, 2013.

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 444 million (December 31, 2012: EUR 246 million) were thus not exposed to any credit risks as of the reporting date. No other significant agreements reducing the maximum exposure to the credit risks of financial assets existed. The maximum exposure to credit risk of the other financial assets thus corresponds to their carrying amounts. The collateral paid, which is reported under originated loans and receivables within other financial assets, is not subject to a credit risk and therefore constitutes a separate class of financial assets. Likewise, the collateral received, which is reported under financial liabilities, constitutes a separate class of financial liabilities on account of its connection to the corresponding derivatives.

**Related party disclosures.**

There were no significant changes at June 30, 2013 to the related party disclosures reported in the consolidated financial statements as of December 31, 2012, with the exception of the matters described below.

Net funds of EUR 0.3 billion that had been invested by the Everything Everywhere joint venture were repaid to the company by Deutsche Telekom effective June 30, 2013.

KfW Bankengruppe requested its dividend entitlement for shares in Deutsche Telekom AG be paid out partly in cash and partly in shares from authorized capital. As a result, it received 47,429 shares in June 2013. The stake of KfW Bankengruppe in Deutsche Telekom AG as of June 30, 2013 totaled 17.4 percent.

**Executive bodies.**

**Changes in the composition of the Board of Management.** At its meeting on May 15, 2013, the Supervisory Board appointed Timotheus Höttges as René Obermann's successor as Chairman of the Board of Management of Deutsche Telekom effective January 1, 2014. In addition, Thomas Dannenfeldt was appointed as successor to Timotheus Höttges in the role of Chief Financial Officer of Deutsche Telekom, effective January 1, 2014. The Supervisory Board also extended the contract of Niek Jan van Damme as Member of the Board of Management for Germany for another five years for the period from March 1, 2014 to February 28, 2019.

**Changes in the composition of the Supervisory Board.** Prof. Ulrich Middellmann passed away on July 2, 2013. Since January 2010, he had been a member of the Supervisory Board of Deutsche Telekom AG, Chairman of the Finance Committee, and a member of the U.S. Special Committee.

**EVENTS AFTER THE REPORTING PERIOD (JUNE 30, 2013).**

**Sale of Globul and Germanos.** The sale of Cosmo Bulgaria Mobile (Globul) and Germanos Telecom Bulgaria (Germanos) by OTE, which is part of the Europe operating segment, to the Norwegian telecommunications provider Telenor, which will acquire 100 percent of the shares, was completed on July 31, 2013. All responsible authorities had previously approved the transaction. The sale price is EUR 0.7 billion. The proceeds before taxes from the sale are expected to be EUR 0.2 billion.

## RESPONSIBILITY STATEMENT.

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the results of operations and financial position of the Group, and the interim Group management report 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 for the remaining months of the financial year.

Bonn, August 8, 2013

**Deutsche Telekom AG**  
**Board of Management**



René Obermann



Reinhard Clemens



Niek Jan van Damme



Timotheus Höttges



Dr. Thomas Kremer



Claudia Nemat



Prof. Marion Schick

## REVIEW REPORT.

### To Deutsche Telekom AG, Bonn.

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement and statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to June 30, 2013, which are part of the half-yearly financial report pursuant to § 37w of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to the interim financial reporting as adopted by the EU and to the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

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

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

Frankfurt/Main, August 8, 2013

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Harald Kayser  
Wirtschaftsprüfer

Uwe Schwalm  
Wirtschaftsprüfer

# ADDITIONAL INFORMATION.

## RECONCILIATION OF PRO FORMA FIGURES.

### SPECIAL FACTORS.

The following table presents a reconciliation of EBITDA, EBIT, and net profit/loss to the respective figures adjusted for special factors. Reconciliations are presented for the reporting period, the prior-year period, and the full 2012 financial year:

	EBITDA H1 2013 millions of €	EBIT H1 2013 millions of €	EBITDA H1 2012 <sup>a</sup> millions of €	EBIT H1 2012 <sup>a</sup> millions of €	EBITDA FY 2012 <sup>a</sup> millions of €	EBIT FY 2012 <sup>a</sup> millions of €
<b>EBITDA/EBIT</b>	<b>8,111</b>	<b>3,217</b>	<b>8,617</b>	<b>3,083</b>	<b>17,995</b>	<b>(3,962)</b>
<b>GERMANY</b>	<b>(255)</b>	<b>(255)</b>	<b>(260)</b>	<b>(260)</b>	<b>(560)</b>	<b>(560)</b>
Staff-related measures	(273)	(273)	(251)	(251)	(500)	(500)
Non-staff-related restructuring	(10)	(10)	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(10)	(10)	0	0	(8)	(8)
Other	38	38	(9)	(9)	(52)	(52)
<b>UNITED STATES</b>	<b>(80)</b>	<b>(80)</b>	<b>(100)</b>	<b>(100)</b>	<b>1,479</b>	<b>(9,110)</b>
Staff-related measures	(62)	(62)	(72)	(72)	(69)	(69)
Non-staff-related restructuring	(1)	(1)	(27)	(27)	(28)	(28)
Effects of deconsolidations, disposals and acquisitions	(17)	(17)	0	0	1,558	1,558
Impairment losses	-	0	-	0	-	(10,589)
Other	0	0	(1)	(1)	18	18
<b>EUROPE</b>	<b>41</b>	<b>41</b>	<b>(40)</b>	<b>(43)</b>	<b>(208)</b>	<b>(571)</b>
Staff-related measures	(28)	(28)	(7)	(7)	(182)	(182)
Non-staff-related restructuring	6	6	0	0	(16)	(19)
Effects of deconsolidations, disposals and acquisitions	59	59	0	0	0	0
Impairment losses	-	0	-	0	-	(360)
Other	4	4	(33)	(36)	(10)	(10)
<b>SYSTEMS SOLUTIONS</b>	<b>(229)</b>	<b>(242)</b>	<b>(148)</b>	<b>(148)</b>	<b>(405)</b>	<b>(417)</b>
Staff-related measures	(87)	(87)	(85)	(85)	(238)	(238)
Non-staff-related restructuring	(85)	(98)	(48)	(48)	(166)	(178)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	(57)	(57)	(15)	(15)	(1)	(1)
<b>GROUP HEADQUARTERS &amp; GROUP SERVICES</b>	<b>(71)</b>	<b>(71)</b>	<b>(18)</b>	<b>(18)</b>	<b>(282)</b>	<b>(282)</b>
Staff-related measures	(75)	(75)	(87)	(87)	(243)	(243)
Non-staff-related restructuring	(3)	(3)	(7)	(7)	(13)	(13)
Effects of deconsolidations, disposals and acquisitions	9	9	9	9	(46)	(46)
Other	(2)	(2)	67	67	20	20
<b>GROUP RECONCILIATION</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2)</b>	<b>(1)</b>
Staff-related measures	0	0	0	0	0	0
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	1	1	0	0	0	0
Other	(1)	(1)	0	0	(2)	(1)
<b>TOTAL SPECIAL FACTORS</b>	<b>(594)</b>	<b>(607)</b>	<b>(566)</b>	<b>(569)</b>	<b>22</b>	<b>(10,941)</b>
<b>EBITDA/EBIT (ADJUSTED FOR SPECIAL FACTORS)</b>	<b>8,705</b>	<b>3,824</b>	<b>9,183</b>	<b>3,652</b>	<b>17,973</b>	<b>6,979</b>
Profit (loss) from financial activities (adjusted for special factors)		(1,331)		(1,316)		(2,546)
<b>PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)</b>		<b>2,493</b>		<b>2,336</b>		<b>4,433</b>
Income taxes (adjusted for special factors)		(771)		(700)		(1,451)
<b>PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)</b>		<b>1,722</b>		<b>1,636</b>		<b>2,982</b>
<b>PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO</b>						
Owners of the parent (net profit (loss)) (adjusted for special factors)		1,577		1,408		2,537
Non-controlling interests (adjusted for special factors)		145		228		445

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

**GROSS AND NET DEBT.**

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

	June 30, 2013 millions of €	Dec. 31, 2012 millions of €	Change millions of €	Change %	June 30, 2012 millions of €
Financial liabilities (current)	10,874	9,260	1,614	17.4	9,784
Financial liabilities (non-current)	39,473	35,354	4,119	11.7	38,414
<b>FINANCIAL LIABILITIES</b>	<b>50,347</b>	<b>44,614</b>	<b>5,733</b>	<b>12.9</b>	<b>48,198</b>
Accrued interest	(814)	(903)	89	9.9	(736)
Other	(980)	(754)	(226)	(30.0)	(592)
<b>GROSS DEBT</b>	<b>48,553</b>	<b>42,957</b>	<b>5,596</b>	<b>13.0</b>	<b>46,870</b>
Cash and cash equivalents	5,243	4,026	1,217	30.2	2,950
Available-for-sale/held-for-trading financial assets	269	27	242	n.a.	426
Derivative financial assets	882	1,287	(405)	(31.5)	1,696
Other financial assets	785	757	28	3.7	768
<b>NET DEBT</b>	<b>41,374</b>	<b>36,860</b>	<b>4,514</b>	<b>12.2</b>	<b>41,030</b>

**RECONCILIATION FOR THE CHANGE IN DISCLOSURE OF KEY PERFORMANCE INDICATORS FOR THE PRIOR-YEAR COMPARATIVE PERIOD IN THE FIRST HALF OF 2013.**

	Total revenue	Profit (loss) from operations (EBIT)	EBITDA	Adjusted EBITDA	Depreciation and amortization	Impairment losses	Segment assets <sup>a</sup>	Segment- liabilities <sup>a</sup>
<b>H1 2012/JUNE 30, 2012</b> <b>PRESENTATION AS OF JUNE 30, 2012 – AS REPORTED</b>	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
Germany	11,268	2,057	4,300	4,657	(2,243)	–	31,224	22,988
United States	7,663	740	1,941	2,041	(1,190)	(11)	27,436	21,254
Europe	7,159	912	2,335	2,373	(1,418)	(5)	36,348	11,910
Systems Solutions	4,491	(73)	223	410	(295)	(1)	9,044	5,873
Group Headquarters & Group Services	1,449	(775)	(358)	(226)	(370)	(47)	95,360	53,609
<b>TOTAL</b>	<b>32,030</b>	<b>2,861</b>	<b>8,441</b>	<b>9,255</b>	<b>(5,516)</b>	<b>(64)</b>	<b>199,412</b>	<b>115,634</b>
Reconciliation	(3,219)	(34)	(80)	(81)	45	1	(91,470)	(38,235)
<b>GROUP</b>	<b>28,811</b>	<b>2,827</b>	<b>8,361</b>	<b>9,174</b>	<b>(5,471)</b>	<b>(63)</b>	<b>107,942</b>	<b>77,399</b>

**H1 2012/JUNE 30, 2012**  
 +/- CHANGE IN DISCLOSURE OF TELEKOM IT  
 AS OF JULY 1, 2012

Germany	1	95	55	34	40	–		
United States	–	–	–	–	–	–		
Europe	–	–	–	–	–	–		
Systems Solutions	451	(127)	(117)	(88)	(10)	–		
Group Headquarters & Group Services	–	17	(1)	(9)	17	1		
<b>TOTAL</b>	<b>452</b>	<b>(15)</b>	<b>(63)</b>	<b>(63)</b>	<b>47</b>	<b>1</b>		
Reconciliation	(452)	15	63	63	(47)	(1)		
<b>GROUP</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>		

**H1 2012/JUNE 30, 2012**  
 +/- CHANGE IN DISCLOSURE OF GROUP TECHNOLOGY  
 AND GLOBAL NETWORK FACTORY AS OF JANUARY 1, 2013

Germany	–	–	–	–	–	–	–	–
United States	–	–	–	–	–	–	–	–
Europe	(1)	(22)	2	5	(24)	–	224	134
Systems Solutions	–	–	–	–	–	–	–	–
Group Headquarters & Group Services	(80)	22	(2)	(5)	24	–	(219)	(129)
<b>TOTAL</b>	<b>(81)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>5</b>
Reconciliation	81	–	–	–	–	–	(5)	(5)
<b>GROUP</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

**H1 2012/JUNE 30, 2012**  
 +/- CHANGE IN DISCLOSURE DUE TO IAS 19 (AMENDED)  
 AS OF JANUARY 1, 2013

Germany	–	76	76	–	–	–	–	(16)
United States	–	–	–	–	–	–	–	–
Europe	–	10	10	9	–	–	7	35
Systems Solutions	–	67	67	(1)	–	–	1	(1)
Group Headquarters & Group Services	–	102	102	(1)	–	–	41	44
<b>TOTAL</b>	<b>–</b>	<b>255</b>	<b>255</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>49</b>	<b>62</b>
Reconciliation	–	1	1	2	–	–	(49)	(50)
<b>GROUP</b>	<b>–</b>	<b>256</b>	<b>256</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12</b>

**H1 2012/JUNE 30, 2012**  
 = PRESENTATION AS OF JUNE 30, 2013

Germany	11,269	2,228	4,431	4,691	(2,203)	–	31,224	22,972
United States	7,663	740	1,941	2,041	(1,190)	(11)	27,436	21,254
Europe	7,158	900	2,347	2,387	(1,442)	(5)	36,579	12,079
Systems Solutions	4,942	(133)	173	321	(305)	(1)	9,045	5,872
Group Headquarters & Group Services	1,369	(634)	(259)	(241)	(329)	(46)	95,182	53,524
<b>TOTAL</b>	<b>32,401</b>	<b>3,101</b>	<b>8,633</b>	<b>9,199</b>	<b>(5,469)</b>	<b>(63)</b>	<b>199,466</b>	<b>115,701</b>
Reconciliation	(3,590)	(18)	(16)	(16)	(2)	–	(91,524)	(38,290)
<b>GROUP</b>	<b>28,811</b>	<b>3,083</b>	<b>8,617</b>	<b>9,183</b>	<b>(5,471)</b>	<b>(63)</b>	<b>107,942</b>	<b>77,411</b>

<sup>a</sup> Figures relate to the reporting date December 31, 2012.



## GLOSSARY.

For further definitions, please refer to the 2012 Annual Report and the glossary therein (page 301 et seq.).

**Adjacent industries.** Related industries or sectors, the products and services of which complement each other.

**Bitstream access.** Wholesale service used by alternative telephone companies to provide broadband lines.

**Postpaid.** Customers who pay for communications services after receiving them (usually on a monthly basis).

## DISCLAIMER.

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

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

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

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

August 8, 2013	November 7, 2013	March 6, 2014
Publication of the Interim Group Report as of June 30, 2013	Publication of the Interim Group Report as of September 30, 2013	Publication of the 2013 Annual Report
May 8, 2014	May 15, 2014	August 7, 2014
Publication of the Interim Group Report as of March 31, 2014	2014 Shareholders' meeting	Publication of the Interim Group Report as of June 30, 2014

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

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

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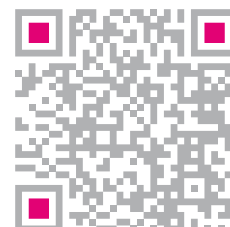
The English version of the Interim Group Report for January 1 to June 30, 2013 is a translation of the German version of the Interim Group Report. The German version is legally binding.

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