DEUTSCHE TELEKOM
INTERIM GROUP REPORT
JANUARY 1 TO JUNE 30, 2019

LIFE IS FOR SHARING.

SELECTED FINANCIAL DATA OF THE GROUP

millions of €

		Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %	FY 2018
REVENUE AND EARNINGS								
Net revenue		19,664	18,367	7.1	39,152	36,291	7.9	75,656
Of which: domestic	%	31.0	32.4		31.0	32.9		32.2
Of which: international	%	69.0	67.6		69.0	67.1		67.8
Profit from operations (EBIT)		2,350	2,352	(0.1)	4,608	4,523	1.9	8,001
Net profit (loss)		944	495	90.7	1,845	1,487	24.1	2,166
Net profit (loss) (adjusted for special factors)		1,329	1,238	7.4	2,512	2,428	3.5	4,545
EBITDA		6,701	5,556	20.6	13,162	10,825	21.6	21,836
EBITDA AL		5,721	5,494	4.1	11,221	10,701	4.9	21,577
EBITDA (adjusted for special factors)		7,263	5,928	22.5	14,164	11,477	23.4	23,333
EBITDA AL (adjusted for special factors)		6,283	5,866	7.1	12,223	11,353	7.7	23,074
EBITDA AL margin (adjusted for special factors)	%	32.0	31.9		31.2	31.3		30.5
Earnings per share basic/diluted	€	0.20	0.10	100.0	0.39	0.31	25.8	0.46
Adjusted earnings per share basic/diluted	€	0.28	0.26	7.7	0.53	0.51	3.9	0.96
STATEMENT OF FINANCIAL POSITION								
Total assets					164,214	139,749	17.5	145,375
Shareholders' equity					42,690	41,403	3.1	43,437
Equity ratio	%				26.0	29.6		29.9
Net debt					75,709	54,772	38.2	55,425
CASH FLOWS								
Net cash from operating activities		5,598	4,392	27.5	11,607	8,689	33.6	17,948
Cash capex		(4,199)	(3,094)	(35.7)	(8,027)	(6,234)	(28.8)	(12,492)
Cash capex (before spectrum investment)		(3,324)	(3,021)	(10.0)	(7,006)	(6,097)	(14.9)	(12,223)
Free cash flow (before dividend payments and spectrum investment)		2,312	1,514	52.7	4,682	2,896	61.7	6,250
Free cash flow AL (before dividend payments and spectrum investment)		1,546	1,467	5.4	3,103	2,785	11.4	6,051
Net cash used in investing activities		(3,754)	(2,589)	(45.0)	(7,350)	(6,233)	(17.9)	(14,297)
Net cash used in financing activities		(4,086)	(2,499)	(63.5)	(4,058)	(2,794)	(45.2)	(3,259)

millions

	June 30, 2019	Dec. 31, 2018	Change June 30, 2019/ Dec. 31, 2018 %	June 30, 2018	Change June 30, 2019/ June 30, 2018 %
FIXED-NETWORK AND MOBILE CUSTOMERS					
Mobile customers	179.8	178.4	0.8	172.5	4.2
Fixed-network lines	27.8	27.9	(0.3)	27.6	0.7
Broadband customers[a]	20.8	20.2	2.9	19.3	7.8

[a] Excluding wholesale.

The figures shown in this report were rounded in accordance with standard business rounding principles. As a result, the total indicated may not be equal to the precise sum of the individual figures.

The new IFRS 16 "Leases" accounting standard has been applied since January 1, 2019. This led to a change in the definition of some of our financial performance indicators. Prior-year figures have not been adjusted; however, for the redefined key performance indicators we show prior-year comparatives calculated on a pro-forma basis. The key parameters used by Deutsche Telekom are defined in the section "Management of the Group" of the 2018 Annual Report, and in the Interim Group management report in the section "Group organization, strategy, and management." For more information on the new IFRS 16 accounting standard, please refer to the section "Accounting policies" in the interim consolidated financial statements.

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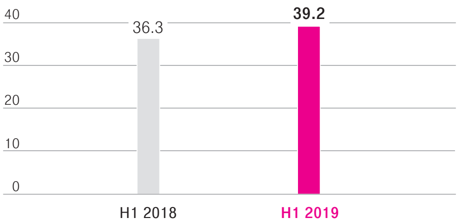
TO OUR SHAREHOLDERS

DEUTSCHE TELEKOM AT A GLANCE

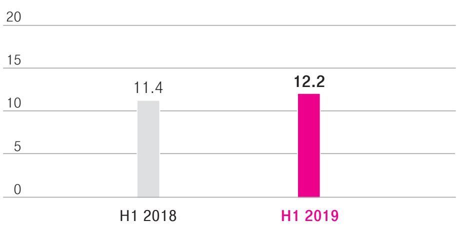
Net revenue

billions of €



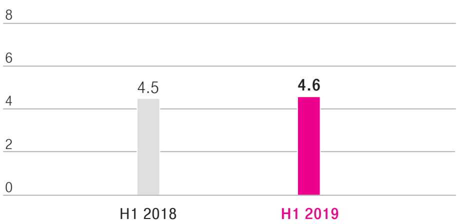
Adjusted EBITDA AL[a]

billions of €



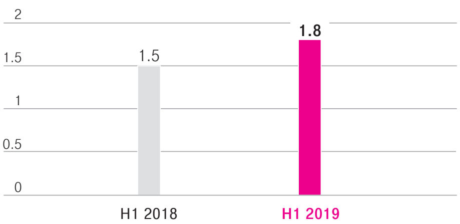
EBIT

billions of €



Net profit

billions of €



NET REVENUE

- Net revenue increased by 7.9 percent to EUR 39.2 billion. On a like-for-like basis, i.e., excluding exchange rate effects and effects of changes in the composition of the Group, net revenue increased by EUR 1.2 billion or 3.2 percent.
- Our United States operating segment posted an increase in revenue of 13.9 percent; also in U.S. dollars, the continuing success of our U.S. operations was evident in revenue growth of 6.0 percent.
- Our Europe operating segment recorded an increase in revenue of 2.8 percent and revenue in our Germany operating segment also edged up by 0.9 percent.
- The inclusion of Tele2 Netherlands made a substantial contribution to the increase in revenue in our Group Development operating segment.

ADJUSTED EBITDA AL[a]

- Adjusted EBITDA AL rose by 7.7 percent to EUR 12.2 billion, with contributions from all operating segments. Adjusted for exchange rate effects and the slightly positive effects of changes in the composition of the Group, adjusted EBITDA AL rose by EUR 0.4 billion or 3.7 percent.
- Adjusted EBITDA AL for our United States operating segment increased by 13.7 percent. In U.S. dollars, this constituted growth of 6.1 percent in our U.S. operations.
- Our Europe operating segment recorded an increase in adjusted EBITDA AL of 5.6 percent and our Germany operating segment an increase of 2.4 percent. Substantial increases in adjusted EBITDA AL were likewise recorded by the System Solutions and Group Development operating segments – the latter also due to earnings contributed by the acquiree Tele2 Netherlands.
- At 31.2 percent, the Group's adjusted EBITDA AL margin remained virtually at the prior-year level. The adjusted EBITDA AL margin was 39.7 percent in Germany, 33.0 percent in Europe, and 28.3 percent in the United States.

EBIT

- EBIT increased by EUR 0.1 billion to EUR 4.6 billion.
- Special factors in connection with staff-related measures remained at the prior-year level, reducing EBIT by EUR 0.6 billion, while additional special factors of EUR 0.3 billion, in particular in connection with the approval process for the business combination with Sprint, also had a negative effect in the reporting period.
- At EUR 8.6 billion, depreciation, amortization and impairment losses were EUR 2.3 billion higher than in the prior-year period. This substantial increase is primarily attributable to the depreciation charge for right-of-use assets required to be recognized as a result of the application of IFRS 16. Depreciation of property, plant and equipment and amortization of intangible assets were EUR 0.5 billion higher than in the prior-year period, which had contained depreciation, amortization and impairment losses on finance lease assets.

NET PROFIT

- Net profit increased from EUR 1.5 billion to EUR 1.8 billion.
- Our loss from financial activities decreased from EUR -1.6 billion in the prior-year period to EUR -0.9 billion. Finance costs that were higher due to the application of IFRS 16 were compensated by positive measurement effects from embedded derivatives at T-Mobile US. The prior year had also contained a negative effect of EUR 0.6 billion in connection with a settlement agreed in the Toll Collect arbitration proceedings.
- At EUR 1.0 billion, the tax expense was up slightly from EUR 0.9 billion in the prior-year period.
- Profit attributable to non-controlling interests increased year-on-year by EUR 0.3 billion to EUR 0.9 billion.
- Adjusted earnings per share increased to EUR 0.53 from EUR 0.51 in the first half of 2018.

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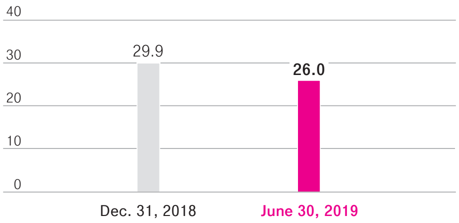
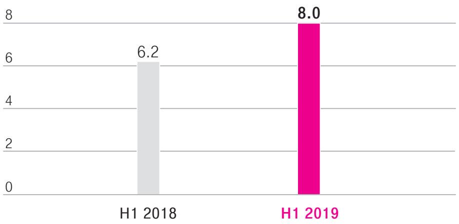
Equity ratio

%



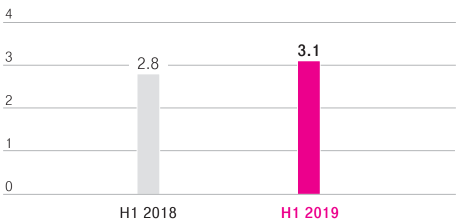
Cash capex

billions of €



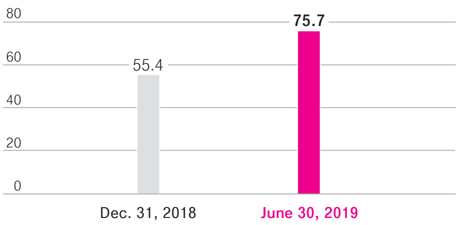
Free cash flow AL[a]
(before dividend payments and spectrum investment)

billions of €



Net debt

billions of €



EQUITY RATIO

- The decrease in the equity ratio from 29.9 percent at year-end 2018 to 26.0 percent mainly results from the increase of 13.0 percent in total assets/total liabilities and shareholders' equity. A key driver of this increase was the application of IFRS 16 and the resulting capitalization of right-of-use assets and recognition of lease liabilities.
- Shareholders' equity decreased from EUR 43.4 billion as of December 31, 2018 to EUR 42.7 billion. Factors in this decrease included dividend payments (including to non-controlling interests) of EUR 3.6 billion, the remeasurement of defined benefit pension plans accounting for EUR 0.8 billion, and effects from hedging instruments in the amount of EUR 0.7 billion.
- The profit of EUR 2.7 billion, the acquisition of Tele2 Netherlands totaling EUR 0.7 billion, and an effect of EUR 0.3 billion recognized directly in equity related to the transition to IFRS 16 had an increasing effect. Currency translation effects recognized directly in equity increased shareholders' equity by EUR 0.2 billion.

CASH CAPEX

- Cash capex (including spectrum investment) increased by EUR 1.8 billion to EUR 8.0 billion.
- In the reporting period, mobile spectrum licenses were acquired for EUR 1.0 billion, mainly in the United States operating segment, compared with cash outflows in the prior-year period of EUR 0.1 billion, also primarily in the United States.
- Excluding the effects from the acquisition of spectrum, the increase in cash capex of EUR 0.9 billion is attributable in particular to the United States operating segment, mainly due to the accelerated infrastructure build-out for the 600 MHz spectrum, which also lays the groundwork for 5G. In the other operating segments, investments in building out and upgrading our networks remained at a sustained high level.

FREE CASH FLOW AL[a] (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)

- Free cash flow AL was up by EUR 0.3 billion to EUR 3.1 billion.
- The increase was attributable to the positive development of net cash from operating activities, which benefited in particular from the strong performance of our operating segments, especially in the United States.
- The year-on-year increase of EUR 0.9 billion in cash capex (excluding spectrum investment) had a negative impact on free cash flow.

NET DEBT

- Net debt increased by EUR 20.3 billion to EUR 75.7 billion compared with the end of 2018.
- The recognition of lease liabilities in connection with the application of IFRS 16 raised net debt by EUR 15.6 billion.
- Further factors in this increase included the dividend payments – including to non-controlling interests – (EUR 3.4 billion), additions to liabilities in connection with leases (EUR 2.9 billion), the acquisition of spectrum (EUR 1.0 billion), and the acquisition of Tele2 Netherlands (EUR 0.4 billion).
- The main factor reducing net debt was free cash flow of EUR 4.7 billion.

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

HIGHLIGHTS IN THE SECOND QUARTER OF 2019

INVESTMENTS IN NETWORKS

5G spectrum won at German auction. We won four frequency blocks in the 2 GHz band and nine lots in the 3.6 GHz band worth a total of EUR 2.17 billion. We therefore acquired the spectrum we need for the planned network build-out. With the auction now over, we have filed an application with the Federal Network Agency on using the spectrum to begin building out our 5G network across Germany. The first 5G antennas are already transmitting in test areas in Berlin, Darmstadt, and the Port of Hamburg. We already operate 150 5G antennas throughout Europe. In Germany, more than 80 percent of existing antennas have already been upgraded to make them 5G-ready – we plan to install around 300 5G antennas at over 100 sites by the end of 2019. For more details, please refer to our media information.

5G spectrum secured in the United States. The Federal Communications Commission (FCC) has auctioned licenses for the use of millimeter wave (mmWave) spectrum for 5G. Over the course of the two auctions for 28 GHz and 24 GHz spectrum, T-Mobile US paid USD 842.5 million for a total of 367 MHz, thus securing itself a solid mmWave holding in preparation for 5G. Using the acquired spectrum, the first 5G cell sites were activated in six cities at the end of June 2019.

Fast internet for millions. Every month, we upgrade around one million lines in Germany to offer increased speeds of up to 250 Mbit/s. The number of lines with speeds of up to 250 Mbit/s has grown to its current total of nearly 22.5 million. Our goal is to provide fast internet lines to as many people as possible in rural and urban areas alike. One of the largest fiber-optic build-out projects in Germany is now underway in the district of Rostock: More than 44,000 households, 6,100 businesses, and 573 local government buildings, schools, fire departments, local authorities, and institutions in over 70 municipalities will receive one of our fiber-optic lines. With more than 7,200 kilometers of fiber-optic cable, over 1,100 kilometers of civil engineering works, and almost 850 new fiber distribution cabinets, we intend to bring higher bandwidths to this area alone by mid-2021. From the flatlands of the north to the mountains of the south: In June 2019 we connected the village of Balderschwang, known for having the highest town center in Germany, to our fiber-optic network. For more details, please refer to our media information.

New LTE cell sites in operation. Our LTE network is growing fast: We continued our network densification and expansion efforts in Germany, putting over 300 new LTE cell sites into operation in April and May 2019 alone. Around 51,000 households can now access our LTE network for the first time. These expansion activities are also essential for the future 5G standard: LTE will remain the basis for the ongoing development of the mobile network for many years to come. It also enables us to provide our customers with the best possible network – anywhere and anytime. We plan to raise the number of cell sites in Germany from 29,000 currently to around 36,000 in 2021. The share of population served with LTE is scheduled to increase to over 98 percent in 2019. For more details, please refer to our media information.

IoT network for Germany – IoT roaming in Europe. A dedicated mobile communications network for the Internet of Things (IoT) is now available nationwide in Germany. The machine and sensor network facilitates digitalization for businesses in a wide range of industries. It covers 90 percent of Germany and thus over 90 percent of the population. The project is scheduled for completion by the end of 2019. We are also introducing NarrowBand-IoT (NB-IoT) roaming in Europe to meet a key customer need: the ability to scale their mobile IoT offerings internationally. As a first step, the national companies in Germany, Austria, the Netherlands, Hungary, Slovakia, and the Czech Republic support roaming among each other. Other countries will follow. Nine European subsidiaries and the United States have introduced NB-IoT so far. Our NB-IoT networks are already up and running in several cities across the Czech Republic, Poland, Hungary, Croatia, and Greece. Nationwide rollout in these markets is scheduled for completion by the end of 2019. For more details, please refer to our media information.

INNOVATIONS AND PARTNERSHIPS

Gigabit project in the Stuttgart region. The company Gigabit Region Stuttgart GmbH signed a cooperation agreement with us at the end of May 2019. Under the Gigabit project, the partners will focus on building out the ultra-fast fiber-optic network. One of the region's aims is to provide all enterprises with high-speed internet access over optical fiber by 2025. Through 2030 the plan is also for 90 percent of households to benefit from the build-out. We also envisage the rapid rollout of a powerful 5G network. The agreement is unprecedented anywhere in Germany on this scale. The rollout area currently covers 174 municipalities in the Stuttgart area as well as in the five neighboring rural districts. To digitalize Germany, we are increasingly embracing collaboration models. In addition to partnering with the energy and telecommunications company EWE on the creation of the joint venture Glasfaser NordWest, over the past few months we signed joint initiatives with the Saarland utility company VSE NET and with Telefónica. For more details, please refer to our media information.

5G partnership with SK Telecom. Together with SK Telecom we plan to develop 5G network technology and innovative 5G platforms and applications. The primary focus will be on in-house technology for the new mobile communications standard. SK Telecom is one of a number of investors from outside the Group putting capital in the new Venture and Growth Fund II set up by DTCP.

Making drones more secure and efficient. We are working with DFS Deutsche Flugsicherung GmbH on a new technology that uses the mobile network to track unmanned aircraft systems (UAS). The joint venture Droniq GmbH is providing a drone tracking platform that will enable drone flights beyond the operator's line of sight in the future. Droniq will initially focus on the German market, before gradually expanding into other European countries. Droniq's primary target market is commercial drone pilots in the infrastructure, surveying, and agricultural sectors who want to fly drones beyond their line of sight – as well as the police, the fire and rescue services, and users from the general aviation field.

Digital X – analog exchange of ideas on digital innovation. As the digital revolution begins to take hold, the Digital X series of events focuses on exchanging ideas and networking. It is the largest cross-industry digitalization initiative in Europe. We are just one of several leading companies of the digital age involved in the initiative. It began its tour across Germany in April 2019 and is making the digital identity of six German regions into something to be experienced. The big finale of Digital X 2019 will take place in Cologne on October 29 and 30. Companies and decision-makers from all over Germany will assemble there to take part. For more details, please refer to our media information.

Municipal Advisory Board on digitalization. In May 2019, we convened the first meeting of the new Municipal Advisory Board in Berlin. The board, comprising 14 members from local communities and associations, will consult on issues relating to the broadband build-out, 5G, and other digitalization topics. This marks the successful implementation of a key action point from our eight-point program for the 5G rollout. One of the board's central goals is to accelerate the pace of digitalization across Germany. The Municipal Advisory Board provides the framework for direct dialog between the municipalities and Deutsche Telekom. In the future, it will be a platform for discussing ideas, interests, and expectations and for finding a rapid resolution to certain issues. The board may also invite outside experts to attend individual meetings as guests. For more details, please refer to our media information.

Hannover Messe: drones, smart glasses, and smart displays. At Hannover Messe in early April 2019, we showed how "industrial intelligence" can help make planning, production, and logistics more efficient. Large manufacturers and SMEs alike found products and solutions for the smart factory at our booth. Examples included campus networks, 5G, drones, edge computing, smart glasses, smart displays, and artificial intelligence. We also premiered a raft of technical innovations for the digital economy. For more details, please refer to our media information.

Internet of Things: SAP and T-Systems connect their clouds. SAP and T-Systems are linking up their cloud-based platforms for smart devices and sensors. This will enable customers to seamlessly integrate their IoT data into SAP systems. A logistics solution is the first of these offerings. The telematics module not only pinpoints the location of goods via GPS, but can also track their speed and temperature. What is more, businesses now have the freedom to choose the ideal cloud-based SAP solutions for them. T-Systems is the first digital service provider to put SAP into all cloud environments, whether they be private, public, hybrid, or multi-cloud arrangements. This approach is one of the ways in which T-Systems is pressing on with its "cloud first" strategy for the digital transformation in business. The offering covers all clouds certified by SAP. For more details, please refer to our media information.

Climate protection target supports Paris Agreement. One of our climate protection targets is to use electricity solely from renewable energy sources by 2021. By 2030, we plan to reduce CO_2 emissions by 90 percent compared with 2017 (Scope 1 and 2). Also by 2030, we want to lower the emissions generated by the production and use of our products and customer solutions by 25 percent (Scope 3). These targets were presented to the Science-Based Targets initiative (SBTi) for review. The SBTi is an independent body of experts that evaluates the effectiveness of climate protection goals set by companies. They examine whether the targets comply with science-based standards and thus contribute to limiting global warming to below 2 °C. The result of the evaluation is gratifying: SBTi approved our new targets after a thorough review. The SBTi has now recognized the climate goals of more than 200 companies worldwide as being science-based. As such, these companies are making a valid contribution to the 2016 Paris Agreement. In Germany, Deutsche Telekom is only the third DAX company to have been validated by the SBTi. Assuming responsibility for a low-carbon society has been one of the three fields of action of Deutsche Telekom's corporate responsibility strategy since 2008. The Group formulated its first climate protection target back in 1995 and has been firmly committed to climate protection ever since. For more details, please refer to our media information.

BRAND AND PRODUCTS

Moving with Magenta Telekom into Austria's digital future. T-Mobile Austria and UPC Austria have merged to form Magenta Telekom. Since the acquisition of UPC Austria in 2018, our Austrian subsidiary has bundled its offerings under the Magenta product brand while retaining the familiar "T" logo as its company brand. Customers continue to enjoy the best network quality. The new branding clearly marks a fresh start for the company – the Magenta brand will be far more prominent in communication than it is in other markets. With the bundling of its mobile and fixed-network products, Magenta Telekom is following our Group strategy. For more details, please refer to our media information.

Innovative solutions for business customers. In May 2019, we launched an innovate data protection package together with our partner DataGuard: From corporate groups to SMEs without in-house data privacy officers, businesses can now reliably and cost-effectively comply with the European General Data Protection Regulation (GDPR). We also added managed services to our portfolio of products for Office 365 and Microsoft 365 from the cloud (e.g., with the Premium Support+ Hotline or Mobile Access) to make it even easier for our customers to administrate and deploy their digital operational processes, the cloud, and the necessary IT solutions securely, conveniently, and efficiently.

For further information, please refer to the Media section on our website at: www.telekom.com/en/media/media-information.

AWARDS

The illustration below shows the main awards received in the second quarter of 2019. For details on more awards, please go to www.telekom.com/media.

Major awards in the second quarter of 2019

APRIL–JUNE

- **Deutschland Test**
  Deutsche Telekom wins the category "Sustainable engagement" in a survey by Focus Money magazine (12/19)
- **Inclusion Prize for Business 2019**
  Deutsche Telekom is recognized as a highly inclusive company
- **Public cloud test**
  Cloud Spectator finds the Open Telekom Cloud delivers "superior overall performance" compared to other public clouds in Europe
- **Austria's leading employer 2019**
  Magenta Telekom (T-Mobile Austria) is the leading employer in Austria according to a study by Leading Employer
- **"connect" readers' choice 2019**
  Deutsche Telekom wins in seven categories, including best mobile and fixed-network provider, with further awards for congstar and T-Mobile Austria (05/19)
- **Best DAX 30 speaker**
  The German association of German-language speechwriters rates Tim Höttges' speech to the shareholders' meeting its favorite for the third time
- **Impact BITE Awards 2019**
  OTE wins eight prizes for its innovative services and IT systems, as well as the ICT Company of the Year award
- **Ookla Speedtest Awards**
  Ookla confirms Hrvatski Telekom's mobile network is Croatia's fastest and offers the best coverage
- **Global Counsel Award**
  Lexology names our anti-trust lawyers Competition Team of the Year

INTERIM GROUP MANAGEMENT REPORT

GROUP ORGANIZATION, STRATEGY, AND MANAGEMENT

With regard to our **Group organization, strategy, and management,** please refer to the explanations in the combined management report of the 2018 Annual Report. From the Group's perspective, the following changes and/or additions were made to the Group organization and the performance management system:

On December 15, 2017, Deutsche Telekom signed an agreement with the Tele2 Group on the acquisition of 100 percent of the shares in the telecommunications provider **Tele2 Netherlands Holding N.V.** by T-Mobile Netherlands Holding B.V. Tele2 Group received a consideration in the form of a 25 percent stake in T-Mobile Netherlands, along with a provisional cash payment (taking purchase price adjustments into account) of EUR 234 million. After the European Commission issued its approval without conditions on November 27, 2018, the transaction was consummated on January 2, 2019. Tele2 Netherlands has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since the acquisition date. This transaction will establish a stronger, more sustainable provider of convergent fixed-network and mobile services on the Dutch market.

On January 15, 2019, OTE concluded an agreement concerning the sale of its stake in **Telekom Albania** to the Bulgarian company Albania Telecom Invest AD for a purchase price of EUR 50 million. The transaction was approved by the authorities and then consummated on May 7, 2019.

The consummation of our **Business Combination Agreement to merge with Sprint** is subject to approvals by the regulatory and anti-trust authorities and certain other customary closing conditions. On June 18, 2018, we filed the Public Interest Statement and applications for approval of our merger with Sprint with the Federal Communications Commission (FCC). We received statements of support for the merger by the FCC Chairman in May 2019, with formal approval by the FCC pending. In June 2019, the attorneys general of 13 states and the District of Columbia filed a lawsuit against T-Mobile US, Deutsche Telekom, Sprint, and Softbank Group Corp. in the U.S. District Court for the Southern District of New York. The State of Texas decided to join the lawsuit. We believe the lawsuit is without merit. On July 26, 2019, we entered into a consent decree with the U.S. Department of Justice, which is now awaiting confirmation by a U.S. federal court. As such, the DoJ is waiving its right under U.S. law to file a suit against the transaction. In parallel, multiple agreements were signed with the U.S. TV satellite operator DISH Networks to implement the conditions for the merger. We expect final federal regulatory approval in the third quarter of 2019.

Effective January 1, 2019, we created the new **Board of management department** "USA and Group Development." Deutsche Telekom AG thus has had nine Board departments since the start of 2019. Thorsten Langheim took up the role of head of the newly created Board department. The former Board member responsible for Human Resources (CHRO), Dr. Christian P. Illek, became the new CFO as of January 1, 2019. Birgit Bohle joined the Board of Management on January 1, 2019 as the Board member responsible for Human Resources as successor to Dr. Illek.

The mandatory **first-time application of the new IFRS 16 "Leases"** accounting standard as of January 1, 2019 has a material impact on Deutsche Telekom's consolidated financial statements. The new standard requires payment obligations from existing operating leases to be discounted and recognized as lease liabilities; as financial liabilities, they increase net debt. At the same time, the lessee recognizes a right-of-use asset. Operating expenses previously recognized in connection with operating leases will in future be recognized in depreciation charges on right-of-use assets and in interest expenses for discounted obligations from operating leases, as appropriate. This will significantly increase EBITDA without any attendant change in the economic circumstances. In the statement of cash flows, the principal repayment portion of the lease payments from existing operating leases will reduce net cash from/used in financing activities and no longer affect net cash from operating activities. The interest portion of the payments will remain in net cash from operating activities and thus also in free cash flow.

Since expenses and cash outflows for leases are substantial elements of our earnings performance and solvency, effective the start of the 2019 financial year we have taken into account the effects of the mandatory first-time application of the IFRS 16 accounting standard when determining our financial performance indicators. We also want to ensure maximum comparability with our previous performance indicators. Our operational performance is now measured on the basis of "EBITDA after leases" (EBITDA AL) (previously EBITDA). EBITDA AL is calculated by adjusting EBITDA for depreciation of the right-of-use assets and for interest expenses on recognized lease liabilities. The "free cash flow" performance indicator has been replaced by "free cash flow after leases" (free cash flow AL). Free cash flow AL is determined by adjusting free cash flow for repayments of lease liabilities. To improve comparability of our performance indicators with the EBITDA and free cash flow indicators reported in the financial statements of T-Mobile US in accordance with U.S. GAAP, which continues to differentiate between operating and finance leases, expenses and repayments for finance leases at T-Mobile US will not be taken into account when determining EBITDA AL and free cash flow AL. For more information on the new IFRS 16 accounting standard, please refer to the section "Accounting policies" in the interim consolidated financial statements.

A reconciliation of the definitions of the former financial performance indicators with the new "after leases" indicators can be found in the following table.

millions of €	H1 2019
EBITDA	13,162
Depreciation of right-of-use assets[a]	(1,543)
Interest expenses on recognized lease liabilities[a]	(398)
EBITDA AL	**11,221**
Free cash flow (before dividend payments and spectrum investment)	4,682
Principal portion of repayment of lease liabilities[a]	(1,579)
FREE CASH FLOW AL (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)	**3,103**

[a] Excluding finance leases at T-Mobile US.

The published prior-year figures have not been adjusted retroactively following the first-time application of IFRS 16. To enable comparability with the new performance indicators, pro forma comparatives were determined for the prior year. These were reached using approximate calculations of the key effects of IFRS 16 for the prior year, before applying the calculation shown in the table for the current year. Changes to the organizational structure within the Group were also taken into consideration.

THE ECONOMIC ENVIRONMENT

This section provides additional information on, and explains recent changes to, the economic situation as described in the combined management report of the 2018 Annual Report, focusing on macroeconomic developments in the first six months of 2019, the outlook, the currently prevailing economic risks, and the regulatory environment. The overall economic outlook presupposes there are no major unexpected occurrences in the forecast period.

MACROECONOMIC DEVELOPMENT

In the first six months of 2019, leading institutions and banks revised their growth outlooks downwards. The International Monetary Fund (IMF) lowered its growth forecast for global GDP in 2019 from 3.5 percent to 3.2 percent. Global growth is expected to return to 3.5 percent in 2020 on the back of the pickup anticipated for the second half of 2019. For the German economy, the IMF projects growth in the current year of 0.7 percent. Despite the sharp decline in industrial activity in Germany, domestic consumption remains robust. Similarly, the sustained healthy climate in the IT and telecommunications sector is confirmed by the first-ever Bitkom-ifo-Digitalindex report, published in June 2019. The national economies in our core markets in Europe (excluding Germany) and North America continue to expand.

OUTLOOK

Under the current conditions, we expect to see weaker but still stable economic trends in the economies of our core markets. However, the outlook is negatively affected by the economic slowdown in Europe and China and decelerated growth in global trade, with expansion in 2019 and 2020 now expected to be weaker than previously projected.

OVERALL ECONOMIC RISKS

The economic risks have increased. Trade conflicts, political uncertainty – including with respect to Brexit – and further declines in industrial activity could curb a sustained expansion. Furthermore, geopolitical crises could also have a negative impact on the economies of the countries in which we operate.

REGULATION

Federal Network Agency adapts regulation of the "last mile." The Federal Network Agency carries out regular reviews to determine whether and which companies are in dominant market positions and what regulatory requirements this entails. To date, Telekom Deutschland has had to comply with extensive regulation of what is known as the "last mile." The Agency published its draft of a new market analysis on access to the "last mile" for consultation on May 27, 2019. According to the draft, Telekom Deutschland remains in a dominant market position. However, the Agency emphasizes that the regulations governing Telekom's existing copper network should not apply to FTTH; rather, the Agency advocates – at most – minimal regulation provided the market participants can reach mutual agreement. The details of the regulatory requirements will be determined in separate proceedings, the outcome of which cannot be predicted.

Fixed-network termination rates given final approval for four years. On June 28, 2019, the Federal Network Agency issued final approval of the fixed-network termination rates (FTR) both for Telekom Deutschland and for alternative telecommunications operators in the form of a four-year glide path. The following FTRs will apply effective January 1, 2019: 2019 = 0.08 ct/min., 2020 = 0.06 ct/min., 2021 = 0.05 ct/min., and 2022 = 0.03 ct/min. These rates will apply until the EU-wide FTR cap required under the new EU legal framework – and to be enacted by the European Commission by December 31, 2020 by way of a delegated act – enters into force.

New application filed for mobile termination rates. The current mobile termination rate (MTR) approval, which sets the rate at 0.95 ct/min., is due to expire on November 30, 2019. Deutsche Telekom thus applied for a new rates approval on June 3, 2019. Similar to the previous approval process, it is expected that the Federal Network Agency will once again set the MTR on the basis of the pure LRIC cost model recommended by the European Commission. Here, too, it is anticipated that the rates approved by the Agency will apply until the EU-wide MTR cap required under the new EU legal framework – and to be enacted by the European Commission by December 31, 2020 by way of a delegated act – enters into force.

Increase of rates for unbundled local loop lines (ULLs). The Federal Network Agency increased the regulated rates received by Telekom Deutschland for leasing the "last mile" of its network with effect from July 1, 2019. Specifically, the rate for leasing the line from the customer to the cable distribution box is increasing from EUR 6.77/month to EUR 7.05/month and the rate for the longer section from the customer to the main distribution frame is increasing from EUR 10.02/month to EUR 11.19/month. The rate for leasing cable duct capacities is increasing from EUR 0.04/month to EUR 0.06/month. Although these rates remain below the level we sought in our application, the Agency has at least recognized that the costs of building out the "last mile" of the network have risen in the three years since the rates were last set. The rate approvals are valid until June 30, 2022.

StreamOn. In its ruling announced on July 15, 2019, the Münster Higher Administrative Court confirmed that the Federal Network Agency's orders regarding the optimization of data traffic in connection with internet access services as well as the obligation to also make the services available within the EU must be followed for the time being. In consultation with the Federal Network Agency, we will modify the product pursuant to the legal requirements. Nevertheless, the Cologne Administrative Court will review in separate principal proceedings whether the steps to optimize data traffic as well as the restriction of the service to Germany are compatible with the EU's net neutrality rules.

Spectrum auction in Germany. The Federal Network Agency's auction of nationwide frequencies for Germany in the 2.1 GHz and 3.4 to 3.7 GHz bands was held between March 19 and June 12, 2019. Telekom Deutschland GmbH was admitted to the auction proceedings along with three other companies: Drillisch Netz AG, Telefónica Germany GmbH & Co. OHG, and Vodafone GmbH. All participants purchased spectrum. We won four frequency blocks in the 2 GHz band and nine lots in the 3.6 GHz band worth a total of EUR 2.17 billion. These additional licenses double our spectrum holdings in the 2 GHz band and give us almost a third of the available spectrum (90 MHz) in what is the optimum band for us, the 3.6 GHz band. Achieving this desired outcome to the auction cements our leading position in the competition to deliver the best quality mobile network in Germany. The three existing network operators and six service providers had brought legal action in connection with the auction terms and conditions; however, this had no effect on the auction timing.

Spectrum auction in Austria. The auction in Austria of key 3.6 GHz spectrum (3.4 to 3.8 GHz) required for the rollout of 5G was held between February 12 and March 8, 2019. The nationwide network operators A1, T-Mobile Austria, and Hutchison, as well as other regional operators, were admitted to the proceedings as participants. Deutsche Telekom's subsidiary T-Mobile Austria secured continuous nationwide spectrum of 110 MHz (in the 3,690 to 3,800 MHz band) worth EUR 57 million, while Hutchison obtained only 100 MHz and A1 received varying regional spectrum packages due to the success of four regional providers.

Spectrum auctions in the United States. The Federal Communications Commission (FCC) held a 28 GHz auction from November 2018 through January 2019. This was the first time that 5G spectrum in such a high frequency band (known as millimeter wave (mmWave)) had been auctioned in the United States. On March 14, 2019, a second mmWave auction began in which a total of 1.55 GHz of spectrum in the 24 GHz band was available. T-Mobile US also participated in this auction. Over the course of the two auctions for 28 GHz and 24 GHz spectrum, T-Mobile US paid around USD 843 million for a total of 367 MHz, thus securing itself a solid mmWave holding in preparation for 5G. A third auction is due to start on December 10, 2019 for spectrum in the 37 GHz, 39 GHz, and 47 GHz bands.

AWARDING OF SPECTRUM

The following table provides an overview of the main spectrum awards such as auctions as well as license extensions in Germany and at our international subsidiaries. It also indicates spectrum to be awarded in the near future in various countries.

Main spectrum awards

	Expected start of award procedure	Expected end of award procedure	Frequency ranges (MHz)	Award process	Spectrum acquired (MHz)	Spectrum investment
Germany		Completed	2,100 / 3,400–3,700	Auction (SMRA[a])	20 MHz / 90 MHz	€ 2.17 billion[b]
Greece	Q1 2020	Q2 2020	700 / 1,500 / 3,600 / 26,000	Auction (SMRA[a]), expected	tbd	tbd
Croatia		Completed	2,100 / 2,600	Assignment on application	2x 20 MHz in the 2,600 MHz band	Annual fees, no one-time charge
Croatia	Q3 2019	Q4 2019	3,400–3,800	tbd	tbd	tbd
Netherlands	Q1 2020	Q3 2020	700 / 1,500 / 2,100	Auction, details tbd	tbd	tbd
North Macedonia		Completed	2,100	Sealed-bid tender[c]	Did not participate	
North Macedonia		Completed	1,800	Extension of licenses	2x 10 MHz	No extension fees
North Macedonia	Q2 2020	Q3 2020	700 / 3,400–3,800	Auction, details tbd	tbd	tbd
Austria		Completed	3,400–3,800	Regional auction (CCA[d])	1x 110 MHz	€ 57 million
Austria	Q1 2020	Q2 2020	700 / 1,500 / 2,100	Auction (CCA[d]), expected	tbd	tbd
Poland	Q4 2019	Q1 2020	3,600–3,800	Sealed-bid tender[c]	tbd	tbd
Poland	Q3 2021	Q4 2022	700 / 3,600–3,800	tbd	tbd	tbd
Romania	Q4 2019	Q4 2019	700 / 800 / 1,500 / 2,600 / 3,400–3,600	Auction, details tbd	tbd	tbd
Slovakia	Q3 2019	Q4 2019	700 / 1,800	Auction (SMRA[a]), expected	tbd	tbd
Czech Republic	Q4 2019	Q1 2020	700 / 3,400–3,600	Auction (SMRA[a]), expected	tbd	tbd
Hungary	Q3 2019	Q3 2019	700 / 2,100 / 2,600 / 3,400–3,800	Auction, details tbd	tbd	tbd
United States		Completed	28,000	Auction (SMRA[a])	367 MHz (all in 24 / 28 GHz)	$ 843 million
United States		Completed	24,000	Auction (CCA[d])	See above	See above
United States	Q4 2019	Q1 2020	37,000 / 39,000 / 47,000	Auction (CCA[d])	tbd	tbd

[a] Simultaneous electronic multi-round auction with ascending, parallel bids for all available frequency ranges.

[b] Majority of payment still outstanding.

[c] Sealed-bid tender: auction in which bidders submit their offers in sealed envelopes.

[d] Combinatorial clock auction, three-stage, multi-round auction for spectrum from all available frequency ranges.

DEVELOPMENT OF BUSINESS IN THE GROUP

The new IFRS 16 “Leases” accounting standard has been applied since January 1, 2019. The presentation of the **financial position of the Group** and the **results of operations of the Group** are materially influenced by the application of this standard. Since the start of the 2019 financial year, we have taken the effects of the mandatory first-time application into account when determining our financial performance indicators. For further information on the first-time application of the accounting standard, please refer to the section “Group organization, strategy, and management” and the interim consolidated financial statements in the section “Accounting policies.”

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

In the first half of 2019, we generated net revenue of EUR 39.2 billion, which was up EUR 2.9 billion or 7.9 percent year-on-year. Even adjusted for positive net exchange rate effects of EUR 1.2 billion – mainly from the translation of U.S. dollars into euros – as well as positive effects of changes in the composition of the Group in the net amount of EUR 0.4 billion resulting primarily from the acquisitions of UPC Austria and Tele2 Netherlands, revenue increased by EUR 1.2 billion or 3.2 percent.

Our United States operating segment contributed to the positive revenue trend with an increase of 13.6 percent – or, adjusted for exchange rate effects, of 6.0 percent. This increase was due primarily to higher service revenues from the rise in the average branded customer base, triggered in particular by the continued growth in existing and greenfield markets, and the growing success in new customer segments, along with low customer churn. Revenue in our home market of Germany was up slightly on the prior-year level, due in particular to the strong performance in mobile business and higher IT and broadband revenues from fixed-network business. In our Europe operating segment, revenue was up by 2.8 percent year-on-year; adjusted for exchange rate effects and for the inclusion of UPC Austria, it increased marginally by 0.4 percent. Factors in this increase were growth in revenue from our broadband and TV operations and in wholesale business. Mobile revenue remained at a consistently high level. While revenues in growth areas continued to develop positively in our Systems Solutions operating segment, revenues with traditional IT and telecommunications business declined in this segment – although to a lesser extent than expected. Revenue in our Group Development operating segment increased significantly year-on-year on the back of a positive development in operations and in particular due to the revenue contributions from Tele2 Netherlands taken into account since the beginning of 2019.

For detailed information on revenue development in our segments, please refer to the section “Development of business in the operating segments.”

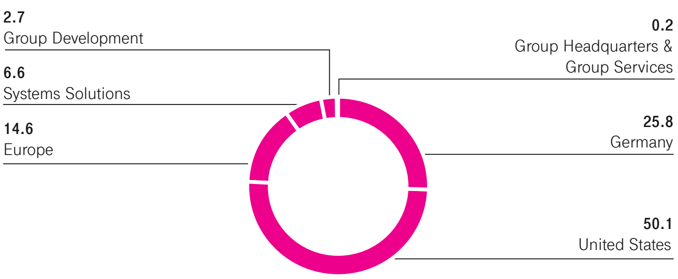
Contribution of the segments to net revenue

millions of €

	Q1 2019	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %	FY 2018
NET REVENUE	**19,488**	**19,664**	**18,367**	**7.1**	**39,152**	**36,291**	**7.9**	**75,656**
Germany	5,357	5,388	5,322	1.2	10,745	10,648	0.9	21,700
United States	9,796	9,826	8,821	11.4	19,623	17,277	13.6	36,522
Europe	2,891	2,978	2,896	2.8	5,869	5,707	2.8	11,885
Systems Solutions	1,630	1,673	1,674	(0.1)	3,304	3,339	(1.0)	6,936
Group Development	682	683	535	27.7	1,364	1,063	28.3	2,185
Group Headquarters & Group Services	651	678	767	(11.6)	1,329	1,418	(6.3)	2,735
Intersegment revenue	(1,520)	(1,561)	(1,649)	5.3	(3,081)	(3,161)	2.5	(6,307)

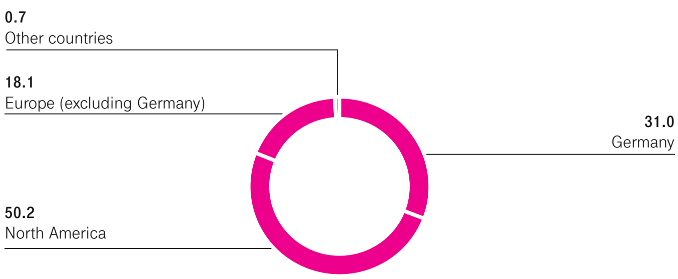
Contribution of the segments to net revenue[a]

%



Breakdown of revenue by region

%



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

At 50.1 percent, our United States operating segment again provided the largest contribution to net revenue of the Group and was up 2.5 percentage points above the level in the prior-year period. The proportion of net revenue generated internationally increased from 67.1 percent to 69.0 percent.

EBITDA AL, ADJUSTED EBITDA AL

Excluding special factors, adjusted EBITDA AL increased year-on-year by EUR 0.9 billion or 7.7 percent to EUR 12.2 billion in the first half of 2019; this increase was attributable to positive net exchange rate effects of EUR 0.3 billion and slightly positive effects of changes in the composition of the Group. Excluding these effects, adjusted EBITDA AL increased by EUR 0.4 billion or 3.7 percent. All operating segments made a positive contribution to this development: Adjusted EBITDA AL of our United States operating segment had a noticeably positive effect on the back of the higher revenue. Our Germany operating segment contributed to this result thanks to a positive revenue trend, lower personnel costs, and the successful implementation of further efficiency enhancement and digitalization measures with 2.4 percent higher adjusted EBITDA AL. Adjusted EBITDA AL in our Europe operating segment increased by 5.6 percent; even adjusted for the inclusion of UPC Austria and assuming constant exchange rates, an increase of 1.8 percent was recorded. Successfully implemented efficiency enhancement measures are taking effect in our Systems Solutions operating segment in the form of higher adjusted EBITDA AL. The increase in adjusted EBITDA AL in our Group Development operating segment was driven by revenue growth and efficient management of costs as well as by the earnings contributed by Tele2 Netherlands, acquired in early 2019.

EBITDA AL increased by EUR 0.5 billion or 4.9 percent year-on-year to EUR 11.2 billion, with special factors decreasing from EUR -0.7 billion to EUR -1.0 billion. Expenses incurred in connection with staff-related measures and non-staff-related restructuring expenses decreased by EUR 0.1 billion compared with the prior-year period to EUR 0.6 billion. In addition, expenses incurred in particular in connection with the approval process for the business combination of T-Mobile US and Sprint were recorded as special factors.

For detailed information on the development of EBITDA AL/adjusted EBITDA AL in our segments, please refer to the section “Development of business in the operating segments.”

Contribution of the segments to adjusted Group EBITDA AL

millions of €

	Q1 2019	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %	FY 2018
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP[a]	**5,940**	**6,283**	**5,866**	**7.1**	**12,223**	**11,353**	**7.7**	**23,074**
Germany	2,108	2,153	2,103	2.4	4,261	4,161	2.4	8,516
United States	2,679	2,872	2,552	12.5	5,551	4,883	13.7	10,084
Europe	945	991	936	5.9	1,937	1,834	5.6	3,813
Systems Solutions	92	127	124	2.4	219	184	19.0	442
Group Development	255	250	227	10.1	506	452	11.9	892
Group Headquarters & Group Services	(137)	(82)	23	n.a.	(219)	(69)	n.a.	(601)
Reconciliation	(2)	(29)	(100)	71.0	(31)	(94)	67.0	(72)

[a] Prior-year comparatives were calculated on a pro forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

EBIT

Group EBIT stood at EUR 4.6 billion, up EUR 0.1 billion or 1.9 percent against the prior-year period. This increase is partly due to the effects described under EBITDA AL. At EUR 8.6 billion, depreciation, amortization and impairment losses were EUR 2.3 billion higher than in the prior-year period, due in particular to the depreciation charge for right-of-use assets required to be recognized for the first time in accordance with IFRS 16. In the prior-year period, expenses had been recognized in EBITDA in connection with operating leases. Depreciation of property, plant and equipment and amortization of intangible assets were EUR 0.5 billion higher than in the prior year, mainly due to the consistently high investment volume in past years – the prior-year period had included depreciation, amortization and impairment losses on finance lease assets.

PROFIT BEFORE INCOME TAXES

At EUR 3.7 billion, profit before income taxes was EUR 0.8 billion higher than in the first half of 2018, with loss from financial activities decreased from EUR -1.6 billion in the first half of 2018 to EUR -0.9 billion. While the finance cost increased by EUR 0.2 billion, due in particular to increased lease liabilities since the application of IFRS 16, other financial income/expense improved by EUR 0.3 billion, mainly due to positive measurement effects from embedded derivatives at T-Mobile US. The share of profit/loss of associates and joint ventures accounted for using the equity method also improved – by EUR 0.6 billion. This item had been negatively impacted by an effect of EUR 0.6 billion in the first half of 2018 due to the settlement agreed in connection with ending the Toll Collect arbitration proceedings.

NET PROFIT, ADJUSTED NET PROFIT

Net profit increased year-on-year from EUR 1.5 billion to EUR 1.8 billion. Tax expense came to EUR 1.0 billion in the first half of 2019 compared with EUR 0.9 billion for the prior-year period. For further information, please refer to the section "Income taxes" in the interim consolidated financial statements. Profit attributable to non-controlling interests increased from EUR 0.6 billion to EUR 0.9 billion, mainly in our United States operating segment. Excluding special factors, which had an effect of EUR 0.7 billion on net profit, adjusted net profit in the first half of 2019 amounted to EUR 2.5 billion or EUR 0.1 billion higher than in the prior-year period.

millions of €

	Q1 2019	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %	FY 2018
NET PROFIT (LOSS)	**900**	**944**	**495**	**90.7**	**1,845**	**1,487**	**24.1**	**2,166**
Special factors affecting EBITDA	(440)	(562)	(371)	(51.5)	(1,002)	(652)	(53.7)	(1,497)
Staff-related measures	(290)	(304)	(360)	15.6	(594)	(630)	5.7	(1,159)
Non-staff-related restructuring	(19)	(30)	(33)	9.1	(49)	(55)	10.9	(109)
Effects of deconsolidations, disposals and acquisitions	(111)	(174)	(37)	n.a.	(285)	(9)	n.a.	(223)
Other	(20)	(54)	59	n.a.	(74)	42	n.a.	(6)
Special factors affecting net profit	158	178	(370)	n.a.	335	(288)	n.a.	(882)
Impairment losses	0	(50)	0	n.a.	(50)	0	n.a.	(707)
Profit (loss) from financial activities	0	(1)	(705)	99.9	(1)	(703)	99.9	(757)
Income taxes	122	173	276	(37.3)	295	366	(19.4)	401
Non-controlling interests	36	56	59	(5.1)	91	49	85.7	181
TOTAL SPECIAL FACTORS	**(282)**	**(385)**	**(743)**	**48.2**	**(667)**	**(941)**	**29.1**	**(2,379)**
ADJUSTED NET PROFIT (LOSS)	**1,183**	**1,329**	**1,238**	**7.4**	**2,512**	**2,428**	**3.5**	**4,545**

ADJUSTED EARNINGS PER SHARE

From the 2019 financial year onward, the dividend amount is to reflect the relative growth of adjusted earnings per share. Adjusted earnings per share is calculated as the profit attributable to the owners of the parent adjusted for special factors divided by the adjusted weighted average number of ordinary shares outstanding which totaled 4,743 million as of June 30, 2019. With adjusted net profit attributable to the owners of the parent in the amount of EUR 2.5 billion, this gives adjusted earnings per share of EUR 0.53. Adjusted earnings per share in the first half of 2018 had amounted to EUR 0.51.

EMPLOYEES

Headcount development

	June 30, 2019	Dec. 31, 2018	Change %
NUMBER OF FTEs IN THE GROUP	**212,762**	**215,675**	**(1.4)**
Of which: civil servants (in Germany, with an active service relationship)	12,595	13,507	(6.8)
Germany	61,552	62,621	(1.7)
United States	46,600	46,871	(0.6)
Europe	46,017	48,133	(4.4)
Systems Solutions	37,803	37,467	0.9
Group Development	2,739	1,976	38.6
Group Headquarters & Group Services	18,050	18,606	(3.0)

The Group's headcount decreased by 1.4 percent compared with the end of 2018. In our Germany operating segment, the total number of employees had decreased by 1.7 percent at the end of the first half of 2019 as a result of efficiency enhancement measures and the take-up of socially responsible instruments in connection with the staff restructuring. The total number of employees in our United States operating segment decreased by 0.6 percent at June 30, 2019 compared with December 31, 2018, primarily due to seasonal effects. In our Europe operating segment, the headcount was down 4.4 percent compared with the end of the prior year. This was due in part to the sale of Telekom Albania. The headcount also decreased in Romania and Hungary in particular. The number of employees in our Systems Solutions operating segment increased by 0.9 percent compared with the end of 2018, mainly due to the first-time inclusion and expansion of a service unit in India. The remaining headcount in this segment decreased by 2.2 percent on account of restructuring measures. In our Group Development operating segment, the number of employees rose by 38.6 percent compared with the end of 2018. The increase is attributable to the inclusion of Tele2 Netherlands in the Netherlands. The headcount in the Group Headquarters & Group Services segment was down 3.0 percent compared with the end of 2018, mainly due to the ongoing staff restructuring at Vivento and the lower headcount in the Technology and Innovation unit.

FINANCIAL POSITION OF THE GROUP

Condensed consolidated statement of financial position

millions of €

	June 30, 2019	%	Dec. 31, 2018	%	June 30, 2018
ASSETS					
Trade and other receivables	9,898	6.0	9,988	6.9	8,921
Intangible assets	66,266	40.4	64,950	44.7	63,636
Property, plant and equipment	49,119	29.9	50,631	34.8	47,844
Right-of-use assets	17,549	10.7	n.a.	n.a.	n.a.
Other assets	21,382	13.0	19,806	13.6	19,348
TOTAL ASSETS	**164,214**	**100.0**	**145,375**	**100.0**	**139,749**
LIABILITIES					
Current and non-current financial liabilities	64,187	39.1	62,275	42.8	61,262
Current and non-current lease liabilities	19,347	11.8	n.a.	n.a.	n.a.
Trade and other payables	9,647	5.9	10,735	7.4	8,924
Provisions for pensions and other employee benefits	6,569	4.0	5,502	3.8	5,650
Deferred tax liabilities	8,935	5.4	8,240	5.7	7,500
Other liabilities	12,839	7.8	15,186	10.4	15,010
Shareholders' equity	42,690	26.0	43,437	29.9	41,403
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**164,214**	**100.0**	**145,375**	**100.0**	**139,749**

Total assets amounted to EUR 164.2 billion as of June 30, 2019, up by EUR 18.8 billion against December 31, 2018. The recognition of right-of-use assets and current and non-current lease liabilities resulting from the mandatory first-time application of the IFRS 16 "Leases" accounting standard had a significant impact.

The total carrying amounts of **intangible assets** and **property, plant and equipment** were EUR 0.2 billion lower year-on-year. Capital expenditures in the amount of EUR 8.0 billion had an increasing effect. In our United States operating segment, investments in intangible assets related primarily to the acquisition of FCC mobile spectrum licenses totaling EUR 0.9 billion. In the Europe operating segment, 5G licenses acquired in Austria increased the carrying amount by EUR 0.1 billion. Investments primarily to upgrade and build out the network in our United States operating segment and in connection with the broadband/fiber-optic rollout, the IP transformation, and mobile infrastructure in the Germany and Europe operating segments increased the carrying amount of property, plant and equipment. Effects of changes in the composition of the Group totaling EUR 1.0 billion, mainly due to the acquisition of Tele2 Netherlands in the Group Development operating segment, and positive exchange rate effects totaling EUR 0.4 billion, particularly from the translation of U.S. dollars into euros, also increased the carrying amount. Depreciation of property, plant and equipment and amortization of intangible assets reduced the carrying amount by EUR 6.8 billion and disposals by EUR 0.2 billion. **Rights to use** lease assets were recognized in the amount of EUR 17.5 billion as of June 30, 2019; until December 31, 2018, these had been reported in the amount of EUR 2.5 billion under property, plant and equipment as assets from finance leases. **Trade and other receivables** decreased slightly from the 2018 year-end level by EUR 0.1 billion. **Other assets** increased primarily on the back of the rise in current and non-current other financial assets, which was mainly due to positive measurement effects from the remeasurement of embedded derivatives at T-Mobile US. Cash and cash equivalents also increased.

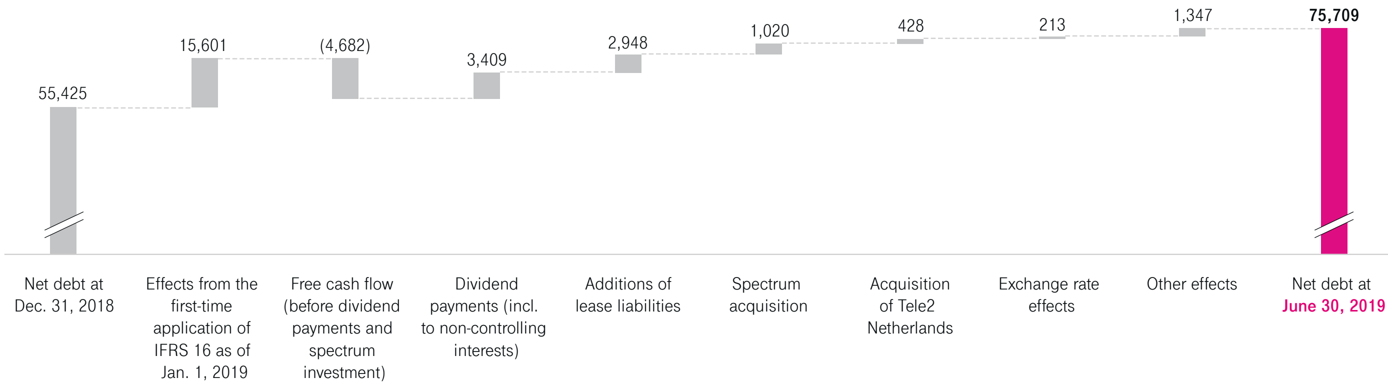
On the liabilities side, current and non-current **financial liabilities** increased by EUR 1.9 billion compared with the end of 2018. This was largely attributable to the euro bonds issued by Deutsche Telekom in the first half of 2019 with a total volume of EUR 1.8 billion and pound sterling bonds with a total volume of GBP 0.4 billion (EUR 0.5 billion). In addition, a loan of EUR 0.5 billion was taken out with the European Investment Bank in addition to a promissory note in the amount of EUR 0.3 billion. This was offset by changes in short-term borrowing amounting to EUR 0.6 billion (net) and in commercial paper amounting to EUR 0.5 billion (net), as well as the scheduled repayment of promissory notes in the amount of EUR 0.2 billion. The transition to IFRS 16 resulted in finance lease liabilities being reclassified from financial liabilities to lease liabilities. Based on the carrying amounts as of December 31, 2018, this reclassification reduced financial liabilities by EUR 2.5 billion. The current and non-current **lease liabilities** to be recognized since the first-time application of IFRS 16 amounted to EUR 19.3 billion as of June 30, 2019. **Trade and other payables** decreased by EUR 1.1 billion due to the reduction in the level of liabilities, mainly in the Europe, Germany, and United States operating segments. **Provisions for pensions and other employee benefits** increased by EUR 1.1 billion compared with December 31, 2018 due, in part, to interest rate adjustments and the decline in the value of the BT shares transferred to plan assets. **Other liabilities** were reduced in particular by liabilities of EUR 2.2 billion from straight-line leases, mainly for cell sites, in the United States operating segment that were no longer required to be reported under IFRS 16. In addition, current and non-current other provisions decreased by EUR 0.5 billion, mainly due to the performance-related compensation components for the prior year paid to employees in the first half of 2019.

Shareholders' equity decreased by EUR 0.7 billion as of December 31, 2018 to EUR 42.7 billion, mainly due to the dividend payments for the 2018 financial year to Deutsche Telekom AG shareholders in the amount of EUR 3.3 billion and to non-controlling interests in the amount of EUR 0.2 billion. The carrying amount was also reduced by EUR 0.8 billion (after taxes) due to the remeasurement of defined benefit plans and by a total of EUR 0.7 billion due to losses from hedging instruments, mainly in connection with forward-payer swaps concluded for highly probable future borrowings at T-Mobile US. By contrast, the profit of EUR 2.7 billion increased shareholders' equity as did the transition to IFRS 16. The cumulative effect of this was an increase of EUR 0.3 billion in retained earnings (including shares attributable to non-controlling interests) recognized directly in equity as of January 1, 2019. Currency translation effects recognized directly in equity and capital increases from share-based payments each increased shareholders' equity by EUR 0.2 billion. The acquisition of Tele2 Netherlands in the Group Development operating segment resulted in transactions with owners which increased shareholders' equity by EUR 0.5 billion, and effects of EUR 0.2 billion from changes in the composition of the Group.

For further information on the statement of financial position, please refer to the interim consolidated financial statements.

Changes in net debt

millions of €



Other effects of EUR 1.3 billion include, among other factors, effects from the measurement of financial instruments, financing options under which the payments for trade payables become due at a later point in time by involving banks in the process, and the recognition of liabilities for the acquisition of broadcasting rights. For more information on net debt, please refer to the disclosures on the reconciliation of alternative performance measures in the section "Additional information."

Free cash flow (before dividend payments and spectrum investment)

millions of €

	Q1 2019	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %	FY 2018
CASH GENERATED FROM OPERATIONS	**6,609**	**6,157**	**4,947**	**24.5**	**12,765**	**9,753**	**30.9**	**19,663**
Interest received (paid)	(600)	(559)	(555)	(0.7)	(1,159)	(1,064)	(8.9)	(1,715)
NET CASH FROM OPERATING ACTIVITIES	**6,009**	**5,598**	**4,392**	**27.5**	**11,607**	**8,689**	**33.6**	**17,948**
CASH CAPEX (BEFORE SPECTRUM INVESTMENT)	**(3,682)**	**(3,324)**	**(3,021)**	**(10.0)**	**(7,006)**	**(6,097)**	**(14.9)**	**(12,223)**
Proceeds from the disposal of intangible assets (excluding goodwill) and property, plant and equipment	44	38	144	(73.6)	82	304	(73.0)	525
Free cash flow (before dividend payments and spectrum investment)	2,370	2,312	1,514	52.7	4,682	2,896	61.7	6,250
FREE CASH FLOW AL (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)[a]	**1,557**	**1,546**	**1,467**	**5.4**	**3,103**	**2,785**	**11.4**	**6,051**

[a] Prior-year comparatives were calculated on a pro forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

Free cash flow AL. Free cash flow AL in the Group before dividend payments and spectrum investment increased by EUR 0.3 billion year-on-year to EUR 3.1 billion.

Net cash from operating activities increased by EUR 2.9 billion year-on-year to EUR 11.6 billion. Due to the first-time application of the IFRS 16 accounting standard, the principal repayment portion of lease payments is presented in net cash used in/from financing activities. These payments totaling EUR 1.6 billion were taken into account in the calculation of free cash flow AL. The strong performance of our operating segments, in particular the United States, significantly increased net cash from operating activities. As in the prior-year period, factoring agreements – especially in the Systems Solutions operating segment – resulted in positive effects of EUR 0.3 billion on net cash from operating activities. In addition, in the prior-year period, dividends received in the amount of EUR 0.2 billion had had an increasing effect. Net cash from operating activities was also reduced by a EUR 0.1 billion increase in net interest payments and a EUR 0.1 billion increase in tax payments.

Of the EUR 0.9 billion year-on-year increase in cash capex (before spectrum investment), EUR 0.7 billion is attributable to the United States operating segment, mainly due to the accelerated infrastructure build-out for the 600 MHz spectrum, laying the groundwork for 5G. Other capital expenditures were focused primarily on the Germany and Europe operating segments and went toward the build-out and upgrade of our networks.

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

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS

For detailed information, please refer to the IR back-up at: www.telekom.com/en/investor-relations.

GERMANY

For information on changes resulting from the first-time application of the IFRS 16 "Leases" accounting standard, please refer to the section "Group organization, strategy, and management."

CUSTOMER DEVELOPMENT

thousands

	June 30, 2019	Mar. 31, 2019	Change June 30, 2019/ Mar. 31, 2019 %	Dec. 31, 2018	Change June 30, 2019/ Dec. 31, 2018 %	June 30, 2018	Change June 30, 2019/ June 30, 2018 %
Mobile customers	44,827	44,657	0.4	44,202	1.4	43,023	4.2
Contract customers	24,974	25,195	(0.9)	25,435	(1.8)	24,965	0.0
Prepay customers	19,853	19,462	2.0	18,767	5.8	18,058	9.9
Fixed-network lines	18,228	18,414	(1.0)	18,625	(2.1)	18,989	(4.0)
Of which: retail IP-based	16,614	16,065	3.4	15,356	8.2	13,629	21.9
Retail broadband lines	13,636	13,608	0.2	13,561	0.6	13,437	1.5
Of which: optical fiber	7,913	7,609	4.0	7,236	9.4	6,559	20.6
Television (IPTV, satellite)	3,477	3,419	1.7	3,353	3.7	3,240	7.3
Unbundled local loop lines (ULLs)	4,913	5,050	(2.7)	5,236	(6.2)	5,587	(12.1)
Wholesale broadband lines	7,126	6,975	2.2	6,722	6.0	6,277	13.5
Of which: optical fiber	5,503	5,285	4.1	4,970	10.7	4,432	24.2

Total

In Germany we continue to be market leader both in terms of fixed-network and mobile revenues. This success is attributable to our high-performance networks. We offer best customer experience with multi-award-winning network quality – in the fixed network as in mobile communications – and with a broad product portfolio and excellent service. Thanks to the sustained popularity of our convergent MagentaEINS offering, our MagentaEINS customer base totaled 4.5 million at the end of the first half of 2019.

High demand for mobile rate plans with included data volumes resulted in an increase in the number of branded contract customers under the Telekom and congstar brands. Our initiatives in the automotive sector drove growth in the number of prepay customers.

We made further headway with our IP transformation program, and by the end of the first half of 2019 had migrated 23.7 million retail and wholesale lines to IP, bringing the total migration level to 93 percent of all lines.

We continued to see strong demand for our fiber-optic products. As of the end of the first half of 2019, the number of lines had increased to 13.4 million overall. In other words, we connected 1,209 thousand lines to our fiber-optic network in Germany in the first six months of 2019. With the progress made in fiber-optic rollout and vectoring technology, we also drove the marketing of higher bandwidths.

Mobile communications

We won a further 625 thousand mobile customers in the first half of 2019 compared with year-end 2018. Of these, a total of 271 thousand were contract customers under our Telekom and congstar brands. The number of mobile contract customers with resellers (service providers) decreased, primarily due to the volatile developments at some of our service providers. The number of prepay customers increased by 1,086 thousand.

Fixed network

Due to the persistently challenging development in the fixed-network market, primarily owing to aggressive pricing offers of competitors, we are pursuing new paths in marketing. Our focus is on convergent offerings and their further development – for instance, MagentaTV with exclusive access to a wide range of additional content – as well as TV lines and fiber-optic lines. We continue to see growth in our broadband lines. The number of TV customers increased by 124 thousand. In the traditional fixed network, the number of lines decreased by 397 thousand.

Our MagentaZuhause rate plans offer a comprehensive product portfolio for the fixed network based on IP technology and rate plan-specific bandwidths.

Wholesale

At the end of the first half of 2019, fiber-optic lines accounted for 45.7 percent of all lines – 4.1 percentage points higher than at the end of 2018. This accelerated growth was driven largely by high demand for our contingent model. The number of unbundled local loop lines decreased by 323 thousand or 6.2 percent compared with the end of the prior year. This is due first to the move to higher-quality fiber-optic lines, and second to retail customers switching to cable operators. In addition, wholesale customers are migrating their retail customers to their own fiber-optic lines. In wholesale, the number of lines stood at 12.0 million as of June 30, 2019.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2019	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %	FY 2018
TOTAL REVENUE		5,357	5,388	5,322	1.2	10,745	10,648	0.9	21,700
Consumers		2,833	2,861	2,820	1.5	5,695	5,633	1.1	11,543
Business Customers		1,510	1,514	1,492	1.5	3,024	2,983	1.4	6,082
Wholesale		931	927	926	0.1	1,858	1,858	0.0	3,720
Other		83	86	84	2.4	168	173	(2.9)	355
Profit from operations (EBIT)		863	892	954	(6.5)	1,754	1,889	(7.1)	3,969
EBIT margin	%	16.1	16.6	17.9		16.3	17.7		18.3
Depreciation, amortization and impairment losses		(1,083)	(1,144)	(988)	(15.8)	(2,227)	(1,968)	(13.2)	(4,042)
EBITDA		1,946	2,036	1,941	4.9	3,981	3,857	3.2	8,012
EBITDA AL[a]		1,940	2,028	1,918	5.7	3,968	3,809	4.2	7,918
Special factors affecting EBITDA		(168)	(125)	(185)	32.4	(293)	(352)	16.8	(598)
EBITDA (adjusted for special factors)		2,114	2,161	2,126	1.6	4,274	4,209	1.5	8,610
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)[a]		2,108	2,153	2,103	2.4	4,261	4,161	2.4	8,516
EBITDA AL margin (adjusted for special factors)[a]	%	39.4	40.0	39.5		39.7	39.1		39.2
CASH CAPEX		(1,216)	(1,069)	(963)	(11.0)	(2,284)	(2,108)	(8.3)	(4,240)

[a] Prior-year comparatives were calculated on a pro forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

Total revenue

Total revenue was up slightly year-on-year by 0.9 percent, mainly due to an increase of 3.2 percent in mobile business thanks to higher service and terminal equipment revenues. Higher IT and broadband revenues had a positive effect on fixed-network business. This was sufficient to almost completely offset the decrease in fixed-network revenue compared with the first half of 2018 (primarily from voice components).

Revenue from **Consumers** grew by 1.1 percent year-on-year. Volume-driven declines in revenue from voice components continue to strongly impact on traditional fixed-network business. By contrast, revenue from broadband business increased. Mobile business also grew by 3.8 percent.

Revenue from **Business Customers** increased by 1.4 percent. Mobile revenues increased by 2.1 percent and IT revenues by 25.2 percent compared with the first half of the prior year. In the fixed network, by contrast, a decline was recorded in traditional voice telephony, due largely to the increasing number of customers moving to flat-rate plans in connection with the migration to IP.

Wholesale revenue remained on a par with the prior-year level in the first six months of 2019 due to the positive contributions to revenue from our contingent model, which offset the decline in revenue from ULLs/ voice.

EBITDA AL, adjusted EBITDA AL

EBITDA AL amounted to EUR 4.0 billion in the first half of 2019, an increase of 4.2 percent against the prior-year period. In addition to the positive contributions from the development of revenue, this increase was also primarily due to lower personnel costs, mainly as a result of a lower headcount and a decline in expenses for socially responsible instruments in connection with the staff restructuring. The successful implementation of efficiency and digitalization measures also had a positive impact. Adjusted EBITDA AL increased by 2.4 percent to EUR 4.3 billion year-on-year due to the same reasons. Our adjusted EBITDA AL margin increased to 39.7 percent, up from 39.1 percent in the first half of 2018.

EBIT

Profit from operations decreased by 7.1 percent compared with the first half of the prior year to EUR 1.8 billion due to higher depreciation, amortization and impairment losses on account of sustained high investments in our network infrastructure.

Cash capex

Cash capex increased by 8.3 percent compared with the first half of 2018. As part of our integrated network strategy, we again made significant investments in the broadband and fiber-optic rollout, our IP transformation, and our mobile infrastructure.

UNITED STATES

For information on changes resulting from the first-time application of the IFRS 16 “Leases” accounting standard and changes in the organizational structure, please refer to the section “Group organization, strategy, and management.”

CUSTOMER DEVELOPMENT

thousands

	June 30, 2019	Mar. 31, 2019	Change June 30, 2019/ Mar. 31, 2019 %	Dec. 31, 2018	Change June 30, 2019/ Dec. 31, 2018 %	June 30, 2018	Change June 30, 2019/ June 30, 2018 %
Mobile customers	83,052	81,301	2.2	79,651	4.3	75,619	9.8
Branded customers	65,983	64,744	1.9	63,656	3.7	61,049	8.1
Branded postpaid	44,646	43,538	2.5	42,519	5.0	40,082	11.4
Branded prepay	21,337	21,206	0.6	21,137	0.9	20,967	1.8
Wholesale customers	17,069	16,557	3.1	15,995	6.7	14,570	17.2

Total

At June 30, 2019, the United States operating segment (T-Mobile US) had 83.1 million customers, compared to 79.7 million customers at December 31, 2018. Net customer additions were 3.4 million for the first half of 2019, compared to 3.0 million net customer additions for the first half of 2018, due to the factors described below.

Branded customers. Branded postpaid net customer additions were 2,127 thousand for the first half of 2019, compared to 2,022 thousand branded postpaid net customer additions for the first half of 2018. The increase resulted from higher branded postpaid phone net customer additions primarily due to record-low churn and higher branded postpaid other net customer additions primarily due to higher gross customer additions from connected devices, partially offset by higher deactivations from a growing customer base.

Branded prepay net customer additions were 200 thousand for the first half of 2019, compared to 290 thousand branded prepay net customer additions for the first half of 2018. The decrease in net customer additions was primarily due to continued promotional activities in the marketplace, partially offset by lower churn.

Wholesale customers. Wholesale net customer additions were 1,074 thousand for the first half of 2019, compared to 700 thousand for the first half of 2018. The increase was due primarily to higher gross additions from the continued success of our M2M and MVNO partnerships.

DEVELOPMENT OF OPERATIONS

millions of €		Q1 2019	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %	FY 2018
TOTAL REVENUE		9,796	9,826	8,821	11.4	19,623	17,277	13.6	36,522
Profit from operations **(EBIT)**		1,376	1,465	1,201	22.0	2,840	2,338	21.5	4,634
EBIT margin	%	14.0	14.9	13.6		14.5	13.5		12.7
Depreciation, amortization and impairment losses		(1,835)	(1,870)	(1,321)	(41.6)	(3,704)	(2,544)	(45.6)	(5,294)
EBITDA		3,210	3,334	2,522	32.2	6,545	4,882	34.1	9,928
EBITDA AL[a]		2,580	2,672	2,520	6.0	5,252	4,879	7.6	9,924
Special factors affecting EBITDA		(99)	(200)	(32)	n.a.	(299)	(4)	n.a.	(160)
EBITDA (adjusted for special factors)		3,309	3,534	2,553	38.4	6,843	4,885	40.1	10,088
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)[a]		2,679	2,872	2,552	12.5	5,551	4,883	13.7	10,084
EBITDA AL margin (adjusted for special factors)[a]	%	27.3	29.2	28.9		28.3	28.3		27.6
CASH CAPEX		(1,713)	(2,272)	(1,353)	(67.9)	(3,985)	(2,495)	(59.7)	(4,661)

[a] Prior-year comparatives were calculated on a pro forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

Total revenue

Total revenue for the United States operating segment of EUR 19.6 billion in the first half of 2019 increased by 13.6 percent, compared to EUR 17.3 billion in the first half of 2018. In U.S. dollars, T-Mobile US' total revenues increased by 6.0 percent year-on-year due primarily to an increase in service revenue driven by growth in our average branded customer base driven by the continued growth in existing and greenfield markets, including the growing success of new customer segments and rate plans such as Unlimited 55+, Military, Business, and Essentials, along with record low churn and growth in wearables and other connected devices; partially offset by decreases in branded postpaid and branded prepaid average revenue per user (ARPU).

EBITDA AL, adjusted EBITDA AL

In euros, adjusted EBITDA AL increased by 13.7 percent to EUR 5.6 billion in the first half of 2019, compared to EUR 4.9 billion in the first half of 2018. The adjusted EBITDA AL margin of 28.3 percent in the first half of 2019 remained relatively flat, compared to the first half of 2018. In U.S. dollars, adjusted EBITDA AL increased by 6.1 percent during the same period. Adjusted EBITDA AL increased due primarily to higher service revenues, as further discussed above. These increases were partially offset by higher employee related costs, costs related to outsourced functions, commissions and costs primarily related to an increase in amortization expense related to costs that were capitalized upon the adoption of IFRS 15 on January 1, 2018, and the impact from hurricane-related reimbursements of USD 128 million received in the first half of 2018. There was no significant impact from hurricanes for the first half of 2019.

EBITDA AL for the first half of 2019 included special factors of EUR -299 million compared to special factors of EUR -4 million for the first half of 2018. The change in special factors was primarily due to the expenses associated with the proposed Sprint transaction in the first half of 2019 and a purchase and investment gain in the first quarter of 2018. Overall, EBITDA AL increased by 7.6 percent to EUR 5.3 billion in the first half of 2019, compared to EUR 4.9 billion in the first half of 2018, due to the factors described above, including special factors.

EBIT

EBIT increased to EUR 2.8 billion in the first half of 2019 compared to EUR 2.3 billion in the first half of 2018 driven by higher EBITDA AL. Depreciation and amortization expense increased due to the application of the IFRS 16 accounting standard as of January 1, 2019, which results in higher depreciation charges for capitalized right-of-use-assets previously recognized as operating expenses for operating leases. Excluding the impacts of IFRS 16 depreciation decreased due to a lower number of devices under lease, partially offset by higher depreciation charges related to the continued deployment of low-band spectrum, including 600 MHz, and laying the groundwork for 5G.

Cash capex

Cash capex increased to EUR 4.0 billion in the first half of 2019, compared to EUR 2.5 billion in the first half of 2018, primarily due to an increase in spectrum licenses acquired and accelerated rollout of our 600 MHz low-band spectrum including laying the groundwork for 5G.

EUROPE

For information on changes resulting from the first-time application of the IFRS 16 "Leases" accounting standard and changes in the organizational structure, please refer to the section "Group organization, strategy, and management."

CUSTOMER DEVELOPMENT

thousands

		June 30, 2019	Mar. 31, 2019	Change June 30, 2019/ Mar. 31, 2019 %	Dec. 31, 2018	Change June 30, 2019/ Dec. 31, 2018 %	June 30, 2018	Change June 30, 2019/ June 30, 2018 %
EUROPE, TOTAL	Mobile customers[a]	46,469	47,800	(2.8)	50,542	(8.1)	49,886	(6.8)
	Contract customers	27,022	26,844	0.7	26,665	1.3	26,022	3.8
	Prepay customers[a]	19,447	20,956	(7.2)	23,877	(18.6)	23,865	(18.5)
	Fixed-network lines[b]	8,986	8,977	0.1	9,020	(0.4)	8,414	6.8
	Of which: IP-based	7,961	7,663	3.9	7,371	8.0	6,235	27.7
	Broadband customers	6,540	6,478	1.0	6,405	2.1	5,671	15.3
	Television (IPTV, satellite, cable)	4,910	4,904	0.1	4,835	1.6	4,293	14.4
	Unbundled local loop lines (ULLs)/ wholesale PSTN	2,268	2,278	(0.4)	2,275	(0.3)	2,275	(0.3)
	Wholesale broadband lines	422	417	1.2	411	2.7	395	6.8
GREECE	Mobile customers	7,605	7,682	(1.0)	7,893	(3.6)	8,163	(6.8)
	Fixed-network lines	2,607	2,581	1.0	2,566	1.6	2,552	2.2
	Broadband customers	1,972	1,938	1.8	1,893	4.2	1,830	7.8
ROMANIA	Mobile customers	5,258	5,421	(3.0)	5,360	(1.9)	5,282	(0.5)
	Fixed-network lines	1,648	1,697	(2.9)	1,741	(5.3)	1,803	(8.6)
	Broadband customers	1,055	1,078	(2.1)	1,101	(4.2)	1,117	(5.6)
HUNGARY	Mobile customers	5,332	5,305	0.5	5,330	0.0	5,306	0.5
	Fixed-network lines	1,680	1,673	0.4	1,663	1.0	1,640	2.4
	Broadband customers	1,189	1,170	1.6	1,148	3.6	1,104	7.7
POLAND	Mobile customers	10,869	10,823	0.4	10,787	0.8	10,609	2.5
	Fixed-network lines	19	18	5.6	18	5.6	26	(26.9)
	Broadband customers	10	11	(9.1)	18	(44.4)	23	(56.5)
CZECH REPUBLIC	Mobile customers	6,224	6,186	0.6	6,188	0.6	6,174	0.8
	Fixed-network lines	384	355	8.2	318	20.8	248	54.8
	Broadband customers	290	274	5.8	251	15.5	208	39.4
CROATIA	Mobile customers	2,286	2,262	1.1	2,273	0.6	2,268	0.8
	Fixed-network lines	916	922	(0.7)	931	(1.6)	952	(3.8)
	Broadband customers	619	617	0.3	618	0.2	621	(0.3)
SLOVAKIA	Mobile customers	2,402	2,391	0.5	2,369	1.4	2,320	3.5
	Fixed-network lines	854	854	0.0	853	0.1	859	(0.6)
	Broadband customers	557	550	1.3	543	2.6	532	4.7
AUSTRIA	Mobile customers[a]	4,938	4,765	3.6	7,194	(31.4)	6,441	(23.3)
	Fixed-network lines[b]	546	544	0.4	595	(8.2)	0	n.a.
	Broadband customers	606	601	0.8	594	2.0	0	n.a.
OTHER[c]	Mobile customers	1,555	2,967	(47.6)	3,149	(50.6)	3,323	(53.2)
	Fixed-network lines	332	334	(0.6)	333	(0.3)	334	(0.6)
	Broadband customers	241	239	0.8	238	1.3	232	3.9

[a] As of January 1, 2019, the portfolio of M2M SIM cards in Austria was streamlined. 2.4 million customers were deactivated. Prior-year comparatives were not adjusted.

[b] Following the acquisition of UPC Austria, we have reported fixed-network lines and broadband customers since the third quarter of 2018. The 2018 comparatives for fixed-network lines were adjusted to exclude TV-only customers.

[c] "Other": national companies of North Macedonia, Montenegro, and Albania (sold as of May 7, 2019), as well as the lines of the GTS Central Europe group in Romania.

Total
The markets in our segment remained intensely competitive in the first half of 2019. We continue to rise to this challenge in the current financial year, achieving an increase of 23.4 percent in the number of FMC customers as of June 30, 2019, thanks in particular to our convergent product portfolio, MagentaOne. We also made important progress on our journey to becoming an integrated provider of mobile and fixed-network products across our entire segment: Following the successful integration of UPC Austria, in May 2019 we added convergent products to our portfolio in Austria under the new Magenta product brand. At the end of June 2019, we began offering our customers in Poland the MagentaOne product bundle, which combines mobile communications over the fiber-optic-based internet and an entertainment package. We parted ways with our last remaining mobile-only subsidiary, Telekom Albania, on May 7, 2019.

Our broadband/TV operations are making progress consistently, not least thanks to the large-scale build-out of the network with state-of-the-art fiber-optic-based lines (FTTH, FTTB, and FTTC), in particular in the national companies of Greece and Hungary. As a result, the number of IP lines increased by 8.0 percent to 8.0 million as of June 30, 2019, primarily thanks to the migration from traditional PSTN lines to IP technology.

In our mobile business, we recorded moderate growth in the number of high-value contract customers. The number of prepay customers decreased sharply, mainly due to the streamlining of the portfolio in Austria and the sale of Telekom Albania. In addition, our national company in Greece recorded reductions in its prepay customer base, due in part to the deactivation of inactive prepaid SIM cards. The positive outcome of the 5G spectrum auction in Austria in the first quarter of 2019 marked the achievement of a first major milestone in the rollout of 5G in our Europe operating segment: Our national company in Austria has now put the first 5G cell sites into operation using the spectrum acquired. Successful testing is already underway in other countries. The plan is to add more 5G networks following the anticipated spectrum auctions in 2019 and 2020.

Mobile communications
The number of mobile customers totaled 46.5 million at the end of the first half of 2019, down by 8.1 percent or 4.1 million customers compared with the end of 2018. Two main effects contributed to this decline: Firstly, the streamlining of the prepay portfolio at our Austrian subsidiary, which resulted in the removal of 2.4 million cross-border M2M SIM cards from our customer base. We had made these cards available internally to the Germany segment. The second factor was the sale of our national company in Albania. Excluding these effects, the figure would have been stable compared with the prior year. The number of high-value contract customers rose by 1.3 percent compared with December 31, 2018. Overall, all of our national companies reported positive trends in their contract customer base, especially in Poland, Hungary, the Czech Republic, and Slovakia. Contract customers accounted for 58.2 percent of the total customer base. Our customers benefited not only from our innovative services and rate plans, but also from extensive coverage with fast mobile broadband – a result of our integrated network strategy. As of June 30, 2019, we already covered 97 percent of the population in the countries of our operating segment with LTE, reaching around 109 million people in total. Customer demand for high data volumes remained persistently high due to the explosion in data traffic driven by video streaming services, for example.

Fixed network
Our TV and entertainment services saw moderate customer growth of 1.6 percent as of June 30, 2019, partly as a result of new business in Croatia and partly from the stronger customer growth in Hungary and the Czech Republic. Declining customer numbers in Romania were offset by additions in virtually all of our national companies. With both telecommunication providers and OTT players offering TV services, the TV market is already saturated in many countries of our segment.

The broadband business also recorded growth of 2.1 percent compared with the end of the prior year to 6.5 million customers. In particular, the customer bases of our national companies in Greece, Hungary, and the Czech Republic saw growth, partly on the back of increased investment in innovative fiber-optic-based technologies. For example, we increased household coverage with optical fiber at our four biggest integrated national companies to 2.9 million households as of June 30, 2019 (December 31, 2018: 2.6 million).

Consistent growth in IP-based lines as a percentage of all fixed-network lines confirms that we are making good progress: At the end of June 2019, this share amounted to 88.6 percent. At 9.0 million, the number of fixed-network lines in our Europe operating segment remained on a par with the prior-year level, also thanks to the acquisition of UPC Austria.

FMC – fixed-mobile convergence
Our portfolio of convergent products, MagentaOne, was highly popular with consumers across all of our national companies. As of June 30, 2019, we had 4.1 million FMC customers; this corresponds to significant growth of 23.4 percent or 775 thousand additions compared with the end of the prior year. The main driver of this trend was our national company in Greece, which since fall 2018 also offers its convergent product portfolio to prepay customers. Pleasing customer growth trends were reported in Hungary, the Czech Republic, and Slovakia. We have also been increasingly successful in marketing our MagentaOne Business product to business customers.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2019	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %	FY 2018
TOTAL REVENUE		2,891	2,978	2,896	2.8	5,869	5,707	2.8	11,885
Greece		697	720	711	1.3	1,417	1,397	1.4	2,888
Romania		217	231	238	(2.9)	448	464	(3.4)	933
Hungary		459	455	488	(6.8)	914	931	(1.8)	1,889
Poland		348	366	368	(0.5)	713	743	(4.0)	1,526
Czech Republic		257	265	258	2.7	522	512	2.0	1,047
Croatia		220	239	233	2.6	459	456	0.7	966
Slovakia		185	190	185	2.7	375	366	2.5	761
Austria		306	315	214	47.2	621	432	43.8	1,055
Other[a]		244	244	250	(2.4)	488	502	(2.8)	1,031
Profit from operations **(EBIT)**		339	357	357	0.0	696	702	(0.9)	744
EBIT margin	%	11.7	12.0	12.3		11.9	12.3		6.3
Depreciation, amortization and impairment losses		(696)	(681)	(550)	(23.8)	(1,377)	(1,109)	(24.2)	(3,013)
EBITDA		1,035	1,038	907	14.4	2,072	1,812	14.3	3,757
EBITDA AL[b]		921	930	890	4.5	1,851	1,782	3.9	3,691
Special factors affecting EBITDA		(24)	(62)	(46)	(34.8)	(86)	(52)	(65.4)	(122)
EBITDA (adjusted for special factors)		1,059	1,099	953	15.3	2,158	1,864	15.8	3,880
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)[b]		945	991	936	5.9	1,937	1,834	5.6	3,813
Greece		283	290	276	5.1	573	556	3.1	1,173
Romania		26	29	37	(21.6)	55	70	(21.4)	135
Hungary		121	139	142	(2.1)	260	262	(0.8)	540
Poland		92	100	99	1.0	192	194	(1.0)	382
Czech Republic		107	114	105	8.6	221	213	3.8	432
Croatia		83	91	92	(1.1)	174	173	0.6	374
Slovakia		82	79	77	2.6	162	157	3.2	320
Austria		118	114	66	72.7	233	140	66.4	336
Other[a]		33	35	42	(16.7)	67	69	(2.9)	121
EBITDA AL margin (adjusted for special factors)[b]	%	32.7	33.3	32.3		33.0	32.1		32.1
CASH CAPEX		(446)	(469)	(398)	(17.8)	(915)	(836)	(9.4)	(1,887)

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

[a] "Other": national companies of North Macedonia, Montenegro, and Albania (sold as of May 7, 2019), as well as IWS (International Wholesale), consisting of Deutsche Telekom Global Carrier (formerly International Carrier Sales & Solutions (ICSS)) and its national companies, the GTS Central Europe group in Romania, and the Europe Headquarters.

[b] Prior-year comparatives were calculated on a pro forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

Total revenue

Our Europe operating segment generated total revenue of EUR 5.9 billion in the first half of 2019, a year-on-year increase of 2.8 percent. In organic terms, i.e., assuming constant exchange rates and adjusted for the inclusion of UPC Austria as of July 31, 2018 and the sale of Telekom Albania as of May 7, 2019, revenue increased slightly by 0.4 percent.

Fixed-network business was the biggest driver of organic growth in the reporting period, with positive revenue effects reported in both our broadband and TV operations – partly as a result of larger customer bases and partly driven by prices. Revenue in wholesale business also increased year-on-year. Mobile revenue remained at a consistently high level: Rising higher-margin service revenues, especially in Poland, Hungary, Greece, and the Czech Republic, were offset by a decrease in revenues from the lower-margin terminal equipment business. The ICT business recorded a revenue decline. In addition, intense competition on the telecommunications markets in some countries of our operating segment had a negative impact on revenue.

Revenue from **Consumers** developed positively, up 4.8 percent year-on-year driven mainly by fixed-network business. Here, revenue from broadband and TV business increased substantially thanks to our innovative TV and program management activities as well as the continuous rollout of fiber-optic technology in most of our national companies. In addition, strong growth in the number of FMC customers had a positive impact on revenue. Voice telephony revenue was on a par with the prior-year level. Mobile revenue declined slightly, with higher service revenues only partially offsetting lower revenues from terminal equipment business.

Revenue from **Business Customers** remained virtually stable in the first half of 2019. In our core business (fixed network and mobile), revenue was once again up on the prior year. As a result of the business combination with UPC Austria to form the new Magenta Telekom brand, now all ten of our European markets are one-stop shops for convergent solutions for SMEs (MagentaOne Business). We expect the launch of our partnership with Microsoft in the business customer segment to bring in new revenue from ICT/cloud solutions for SMEs and corporate customers in the second half of the year.

Wholesale revenue grew year-on-year as a result of the increase in international voice and data termination services.

Looking at the development by country, our national companies in Greece, the Czech Republic, Slovakia, and Austria made the largest contributions to the organic development of revenue in the first half of the year. This offset the decline in revenue in Romania and Poland in particular. The negative trend in Romania is a result of a substantial decrease in mobile revenue. In the fixed network, Wholesale reported higher revenue in particular from international voice and data termination services. This offset the decline in revenue from voice telephony. Our B2B/ICT business customer operations reported a downward trend.

EBITDA AL, adjusted EBITDA AL

Our Europe operating segment generated adjusted EBITDA AL of EUR 1.9 billion in the first half of 2019, an increase of 5.6 percent. In organic terms, i.e., assuming constant exchange rates and adjusted for the inclusion of UPC Austria and the sale of Telekom Albania, adjusted EBITDA AL increased by 1.8 percent compared with the prior-year period, thus continuing the positive trend in 2019.

The positive development in adjusted organic EBITDA AL comes on the back of the increase in revenue and savings in indirect costs.

Looking at the development by country, the increase in adjusted organic EBITDA AL was largely attributable to the positive trends at our national companies in Greece, Austria, the Czech Republic, and Slovakia. A contrasting development was reported primarily at our national company in Romania, where adjusted EBITDA AL was down 21.6 percent year-on-year, mainly as a result of the lower revenue contribution.

Our EBITDA AL increased by 3.9 percent year-on-year to EUR 1.9 billion, due largely to the effects described under adjusted EBITDA AL. At EUR -86 million, special factors were EUR 34 million higher than in the prior year. In organic terms, EBITDA AL remained stable.

Development of operations in selected countries

Greece. In Greece, revenue developed positively in the first half of 2019, coming in at EUR 1.4 billion or 1.4 percent higher than in the prior-year period. This was driven primarily by higher mobile revenue, in particular service revenues, and consistently high fixed-network revenue. Broadband business posted particularly strong growth as a result of the ongoing rollout of fiber-optic lines and vectoring. TV revenue also increased compared with the prior-year period. Our wholesale operations continued to grow, while our B2B/ICT business customer operations reported a decline versus the same period of last year. The FMC offering developed positively, with rising customer numbers and corresponding revenue.

In the first half of 2019, adjusted EBITDA AL in Greece increased significantly by 3.1 percent year-on-year to EUR 573 million. Higher revenue along with savings in indirect costs were partially offset by higher direct costs.

Hungary. Revenue in Hungary declined by 1.8 percent year-on-year to EUR 914 million in the first half of 2019. In organic terms, revenue was on a par with the prior year. Mobile business posted strong year-on-year growth, with volume- and price-driven increases in service and terminal equipment revenues. Fixed-network business declined compared with the same period of last year, largely due to lower revenue in B2B/ICT customer operations, caused mainly by a non-recurring effect in the prior year. Higher revenue in broadband and terminal equipment business partially offset this decline. The extreme success of our FMC offering, MagentaOne, is underscored by continued growth in the FMC customer base and a corresponding rise in revenue.

At EUR 260 million, adjusted EBITDA AL was virtually on a par with the first half of 2018 – in part due to negative currency translation effects. In organic terms, adjusted EBITDA AL grew by 1.2 percent.

Austria. Revenue in Austria totaled EUR 621 million in the first half of 2019, a year-on-year increase of 43.8 percent. In organic terms, i.e., adjusted for the inclusion of UPC Austria, revenue increased by 1.5 percent, largely a result of rising higher-margin service revenues. Alongside the existing mobile-based broadband internet solutions already being successfully marketed to customers, the acquisition of UPC Austria has enabled us to add fixed-network technology to our portfolio and introduce convergent products under our new product brand.

Adjusted EBITDA AL increased by 66.4 percent year-on-year to EUR 233 million. In organic terms, i.e., adjusted for the inclusion of UPC Austria, adjusted EBITDA AL increased by 5.7 percent as a result of higher revenue as well as savings in indirect costs.

Poland. Revenue at our national company in Poland decreased by 4.0 percent compared with the prior-year period to EUR 713 million. In organic terms, revenue declined by 2.3 percent. This decrease is mainly due to lower revenue from mobile terminal equipment business, which could not be completely offset by the increase in higher-margin service revenues. B2B/ICT business customer operations posted a revenue increase. In traditional fixed-network business, which we are still working to expand, revenue declined once again year-on-year. We are investing heavily in the development of technologies with the goal of becoming a one-stop shop for our customers as an integrated service provider.

Adjusted EBITDA AL stood at EUR 192 million, down 1.0 percent year-on-year. In organic terms, adjusted EBITDA AL grew slightly by 0.7 percent. The downward trend in revenue was offset by an even larger reduction in direct costs; indirect costs also declined compared with the prior year.

EBIT

EBIT in our Europe operating segment decreased slightly by 0.9 percent in the first half of 2019 to EUR 696 million. Whereas previously expenses had been recognized in connection with operating leases, the right-of-use assets recognized in this context since the application of accounting standard IFRS 16 as of January 1, 2019 result in particular in higher depreciation charges. The decline in EBIT was driven by the increase in other depreciation, amortization and impairment losses compared with the prior year.

Cash capex

In the reporting period, our Europe operating segment reported cash capex of EUR 915 million, up 9.4 percent year-on-year. This rise was largely a result of cash outflows in the first half of 2019 for the acquisition of spectrum licenses in Hungary and for 5G spectrum in Austria. A further key focus of our capital expenditures was the rollout of broadband and fiber-optic technology in Greece, Austria, Poland, and Hungary as part of our integrated network strategy.

SYSTEMS SOLUTIONS

For information on changes resulting from the first-time application of the IFRS 16 "Leases" accounting standard, please refer to the section "Group organization, strategy, and management."

ORDER ENTRY

millions of €

	H1 2019	Q1 2019	2018	H1 2018	Change H1 2019/ H1 2018 %
ORDER ENTRY	3,494	1,609	6,776	3,348	4.4

Development of business

The first half of 2019 was dominated by efforts to establish our realigned Systems Solutions business. Investments in growth areas and innovation fields (such as the public cloud, the Internet of Things, digital solutions, security) create the basis for us to continue to focus our segment strategy on a sustainable shift into strategic growth areas. In parallel, we are working to strengthen our telecommunications operations and successfully manage the decline in traditional IT business.

With this in mind, we are executing a comprehensive transformation program, launched in 2018, under which we realigned our organization and workflows, adjusted capacities, developed a new strategy for our portfolio, and created three offering clusters. Ten portfolio units and one emerging business unit look after not only our traditional IT and telecommunications businesses, but also our growth areas (public cloud, Internet of Things, digital solutions, security, SAP, classified ICT, health, and toll collection systems).

Order entry in our Systems Solutions operating segment was up by 4.4 percent in the first half of 2019, marking a consistently positive development compared with the already strong prior year. This growth is primarily due to a positive trend in our growth areas digital solutions, classified ICT, public cloud, and SAP.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2019	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %	FY 2018
TOTAL REVENUE		1,630	1,673	1,674	(0.1)	3,304	3,339	(1.0)	6,936
Of which: external revenue		1,278	1,321	1,319	0.2	2,599	2,651	(2.0)	5,497
Loss from operations **(EBIT)**		(49)	(126)	(28)	n.a.	(175)	(104)	(68.3)	(291)
Special factors affecting EBIT		(46)	(157)	(51)	n.a.	(203)	(89)	n.a.	(322)
EBIT (adjusted for special factors)		(3)	31	23	34.8	28	(15)	n.a.	32
EBIT margin (adjusted for special factors)	%	(0.2)	1.9	1.4		0.8	(0.4)		0.5
Depreciation, amortization and impairment losses		(128)	(155)	(99)	(56.6)	(283)	(194)	(45.9)	(453)
EBITDA		79	29	71	(59.2)	108	90	20.0	163
EBITDA AL[a]		46	(3)	73	n.a.	43	95	(54.7)	176
Special factors affecting EBITDA		(46)	(130)	(51)	n.a.	(176)	(89)	(97.8)	(266)
EBITDA (adjusted for special factors)		125	158	121	30.6	284	179	58.7	429
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)[a]		92	127	124	2.4	219	184	19.0	442
EBITDA AL margin (adjusted for special factors)[a]	%	5.6	7.6	7.4		6.6	5.5		6.4
CASH CAPEX		(93)	(73)	(182)	59.9	(167)	(265)	37.0	(462)

[a] Prior-year comparatives were calculated on a pro forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

Total revenue
Total revenue in our Systems Solutions operating segment in the first half of 2019 amounted to EUR 3.3 billion, putting it more or less on a par with the prior-year level. In our growth areas – in particular public cloud and security – we recorded a positive revenue trend which almost fully offset the decline in traditional ICT business. What is more, the decline in traditional IT operations was smaller than expected: The general downward trend is attributable in particular to the decline in our international corporate customer operations and the market contraction in our core market of Western Europe, as well as to deliberate portfolio decisions (such as the termination of Desktop Services).

EBITDA AL, adjusted EBITDA AL
In the first half of 2019, adjusted EBITDA AL at our Systems Solutions operating segment increased by EUR 35 million year-on-year to EUR 219 million, mainly due to effects from our transformation program, a positive development in the Open Telekom Cloud, and enhanced efficiency in traditional IT operations. EBITDA AL decreased by EUR 52 million year-on-year to EUR 43 million, mainly due to portfolio streamlining activities. As a result of both this and ongoing restructuring measures, special factors were up EUR 87 million year-on-year.

EBIT, adjusted EBIT
Adjusted EBIT in our Systems Solutions operating segment in the first half of 2019 increased by EUR 43 million year-on-year, coming in at EUR 28 million. The effects described under adjusted EBITDA AL were the main drivers of this decrease. Whereas previously expenses had been recognized in connection with operating leases, the right-of-use assets recognized in this context since the application of accounting standard IFRS 16 as of January 1, 2019 result in particular in higher depreciation charges. EBIT decreased by EUR 71 million compared with the first six months of the prior year to EUR -175 million, also due to the effects described under EBITDA AL.

Cash capex
Cash capex in the Systems Solutions operating segment stood at EUR 167 million in the first half of 2019, compared with EUR 265 million in the prior year. This decrease was a result of high investments in a new ERP system in 2018. Capital expenditures remain focused on developing our operations in growth areas, such as digital solutions, the Internet of Things, and toll collection systems.

GROUP DEVELOPMENT

For information on changes resulting from the first-time application of the IFRS 16 "Leases" accounting standard and changes in the organizational structure, please refer to the section "Group organization, strategy, and management."

Since the spin-off from T-Mobile Netherlands on January 1, 2019, the cell tower business of T-Mobile Netherlands has been reported under GD Towers, the new unit set up in the Group Development operating segment. This unit comprises DFMG and the cell tower business of T-Mobile Netherlands. Prior-year comparatives were not adjusted.

CUSTOMER DEVELOPMENT

thousands

		June 30, 2019	Mar. 31, 2019	Change June 30, 2019/ Mar. 31, 2019 %	Dec. 31, 2018	Change June 30, 2019/ Dec. 31, 2018 %	June 30, 2018	Change June 30, 2019/ June 30, 2018 %
NETHERLANDS	Mobile customers	5,455	5,382	1.4	4,021	35.7	3,967	37.5
	Fixed-network lines	578	557	3.8	241	n.a.	210	n.a.
	Broadband customers	578	557	3.8	241	n.a.	210	n.a.

The number of mobile and fixed-network customers in the Netherlands increased significantly compared with the end of 2018 due to the customer base acquired in connection with Tele2 Netherlands. There was also clear customer growth in the operating business. Despite intense competition, customer additions were recorded in particular in mobile communications thanks to our attractive rate plan portfolio offering large data packages through to unlimited data volumes. The number of fixed-network consumers also increased further as a result of our attractive rate plan portfolio.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2019	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %	FY 2018
TOTAL REVENUE		682	683	535	27.7	1,364	1,063	28.3	2,185
Of which: Netherlands		461	458	318	44.0	918	627	46.4	1,322
Profit from operations (EBIT)		126	102	149	(31.5)	227	297	(23.6)	560
Depreciation, amortization and impairment losses		(200)	(199)	(80)	n.a.	(398)	(158)	n.a.	(334)
EBITDA		325	300	228	31.6	626	455	37.6	893
EBITDA AL[a]		249	232	222	4.5	481	443	8.6	865
Special factors affecting EBITDA		(6)	(18)	(5)	n.a.	(25)	(9)	n.a.	(27)
EBITDA (adjusted for special factors)		332	319	233	36.9	651	464	40.3	921
Of which: Netherlands		147	137	109	25.7	284	217	30.9	425
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)[a]		255	250	227	10.1	506	452	11.9	892
Of which: Netherlands		123	117	106	10.4	240	210	14.3	413
EBITDA AL margin (adjusted for special factors)[a]	%	37.4	36.6	42.4		37.1	42.5		40.8
CASH CAPEX		(86)	(106)	(56)	(89.3)	(192)	(141)	(36.2)	(271)

[a] Prior-year comparatives were calculated on a pro forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

Total revenue

In the first half of 2019, total revenue in our Group Development operating segment increased by 28.3 percent year-on-year, primarily due to the inclusion of Tele2 Netherlands since the start of 2019. Both business customer and consumer operations contributed to this revenue growth, on the back of customer growth and a positive trend in business with MVNOs in the Netherlands. The GD Towers unit also recorded a year-on-year increase in revenue, driven by volume-based growth at DFMG.

EBITDA AL, adjusted EBITDA AL

EBITDA AL increased from EUR 443 million in the prior-year period to EUR 481 million. This growth was mainly attributable to the earnings contributed by Tele2 Netherlands and the aforementioned positive effects on revenue. Efficient cost management also contributed to the growth in EBITDA AL. EBITDA AL of the GD Towers unit is increasing steadily thanks to growing volumes. In addition to the positive effects from the acquisition of Tele2 Netherlands, EBITDA AL of T-Mobile Netherlands was impacted by the transfer of the EBITDA AL contribution of the Dutch cell tower business to GD Towers. Revenue growth and efficiency enhancement measures also contributed to a positive trend in operations. For the same reasons, adjusted EBITDA AL increased from

EUR 452 million to EUR 506 million. The decline in the adjusted EBITDA AL margin is attributable to the integration of Tele2 Netherlands.

EBIT

Due to the consolidation of Tele2 Netherlands at T-Mobile Netherlands and the associated increase in depreciation, amortization and impairment losses, as well as one-time effects resulting from the integration, EBIT decreased by EUR 70 million compared with the first half of 2018 to EUR 227 million. GD Towers' high investments in new cell sites also increased depreciation, amortization and impairment losses. Whereas previously expenses had been recognized in connection with operating leases, the right-of-use assets recognized in this context since the application of accounting standard IFRS 16 as of January 1, 2019 result in particular in higher depreciation charges.

Cash capex

Cash capex increased by EUR 51 million or 36.2 percent compared with the prior-year period, due mainly to the additional investments required to integrate Tele2 Netherlands and higher capital expenditure at DFMG in connection with building out mobile infrastructure in Germany.

GROUP HEADQUARTERS & GROUP SERVICES

For information on changes resulting from the first-time application of the IFRS 16 "Leases" accounting standard, please refer to the section "Group organization, strategy, and management."

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2019	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %	FY 2018
TOTAL REVENUE	651	678	767	(11.6)	1,329	1,418	(6.3)	2,735
Loss from operations (EBIT)	(393)	(314)	(281)	(11.7)	(707)	(605)	(16.9)	(1,662)
Depreciation, amortization and impairment losses	(260)	(307)	(269)	(14.1)	(568)	(431)	(31.8)	(825)
EBITDA	(132)	(7)	(12)	41.7	(139)	(174)	20.1	(837)
EBITDA AL[a]	(234)	(108)	(31)	n.a.	(343)	(215)	(59.5)	(923)
Special factors affecting EBITDA	(97)	(27)	(54)	50.0	(124)	(146)	15.1	(322)
EBITDA (adjusted for special factors)	(35)	20	41	(51.2)	(15)	(29)	48.3	(515)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)[a]	(137)	(82)	23	n.a.	(219)	(69)	n.a.	(601)
CASH CAPEX	(274)	(231)	(247)	6.5	(505)	(495)	(2.0)	(1,078)

[a] Prior-year comparatives were calculated on a pro forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

Total revenue

Total revenue in our Group Headquarters & Group Services segment in the first half of 2019 decreased by 6.3 percent year-on-year, mainly due to lower intragroup revenue at Deutsche Telekom IT from the licensing of the Group-wide ERP system, which does not impact on earnings at Group level. A slight negative factor resulted from the fact that, as of January 2016, the costs of intragroup development services newly commissioned from Deutsche Telekom IT in Germany are no longer charged internally.

EBITDA AL, adjusted EBITDA AL

Adjusted EBITDA AL at our Group Headquarters & Group Services segment decreased in the reporting period by EUR 150 million year-on-year due to two main effects: lower proceeds from real estate sales and lower revenue at Deutsche Telekom IT from the licensing of the Group-wide ERP system.

Overall, EBITDA AL was negatively impacted in the reporting period by special factors amounting to EUR 124 million, especially for staff-related measures. Negative net special factors affecting EBITDA AL in the prior-year period had amounted to EUR 146 million – with expenses for staff-related measures being partially offset by the positive effect of the reversal of provisions for legal risks in connection with the conclusion of the Toll Collect arbitration proceedings.

EBIT

The year-on-year decrease of EUR 102 million in EBIT was mainly due to the effects described under EBITDA AL. Whereas previously expenses had been recognized in connection with operating leases, the right-of-use assets recognized in this context since the application of accounting standard IFRS 16 as of January 1, 2019 result in particular in higher depreciation charges. Other depreciation, amortization and impairment losses were slightly below the prior-year level, largely as a result of a slight decrease in depreciation and amortization at Deutsche Telekom IT. This reflects two contrasting effects: On the one hand, depreciation, amortization and impairment losses decreased as a result of lower capitalization in connection with the decline in the licensing of the Group-wide ERP system. On the other, depreciation, amortization and impairment losses increased as a result of the fact that the costs of intragroup development services newly commissioned in Germany are no longer charged internally but are instead capitalized at Deutsche Telekom IT. In addition, slightly lower depreciation, amortization and impairment losses from land and buildings as a result of our continued optimization of the real estate portfolio also had an effect.

Cash capex
Cash capex increased by EUR 10 million year-on-year, primarily owing to increased investment in technology and innovation, mainly for development activities. The slight decline in cash capex for vehicles had an offsetting effect.

EVENTS AFTER THE REPORTING PERIOD

Please refer to the section "Events after the reporting period" in the interim consolidated financial statements.

FORECAST

The statements in this section reflect the current views of our management. To date, there is no evidence that the forecasts published in the combined management report of the 2018 Annual Report have significantly changed. Accordingly, the statements made therein remain valid. For additional information and recent changes in the economic situation, please refer to the section "The economic environment" in this interim Group management report. Readers are also referred to the Disclaimer at the end of this report.

RISKS AND OPPORTUNITIES

This section provides important additional information and explains recent changes in the risks and opportunities as described in the combined management report of the 2018 Annual Report. Readers are also referred to the Disclaimer at the end of this report.

OPERATIONAL RISKS

The risk significance in the risk category "Risks relating to IT/NT network operations, United States" was regraded from medium to low in the first half of 2019. This was due not only to the geographical redundancies that were put in place, but also to the adequate disaster recovery functions for the billing systems for customer services, which were rated as functional in tests. The risk is thus mitigated and will no longer be reported.

LITIGATION

Lawsuits filed by partnering publishers of telephone directories. In the lawsuits filed by the partnering publishers of telephone directories, two of the suits suspended in the first instance were withdrawn in March 2019 after the already reported ruling of the Federal Court of Justice in January 2019 went in our favor. As a result, ten proceedings are still pending with a total claimed amount of approximately EUR 70 million plus interest. For nine of these suits, appeal proceedings are still in process with the German Federal Court of Justice while one claim remains suspended. Proceedings before the administrative court were also brought to a close after the remaining two plaintiffs withdrew their respective suits under administrative law.

ANTI-TRUST PROCEEDINGS

Claims for damages against Slovak Telekom following a European Commission decision to impose fines. On February 21, 2019, Slovak Telekom and Deutsche Telekom filed an appeal with the European Court of Justice against the ruling by the General Court of the European Union of December 13, 2018 in which the fines imposed by the European Commission were partially overturned and the level of the fines reduced. As such, Slovak Telekom and Deutsche Telekom are seeking, inter alia, to have the decision ruling Slovak Telekom's behavior as abusive overturned.

ASSESSMENT OF THE AGGREGATE RISK POSITION

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

millions of €

	June 30, 2019	Dec. 31, 2018	Change	Change %	June 30, 2018
ASSETS					
CURRENT ASSETS	**21,801**	**21,870**	**(69)**	**(0.3)**	**20,213**
Cash and cash equivalents	3,894	3,679	215	5.8	2,943
Trade and other receivables	9,898	9,988	(90)	(0.9)	8,921
Contract assets	1,894	1,765	129	7.3	1,715
Current recoverable income taxes	511	492	19	3.9	283
Other financial assets	2,187	2,847	(660)	(23.2)	2,585
Inventories	1,702	1,790	(88)	(4.9)	1,571
Other assets	1,621	1,164	457	39.3	2,020
Non-current assets and disposal groups held for sale	94	145	(51)	(35.2)	175
NON-CURRENT ASSETS	**142,413**	**123,505**	**18,908**	**15.3**	**119,536**
Intangible assets	66,266	64,950	1,316	2.0	63,636
Property, plant and equipment	49,119	50,631	(1,512)	(3.0)	47,844
Right-of-use assets	17,549	n.a.	n.a.	n.a.	n.a.
Capitalized contract costs	1,873	1,744	129	7.4	1,445
Investments accounted for using the equity method	675	576	99	17.2	568
Other financial assets	2,731	1,585	1,146	72.3	1,812
Deferred tax assets	3,163	2,949	214	7.3	3,299
Other assets	1,036	1,070	(34)	(3.2)	930
TOTAL ASSETS	**164,214**	**145,375**	**18,839**	**13.0**	**139,749**
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES	**35,063**	**29,144**	**5,919**	**20.3**	**23,454**
Financial liabilities[a]	13,582	10,527	3,055	29.0	6,708
Lease liabilities	4,019	n.a.	n.a.	n.a.	n.a.
Trade and other payables	9,647	10,735	(1,088)	(10.1)	8,924
Income tax liabilities	359	328	31	9.5	353
Other provisions	2,580	3,144	(564)	(17.9)	2,784
Other liabilities	3,177	2,654	523	19.7	2,823
Contract liabilities	1,700	1,720	(20)	(1.2)	1,861
Liabilities directly associated with non-current assets and disposal groups held for sale	0	36	(36)	(100.0)	0
NON-CURRENT LIABILITIES	**86,461**	**72,794**	**13,667**	**18.8**	**74,892**
Financial liabilities[a]	50,605	51,748	(1,143)	(2.2)	54,554
Lease liabilities	15,328	n.a.	n.a.	n.a.	n.a.
Provisions for pensions and other employee benefits	6,569	5,502	1,067	19.4	5,650
Other provisions	3,319	3,291	28	0.9	3,143
Deferred tax liabilities	8,935	8,240	695	8.4	7,500
Other liabilities	1,173	3,427	(2,254)	(65.8)	3,473
Contract liabilities	532	585	(53)	(9.1)	573
LIABILITIES	**121,524**	**101,938**	**19,586**	**19.2**	**98,346**
SHAREHOLDERS' EQUITY	**42,690**	**43,437**	**(747)**	**(1.7)**	**41,403**
Issued capital	12,189	12,189	0	0.0	12,189
Treasury shares	(48)	(49)	1	2.0	(49)
	12,141	**12,141**	**0**	**0.0**	**12,141**
Capital reserves	54,919	54,646	273	0.5	54,573
Retained earnings including carryforwards	(39,131)	(37,392)	(1,739)	(4.7)	(37,635)
Total other comprehensive income	(886)	(653)	(233)	(35.7)	(944)
Net profit (loss)	1,845	2,166	(321)	(14.8)	1,487
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	**28,888**	**30,907**	**(2,019)**	**(6.5)**	**29,621**
Non-controlling interests	13,802	12,530	1,272	10.2	11,782
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**164,214**	**145,375**	**18,839**	**13.0**	**139,749**

The new IFRS 16 "Leases" accounting standard has been applied since January 1, 2019. Prior-year comparatives were not adjusted. For more information, please refer to the section "Accounting policies."

[a] Financial liabilities included finance lease liabilities in accordance with IAS 17 for the last time as of December 31, 2018.

CONSOLIDATED INCOME STATEMENT

millions of €

	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %	FY 2018
NET REVENUE	**19,664**	**18,367**	**7.1**	**39,152**	**36,291**	**7.9**	**75,656**
Of which: interest income calculated using the effective interest method[a]	90	75	20.0	178	141	26.2	305
Other operating income	254	339	(25.1)	457	711	(35.7)	1,491
Changes in inventories	23	0	n.a.	55	1	n.a.	(14)
Own capitalized costs	589	582	1.2	1,179	1,141	3.3	2,433
Goods and services purchased	(8,781)	(8,964)	2.0	(17,623)	(17,682)	0.3	(38,160)
Personnel costs	(4,262)	(4,162)	(2.4)	(8,563)	(8,219)	(4.2)	(16,436)
Other operating expenses	(786)	(605)	(29.9)	(1,495)	(1,418)	(5.4)	(3,134)
Impairment losses on financial assets	(63)	(110)	42.7	(141)	(216)	34.7	(394)
Gains (losses) from the write-off of financial assets measured at amortized cost	(29)	(10)	n.a.	(47)	(20)	n.a.	(120)
Other	(694)	(485)	(43.1)	(1,307)	(1,182)	(10.6)	(2,620)
Depreciation, amortization and impairment losses	(4,351)	(3,204)	(35.8)	(8,555)	(6,302)	(35.8)	(13,836)
PROFIT (LOSS) FROM OPERATIONS	**2,350**	**2,352**	**(0.1)**	**4,608**	**4,523**	**1.9**	**8,001**
Finance costs	(590)	(531)	(11.1)	(1,193)	(953)	(25.2)	(1,817)
Interest income	76	60	26.7	159	129	23.3	277
Interest expense	(665)	(591)	(12.5)	(1,352)	(1,081)	(25.1)	(2,094)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	35	(599)	n.a.	101	(529)	n.a.	(529)
Other financial income (expense)	88	(56)	n.a.	220	(114)	n.a.	(502)
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(466)**	**(1,185)**	**60.7**	**(872)**	**(1,596)**	**45.4**	**(2,848)**
PROFIT (LOSS) BEFORE INCOME TAXES	**1,883**	**1,167**	**61.4**	**3,735**	**2,927**	**27.6**	**5,153**
Income taxes	(511)	(370)	(38.1)	(1,038)	(864)	(20.1)	(1,824)
PROFIT (LOSS)	**1,372**	**797**	**72.1**	**2,697**	**2,063**	**30.7**	**3,329**
PROFIT (LOSS) ATTRIBUTABLE TO							
Owners of the parent (net profit (loss))	944	495	90.7	1,845	1,487	24.1	2,166
Non-controlling interests	428	302	41.7	853	576	48.1	1,163

The new IFRS 16 “Leases” accounting standard has been applied since January 1, 2019. Prior-year comparatives were not adjusted. For more information, please refer to the section “Accounting policies.”

[a] Figures adjusted for Q2 2018 and H1 2018.

EARNINGS PER SHARE

		Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %	FY 2018
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	944	495	90.7	1,845	1,487	24.1	2,166
Adjusted weighted average number of basic/diluted ordinary shares outstanding	millions	4,743	4,742	0.0	4,743	4,742	0.0	4,742
EARNINGS PER SHARE BASIC/DILUTED	€	**0.20**	**0.10**	**100.0**	**0.39**	**0.31**	**25.8**	**0.46**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	Q2 2019	Q2 2018	Change	H1 2019	H1 2018	Change	FY 2018
PROFIT (LOSS)	**1,372**	**797**	**575**	**2,697**	**2,063**	**634**	**3,329**
Items not subsequently reclassified to profit or loss (not recycled)							
Gains (losses) from the remeasurement of equity instruments	17	14	3	34	(647)	681	(619)
Gains (losses) from the remeasurement of defined benefit plans	(774)	(142)	(632)	(982)	(141)	(841)	127
Revaluation due to business combinations	0	0	0	0	0	0	0
Share of profit (loss) of investments accounted for using the equity method	0	0	0	0	0	0	0
Other income and expense recognized directly in equity	0	0	0	0	0	0	0
Income taxes relating to components of other comprehensive income	146	62	84	159	57	102	36
	(611)	**(66)**	**(545)**	**(789)**	**(732)**	**(57)**	**(456)**
Items subsequently reclassified to profit or loss (recycled), if certain reasons are given							
Exchange differences on translating foreign operations							
Recognition of other comprehensive income in income statement	(8)	(1)	(7)	(8)	(1)	(7)	(1)
Change in other comprehensive income (not recognized in income statement)	(329)	1,102	(1,431)	180	486	(306)	1,033
Gains (losses) from the remeasurement of debt instruments							
Recognition of other comprehensive income in income statement	(18)	(32)	14	(43)	(35)	(8)	(75)
Change in other comprehensive income (not recognized in income statement)	17	(16)	33	29	3	26	84
Gains (losses) from hedging instruments (designated risk components)							
Recognition of other comprehensive income in income statement	79	(91)	170	(21)	(46)	25	(32)
Change in other comprehensive income (not recognized in income statement)	(561)	59	(620)	(704)	(53)	(651)	(382)
Gains (losses) from hedging instruments (hedging costs)							
Recognition of other comprehensive income in income statement	0	0	0	1	0	1	3
Change in other comprehensive income (not recognized in income statement)	(33)	29	(62)	(25)	63	(88)	56
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)	0	0	0	11	7	4	7
Income taxes relating to components of other comprehensive income	137	10	127	195	20	175	86
	(714)	**1,060**	**(1,774)**	**(384)**	**445**	**(829)**	**779**
OTHER COMPREHENSIVE INCOME	**(1,325)**	**995**	**(2,320)**	**(1,173)**	**(288)**	**(885)**	**323**
TOTAL COMPREHENSIVE INCOME	**48**	**1,791**	**(1,743)**	**1,524**	**1,776**	**(252)**	**3,652**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO							
Owners of the parent	(139)	1,045	(1,184)	806	969	(163)	2,181
Non-controlling interests	186	747	(561)	718	807	(89)	1,471

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

millions of €

	Issued capital and reserves attributable to owners of the parent							
	Equity contributed			Consolidated shareholders' equity generated		Total other comprehensive income		
	Issued capital	Treasury shares	Capital reserves	Retained earnings including carry-forwards	Net profit (loss)	Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets (IAS 39)
BALANCE AT JANUARY 1, 2018	**12,189**	**(49)**	**55,010**	**(38,750)**	**3,461**	**(1,729)**	**(60)**	**101**
Transfer resulting from change in accounting standards				1,449				(101)
Changes in the composition of the Group								
Transactions with owners			(550)	1		(12)		
Unappropriated profit (loss) carried forward				3,461	(3,461)			
Dividends				(3,083)				
Capital increase at Deutsche Telekom AG								
Capital increase from share-based payment			112					
Share buy-back/shares held in a trust deposit		1		2				
Profit (loss)					1,487			
Other comprehensive income				(83)		246		
TOTAL COMPREHENSIVE INCOME								
Transfer to retained earnings			0	(633)			28	
BALANCE AT JUNE 30, 2018	**12,189**	**(49)**	**54,573**	**(37,635)**	**1,487**	**(1,495)**	**(32)**	**n.a.**
BALANCE AT JANUARY 1, 2019	**12,189**	**(49)**	**54,646**	**(37,392)**	**2,166**	**(1,120)**	**(28)**	**n.a.**
Transfer resulting from change in accounting standards				221				
Changes in the composition of the Group								
Transactions with owners			120			(3)		
Unappropriated profit (loss) carried forward				2,166	(2,166)			
Dividends				(3,320)				
Capital increase at Deutsche Telekom AG								
Capital increase from share-based payment			153					
Share buy-back/shares held in a trust deposit		1	0	2				
Profit (loss)					1,845			
Other comprehensive income				(819)		138		
TOTAL COMPREHENSIVE INCOME								
Transfer to retained earnings				10			4	
BALANCE AT JUNE 30, 2019	**12,189**	**(48)**	**54,919**	**(39,131)**	**1,845**	**(985)**	**(24)**	**n.a.**

Issued capital and reserves attributable to owners of the parent							Total	Non-controlling interests	Total shareholders' equity
Total other comprehensive income									
Equity instruments at fair value through other comprehensive income (IFRS 9)	Debt instruments measured at fair value through other comprehensive income (IFRS 9)	Hedging instruments (IAS 39)	Hedging instruments: designated risk components (IFRS 9)	Hedging instruments: hedging costs (IFRS 9)	Investments accounted for using the equity method	Taxes			
n.a.	**n.a.**	**789**	**n.a.**	**n.a.**	**26**	**(254)**	**30,734**	**11,737**	**42,470**
93		(789)	789			2	1,446	103	1,548
							0	11	11
0	2					(1)	(559)	(772)	(1,331)
							0	0	0
							(3,083)	(172)	(3,255)
							0	0	0
							112	67	179
							3	0	3
							1,487	576	2,063
(648)	(20)		(99)	63	7	16	(518)	231	(288)
							969	**807**	**1,776**
644	(6)				(35)	1	0	0	0
90	**(24)**	**n.a.**	**689**	**63**	**(3)**	**(233)**	**29,621**	**11,782**	**41,403**
84	**2**	**n.a.**	**519**	**58**	**(4)**	**(165)**	**30,907**	**12,530**	**43,437**
	0						221	125	346
							0	245	245
0	0		2			(1)	118	331	449
							0	0	0
							(3,320)	(236)	(3,555)
							153	89	242
							3	0	3
							1,845	853	2,697
34	(9)		(513)	(24)	10	143	(1,039)	(135)	(1,173)
							806	**718**	**1,523**
(14)					0		0	0	0
104	**(6)**	**n.a.**	**8**	**35**	**6**	**(22)**	**28,888**	**13,802**	**42,690**

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
PROFIT (LOSS) BEFORE INCOME TAXES	**1,883**	**1,167**	**3,735**	**2,927**	**5,153**
Depreciation, amortization and impairment losses	4,351	3,204	8,555	6,302	13,836
(Profit) loss from financial activities	466	1,185	872	1,596	2,848
(Profit) loss on the disposal of fully consolidated subsidiaries	0	0	0	0	0
(Income) loss from the sale of stakes accounted for using the equity method	0	0	0	0	0
Other non-cash transactions	125	118	314	230	430
(Gains) losses from the disposal of intangible assets and property, plant and equipment	15	(26)	41	(91)	(126)
Change in assets carried as operating working capital	260	38	346	363	(998)
Change in other operating assets	(63)	(53)	(392)	(52)	(337)
Change in provisions	(297)	(386)	(396)	(667)	(100)
Change in liabilities carried as operating working capital	(483)	(215)	(426)	(1,254)	(515)
Change in other operating liabilities	66	3	463	448	(11)
Income taxes received (paid)	(193)	(98)	(371)	(222)	(697)
Dividends received	13	11	13	173	181
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	0	0	0	0	0
CASH GENERATED FROM OPERATIONS	**6,157**	**4,947**	**12,765**	**9,753**	**19,663**
Interest paid	(1,113)	(1,020)	(2,068)	(1,843)	(3,307)
Interest received	554	465	909	779	1,592
NET CASH FROM OPERATING ACTIVITIES	**5,598**	**4,392**	**11,607**	**8,689**	**17,948**
Cash outflows for investments in					
Intangible assets	(1,808)	(880)	(2,838)	(1,689)	(3,353)
Property, plant and equipment	(2,391)	(2,215)	(5,188)	(4,545)	(9,139)
Non-current financial assets	(53)	(95)	(79)	(203)	(639)
Payments to acquire control of subsidiaries and associates	(12)	(6)	(249)	(282)	(2,080)
Proceeds from disposal of					
Intangible assets	0	0	0	1	2
Property, plant and equipment	38	143	82	304	523
Non-current financial assets	23	275	35	299	596
Proceeds from the loss of control of subsidiaries and associates	31	0	31	(62)	(67)
Net change in short-term investments and marketable securities and receivables	418	183	858	(60)	(144)
Other	0	5	(2)	5	5
NET CASH USED IN INVESTING ACTIVITIES	**(3,754)**	**(2,589)**	**(7,350)**	**(6,233)**	**(14,297)**
Proceeds from issue of current financial liabilities	4,804	20,750	10,746	34,153	51,597
Repayment of current financial liabilities	(4,924)	(23,700)	(12,420)	(38,868)	(57,253)
Proceeds from issue of non-current financial liabilities	450	4,442	3,033	6,908	8,375
Repayment of non-current financial liabilities	(2)	0	(4)	(21)	(23)
Dividends (including to non-controlling interests)	(3,409)	(3,148)	(3,409)	(3,148)	(3,254)
Principal portion of repayment of lease liabilities	(967)	(197)	(1,860)	(402)	(1,174)
Cash inflows from transactions with non-controlling entities	0	1	1	2	29
Cash outflows from transactions with non-controlling entities	(38)	(646)	(145)	(1,417)	(1,557)
Other	0	0	0	0	0
NET CASH USED IN FINANCING ACTIVITIES	**(4,086)**	**(2,499)**	**(4,058)**	**(2,794)**	**(3,259)**
Effect of exchange rate changes on cash and cash equivalents	(9)	22	16	(31)	(17)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	0	0	0	0	(8)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,250)**	**(675)**	**214**	**(369)**	**367**
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD	**6,144**	**3,618**	**3,679**	**3,312**	**3,312**
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	**3,894**	**2,943**	**3,894**	**2,943**	**3,679**

SIGNIFICANT EVENTS AND TRANSACTIONS

ACCOUNTING POLICIES

In accordance with § 115 of the Securities Trading Act (Wertpapierhandelsgesetz – 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 German Securities Trading Act (Wertpapierhandelsgesetz).

STATEMENT OF COMPLIANCE

The interim consolidated financial statements for the period ended June 30, 2019 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, 2018. 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 and financial position of the Group. Please refer to the notes to the consolidated financial statements as of December 31, 2018 for the accounting policies applied for the Group's financial reporting.

INITIAL APPLICATION OF STANDARDS, INTERPRETATIONS, AND AMENDMENTS IN THE REPORTING PERIOD

Pronouncement	Title	To be applied by Deutsche Telekom from	Changes	Expected impact on the presentation of Deutsche Telekom's results of operations and financial position
IFRS 16	Leases	Jan. 1, 2019	Under IFRS 16, lessees are required to recognize assets and liabilities for all leases and the rights and obligations associated with these leases in the statement of financial position. Lessees are therefore now no longer required to make the distinction between finance and operating leases that was required in the past in accordance with IAS 17. For all leases, the lessee recognizes a lease liability in the statement of financial position for the obligation to make future lease payments. At the same time, the lessee recognizes a right to use the underlying leased asset which is equivalent to the present value of the future lease payments plus initial direct costs, directly attributable expenditure, advance payments and restoration costs, minus incentive payments received. Similar to the guidance on finance leases in the previously applicable provisions of IAS 17, the lease liability will subsequently be adjusted over the lease term to reflect interest on the liability and principal repayments, while the right-of-use asset will be depreciated. Both factors – in contrast to IAS 17 – lead to higher expenses at the beginning of a lease. For the lessor, on the other hand, the provisions of the new standard are similar to the existing guidance in IAS 17. IFRS 16 also includes new provisions on the definition of a lease and its presentation, on disclosures in the notes, and on sale and leaseback transactions.	The standard has a material effect on the presentation of Deutsche Telekom's results of operations and financial position. The effects are detailed in the explanations following this table.
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	Jan. 1, 2019	The amendments change the guidance on the amendment, curtailment, or settlement of a defined benefit pension plan. They clarify that an entity is required to determine current service cost and the net interest for the remainder of the reporting period after a plan amendment, curtailment, or settlement using updated actuarial assumptions and the net liability (or net asset) at the time of the amendment. Any changes in a surplus must be recognized as profit or loss as part of past service cost, or a gain or loss on settlement, even if this surplus had not been previously recognized due to the effect of the asset ceiling. The effects of changes in the asset ceiling are recognized in other comprehensive income.	No material impact.
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	Jan. 1, 2019	The amendments clarify that an entity applies IFRS 9 including its impairment requirements to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but are not accounted for using the equity method.	No material impact.
Amendments to IFRS 9	Prepayment Features with Negative Compensation	Jan. 1, 2019	The amendment sets out that, if certain conditions are met, financial assets can be measured at amortized cost or fair value through other comprehensive income (FVOCI) if, in the case of an early termination, compensation is required to be paid to the party that triggers the early termination of the contract.	No material impact.
IFRIC 23	Uncertainty over Income Tax Treatments	Jan. 1, 2019	IFRIC 23 brings clarity to IAS 12 "Income Taxes" in relation to the recognition and measurement of current income taxes, deferred tax assets, and deferred tax liabilities if there is uncertainty regarding the treatment of income taxes.	No material impact.
Annual Improvements Project	Annual Improvements to IFRSs 2015-2017 Cycle	Jan. 1, 2019	Clarification of many published standards.	No material impact.

In January 2016, the IASB issued **IFRS 16 "Leases."** This standard is mandatory for reporting periods beginning on or after January 1, 2019. IFRS 16 has a material effect on Deutsche Telekom's consolidated financial statements, particularly on total assets, the results of operations, cash generated from operations, net cash from/used for financing activities, and the presentation of the financial position.

The new regulations affect Deutsche Telekom as a lessee especially in relation to leases of cell sites (land, space in cell towers, or rooftop surface areas), network infrastructure, and buildings used for administrative or technical purposes.

Deutsche Telekom has not applied the new lease standard retrospectively in full, but makes use of the exemption provisions for lessees, also known as the modified retrospective method. On the transition to IFRS 16, remaining payment obligations from existing operating leases are discounted using the relevant incremental borrowing rate and recognized as a lease liability. The right-of-use assets were carried as of January 1, 2019 in the amount of the lease liability, adjusted by the amount of the prepaid or accrued lease payments. Due to the significant amount of liabilities from straight-line leases in accordance with IAS 17, which in accordance with IFRS 16 must be deducted from the right-of-use assets, the right-of-use assets as of January 1, 2019 under IFRS 16 were carried at a significantly lower amount than the corresponding lease liability (2018 Annual Report, Note 16 "Other liabilities"). This liability primarily relates to leases for T-Mobile US' cell sites. As of the transition date of January 1, 2019, in a first step, the lease terms underlying the liabilities were adjusted to the lease terms determined in accordance with IFRS 16. This adjustment increased shareholders' equity. The remaining accrued lease liability was deducted from the right-of-use asset as described above. In addition to existing operating leases, existing finance leases and their carrying amounts as of December 31, 2018 are recognized as right-of-use assets and lease liabilities as of January 1, 2019.

Significant policy elections and practical expedients are exercised as follows:

- Right-of-use assets and lease liabilities are presented separately in the statement of financial position.
- The recognition, measurement, and disclosure requirements of IFRS 16 also apply to short-term leases and leases of low-value assets.
- Non-lease components are not separated from lease components; instead, each lease component and any associated non-lease components is accounted for as a single lease component.
- IAS 38 is applied for leases of intangible assets rather than IFRS 16.

In addition, on the date of first-time adoption of IFRS 16, use was made of the main policy elections and practical expedients as follows:

- Provisions for onerous contracts recognized in connection with leases were adjusted against the right-of-use asset as of January 1, 2019.
- In determining the lease term, hindsight may be used where economic considerations and penalties indicate that it is reasonably certain that options to extend or terminate the lease will be exercised.
- Existing contracts will not be grandfathered. On January 1, 2019, IFRS 16 was therefore applied to all existing leases falling within its scope. It applies to contracts in which Deutsche Telekom is a lessee and to contracts in which the Group is a lessor.

Overall, the new definition of a lease does not have a material impact for Deutsche Telekom as a lessor. However, the number of identified leases changes. The new definition does not affect the contracts for servers or similar hardware provided to customers as part of data and network solutions or contracts for terminal equipment provided to customers. These will continue to be defined as leases. However, the number of leases for contracts involving modems/routers for the latest generation of devices provided to consumers as part of fixed-network mass-market contracts is decreasing. In relation to services provided in data centers, the leasing of space, for example separate rooms for setting up the customer's own hardware, will be identified as a component of a lease. Furthermore, the leasing of local loop lines and space to wholesale fixed-network customers (e.g., co-location space) is also classified as a lease.

The adjustments made to the consolidated statement of financial position as of January 1, 2019 and attributable to first-time application of IFRS 16 are as follows[a]:

millions of €

	Carrying amount in accordance with IAS 17 Dec. 31, 2018	Remeasurements	Reclassifications	Carrying amount in accordance with IFRS 16 Jan. 1, 2019
ASSETS				
Intangible assets	64,950		(29)	64,921
Property, plant and equipment	50,631		(2,524)	48,107
Right-of-use assets	n.a.	15,601	638	16,239
Other financial assets	4,432		21	4,453
Deferred tax assets	2,949	166		3,115
Other assets	2,234		(196)	2,038
Non-current assets and disposal groups held for sale	145	9		154
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Financial liabilities	62,275		(2,481)	59,794
Lease liabilities	n.a.	15,601	2,472	18,073
Other provisions	6,435		(185)	6,250
Deferred tax liabilities	8,240	290		8,530
Other liabilities	3,427	(470)	(1,859)	1,098
Contract liabilities	585		(7)	578
Trade and other payables	10,735		(30)	10,705
Liabilities directly associated with non-current assets and disposal groups held for sale	36	9		45
SHAREHOLDERS' EQUITY				
Retained earnings including carryforwards plus non-controlling interests[b]	(25,462)	346		(25,116)

[a] The overview above contains only those items of the statement of financial position that are affected by the first-time application of IFRS 16; for reasons of simplification, current and non-current items have been combined in the presentation.

[b] For reasons of simplification, the figure is combined to show the cumulative effect of the transition to IFRS 16 to be recognized directly in equity.

After deferred tax liabilities totaling EUR 0.1 billion (net) were taken into account, the transition to the new standard as of January 1, 2019 resulted in a cumulative effect that increased retained earnings by EUR 0.3 billion and included the effect of shares attributable to non-controlling interests. This largely results from the derecognition of accrued lease payments (liabilities from straight-line leases) described above.

Reclassifications relate in particular to reclassifications of carrying amounts from previous finance leases to right-of-use assets and lease liabilities and the adjustments of prepaid or accrued lease payments from operating leases under the previous accounting method, provisions for onerous contracts, or liabilities from straight-line lease against right-of-use assets, as described above. For more information, please refer to the section "Selected notes to the consolidated statement of financial position."

The obligations arising from operating leases as of December 31, 2018 (2018 Annual Report, Note 37 "Leases") gave rise to the following reconciliation to the opening balance of lease liabilities as of January 1, 2019:

millions of €

	Jan. 1, 2019
Obligations arising from operating leases as of December 31, 2018	18,284
Minimum lease payments (nominal value) of finance lease liabilities as of December 31, 2018	2,950
Changes resulting from new definition of leases	(743)
Changes in the assessment of options to extend or terminate the lease	865
Other	(95)
Gross lease liabilities as of January 1, 2019	21,261
Discounting	(3,188)
Lease liabilities as of January 1, 2019	18,073
Present value of finance lease liabilities as of December 31, 2018	(2,472)
ADDITIONAL LEASE LIABILITIES ATTRIBUTABLE TO FIRST-TIME APPLICATION OF IFRS 16 AS OF JANUARY 1, 2019	**15,601**

If the interest rate implicit in the lease cannot be readily determined, the interest rate used for the measurement of right-of-use assets and lease liabilities is the incremental borrowing rate of interest. The incremental borrowing rate of interest is determined by deriving benchmark interest rates for a period of up to 30 years from maturity-related risk-free interest rates which are increased by a credit-risk premium and adjusted for a liquidity and country-risk premium.

Weighted average incremental borrowing rates applied to lease liabilities recognized in the statement of financial position as of January 1, 2019 of 1.7 percent to 5.0 percent were used in the euro currency area and 5.2 percent in the U.S. dollar currency area for discounting.

The increase in lease liabilities leads to a corresponding increase in net debt.

The right-of-use assets reported as of June 30, 2019 were as follows:

millions of €

	June 30, 2019
Right-of-use assets – land and buildings	6,177
Right-of-use assets – land and buildings from sale and leaseback transactions	616
Right-of-use assets – technical equipment and machinery	10,615
Right-of-use assets – other equipment, operating and office equipment	141
	17,549

Right-of-use assets include assets that until December 31, 2018 were recognized in property, plant and equipment as part of finance leases.

This gave rise to the following presentation in the income statement for the first half of 2019[a]:

millions of €

	H1 2019
DEPRECIATION OF RIGHT-OF-USE ASSETS	**1,747**
Right-of-use assets – land and buildings	600
Right-of-use assets – land and buildings from sale and leaseback transactions	73
Right-of-use assets – technical equipment and machinery	1,046
Right-of-use assets – other equipment, operating and office equipment	27
INTEREST EXPENSE ON LEASE LIABILITIES	**434**

[a] The overview above contains only those items that are affected by the first-time application of IFRS 16.

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 2018 Annual Report, section "Summary of accounting policies" in the notes to the consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES AND CHANGES IN THE REPORTING STRUCTURE

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

CHANGES IN THE COMPOSITION OF THE GROUP

In the first half of 2019, Deutsche Telekom conducted the following transactions, which (will) have an impact on the composition of the Group. Other changes to the composition of the Group not shown here were of no material significance for Deutsche Telekom's interim consolidated financial statements.

ACQUISITION OF TELE2 NETHERLANDS HOLDING N.V.

On December 15, 2017, Deutsche Telekom signed an agreement with the Tele2 Group on the acquisition of 100 percent of the shares in the telecommunications provider Tele2 Netherlands Holding N.V. (Tele2 Netherlands) by T-Mobile Netherlands Holding B.V. (T-Mobile Netherlands). After the European Commission issued its approval without conditions on November 27, 2018, the transaction was consummated on January 2, 2019. Tele2 Netherlands has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since the acquisition date. This transaction will establish a stronger, more sustainable provider of convergent fixed-network and mobile services on the Dutch market.

Consideration totaling EUR 734 million was transferred from the Deutsche Telekom Group to the Tele2 Group at the acquisition date. This consisted of a provisional cash payment (taking purchase price adjustments into account) of EUR 234 million and the transfer of a 25 percent share in T-Mobile Netherlands (prior to the business combination) that was measured at a fair value of EUR 500 million. As a consequence of this transaction, Deutsche Telekom now recognizes non-controlling interests of 25 percent in the combined company resulting from the aforementioned transfer of 25 percent of the shares in T-Mobile Netherlands (prior to the business combination) and the non-controlling interests in Tele2 Netherlands.

The purchase price allocation and the measurement of Tele2 Netherlands' assets and liabilities at the acquisition date were nearly finalized by June 30, 2019. The fair values of Tele2 Netherlands' acquired assets and liabilities recognized at the acquisition date are presented in the following table:

millions of €	Fair value at the acquisition date
ASSETS	
CURRENT ASSETS	**286**
Cash and cash equivalents	4
Trade and other receivables	238
Contract assets	7
Other assets	20
Inventories	17
NON-CURRENT ASSETS	**1,123**
Goodwill	203
Other intangible assets	455
Of which: customer base	210
Of which: spectrum licenses	182
Of which: other	63
Property, plant and equipment	286
Right-of-use assets	171
Other assets	8
ASSETS	**1,409**
LIABILITIES	
CURRENT LIABILITIES	**261**
Lease liabilities	79
Trade and other payables	97
Other provisions	56
Contract liabilities	10
Other liabilities	19
NON-CURRENT LIABILITIES	**169**
Lease liabilities	118
Other provisions	17
Deferred tax liabilities	29
Contract liabilities	5
LIABILITIES	**430**

Deutsche Telekom has measured the non-controlling interests in the acquiree at fair value. This means that the full-goodwill method has been used.

The preliminary acquired goodwill of EUR 203 million to be recognized in Deutsche Telekom's consolidated statement of financial position is calculated as follows:

millions of €	Fair value at the acquisition date
Consideration transferred	734
+ non-controlling interests	245
– fair value of the acquired assets	(1,206)
+ fair value of the acquired liabilities	430
= GOODWILL	**203**

The goodwill reflects the value of expected synergies arising from the acquisition, expected new customer gains, and the value of the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

The spectrum licenses were measured using the guideline transaction method, with the fair value being derived on the basis of the price analyses used in the spectrum auctions carried out in the European telecommunications industry. The spectrum licenses are amortized over the expected useful life of 10 to 11 years. The customer base was measured using the multi-period excess earnings method. Under this method, the fair value of the customer base is determined by calculating the present value of profit/loss after taxes that can be assigned to the existing customers. The customer base is amortized over the useful life of 5 to 15 years.

The carrying amounts of the acquired receivables are based on the fair values. The gross amounts of the receivables amount to EUR 279 million. No material contingent liabilities have been identified.

The deferred tax liability comprises the tax effect on the temporary differences between the fair value of the different assets and the respective carrying value for tax purposes.

No material transaction-based costs were incurred by June 30, 2019.

Deutsche Telekom's net revenue increased by EUR 297 million in the reporting period due to the acquisition of Tele2 Netherlands. Net profit for the current reporting period includes profit/loss before taxes of EUR 4 million from Tele2 Netherlands. Since the business combination took place before the beginning of the 2019 financial year, net revenue and net profit would not have been other than as reported.

SALE OF TELEKOM ALBANIA

On January 15, 2019, OTE concluded an agreement concerning the sale of its stake in Telekom Albania to the Bulgarian company Albania Telecom Invest AD for a purchase price of EUR 50 million. The transaction was consummated on May 7, 2019. The gain on deconsolidation resulting from the sale is immaterial from the Group's perspective.

The following transactions are expected to change the composition of the Deutsche Telekom Group in future:

AGREED BUSINESS COMBINATION OF T-MOBILE US AND SPRINT

Together with their respective majority shareholders Deutsche Telekom AG and Softbank K.K., T-Mobile US and Sprint Corp. concluded a binding agreement on April 29, 2018 to combine their companies. Under the agreement, T-Mobile US will acquire all of the shares in Sprint. In return for every 9.75 Sprint shares, the company's shareholders will receive one new T-Mobile US share without any additional cash contribution. On completion of the transaction, Deutsche Telekom will hold around 42 percent of T-Mobile US' shares and Softbank around 27 percent, while the free float will account for about 31 percent. Due to the voting-rights agreement with Softbank, and to the fact that individuals nominated by Deutsche Telekom will hold the majority of the seats on the new company's Board of Directors, T-Mobile US will continue to be included as a fully consolidated subsidiary in the consolidated financial statements. The agreement is subject to approvals by the regulatory and anti-trust authorities and certain other customary closing conditions.

FUTURE TRANSFER OF STAKE IN STRÖER SE & Co. KGaA TO PLAN ASSETS

Deutsche Telekom intends to transfer its stake in Ströer SE & Co. KGaA to the Group's own trust, Deutsche Telekom Trust e.V., in the second half of 2019 where it will be used as plan assets to cover pension obligations.

OTHER TRANSACTIONS THAT HAD NO EFFECT ON THE COMPOSITION OF THE GROUP

OTE SHARE BUY-BACK

As a consequence of a share buy-back program implemented in 2018, OTE held a total of 10,211,070 treasury shares with an aggregate value of EUR 109 million as of December 31, 2018. The extraordinary shareholders' meeting of OTE S.A. on December 19, 2018 resolved to withdraw 10,211,070 shares from circulation with a corresponding capital reduction of EUR 29 million. The shares were retired from the Athens Stock Exchange on February 19, 2019. As a result, Deutsche Telekom's share in the OTE group increased from 45.00 to 45.96 percent.

RESOLUTION ON T-MOBILE US' SHARE BUY-BACK PROGRAM IN THE EVENT OF THE TERMINATION OF THE AGREEMENT WITH SPRINT

On April 27, 2018, T-Mobile US' Board of Directors authorized an increase in the total share buy-back program to up to USD 9.0 billion, consisting of the USD 1.5 billion in repurchases already executed and for up to an additional USD 7.5 billion of T-Mobile US common stock until the end of 2020. The additional buy-back authorization is contingent upon the termination of the business combination agreement with Sprint.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TRADE AND OTHER RECEIVABLES

At EUR 9.9 billion, trade and other receivables decreased by EUR 0.1 billion against the 2018 year-end level. Higher trade receivables in the Group Development operating segment amounting to EUR 0.1 billion, mainly from the acquired Tele2 Netherlands, offset a slight decline in volumes of receivables in the Germany, Europe, and Systems Solutions operating segments.

CONTRACT ASSETS

At EUR 1.9 billion, contract assets were up EUR 0.1 billion as of the reporting date compared with December 31, 2018. Contract assets arise from the application of IFRS 15 since the 2018 financial year and relate to receivables that have not yet legally come into existence, which arise from the earlier – as compared to billing – recognition of revenue, in particular from the sale of goods and merchandise. Receivables from long-term construction contracts continue to be recognized under contract assets.

INVENTORIES

Compared with December 31, 2018, inventories were EUR 0.1 billion lower as of the reporting date at EUR 1.7 billion, due primarily to a decrease in inventories of higher-priced smartphones in the Germany and United States operating segments.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets increased by EUR 1.3 billion to EUR 66.3 billion. Additions totaling EUR 2.8 billion increased the carrying amount. They mainly comprised capital expenditures in the United States, Europe, and Germany operating segments, and in the Group Headquarters & Group Services segment. In the United States operating segment, capital expenditures included a total of EUR 0.9 billion for the acquisition of FCC mobile licenses. In the Europe operating segment, the licenses acquired in Austria increased the carrying amount by EUR 0.1 billion. Changes in the composition of the Group increased the carrying amount by a further EUR 0.7 billion. The acquisition of Tele2 Netherlands in the Group Development operating segment resulted in identifiable intangible assets totaling EUR 0.5 billion at the acquisition date (including customer base and spectrum licenses) in addition to goodwill of EUR 0.2 billion. Positive exchange rate effects, primarily from the translation of U.S. dollars into euros, increased the carrying amount by EUR 0.3 billion. Depreciation, amortization and impairment losses decreased the carrying amount by EUR 2.4 billion.

Property, plant and equipment decreased by EUR 1.5 billion compared with December 31, 2018 to EUR 49.1 billion. EUR 2.5 billion of the decrease is due to the first-time application of IFRS 16 as of January 1, 2019. Assets arising from finance leases that were reported under property, plant and equipment until December 31, 2018, for which Deutsche Telekom as the lessee bore substantially all the risks and rewards associated with the lease, are now recognized as rights to use the underlying leased assets. For more information on the first-time application of IFRS 16, please refer to the section "Accounting policies." Depreciation, amortization and impairment losses of EUR 4.4 billion and disposals of EUR 0.2 billion also reduced the carrying amount. Additions of EUR 5.3 billion – especially to upgrade and build out the network in our United States operating segment and in connection with the broadband/fiber-optic rollout, the IP transformation, and mobile infrastructure in the Germany and Europe operating segments – increased the carrying amount. Effects of changes in the composition of the Group resulting from the acquisition of Tele2 Netherlands increased the carrying amount by EUR 0.3 billion. Positive exchange rate effects, primarily from the translation of U.S. dollars into euros, increased the carrying amount by EUR 0.1 billion.

RIGHT-OF-USE ASSETS

As a consequence of the first-time application of IFRS 16 as of January 1, 2019, the rights to use the underlying lease assets were recognized in the amount of the lease liability, adjusted by the amount of the prepaid or accrued lease payments. The remeasurement and reclassification effect reported amounted to EUR 16.2 billion as of January 1, 2019. This includes both rights to use lease assets recognized in the statement of financial position for the first time and rights to use assets arising from finance leases in the amount of EUR 2.5 billion that were previously disclosed under property, plant and equipment. For more information on the first-time application of IFRS 16, please refer to the section "Accounting policies." The carrying amount had changed to EUR 17.5 billion as of June 30, 2019. In the first half of 2019, the figure included additions of EUR 2.9 billion, mainly in the United States operating segment. Effects of changes in the composition of the Group totaling EUR 0.2 billion, due in particular to the acquisition of Tele2 Netherlands in the Group Development operating segment, and positive exchange rate effects totaling EUR 0.1 billion also increased the carrying amount. Depreciation, amortization and impairment losses totaling EUR 1.7 billion and disposals of EUR 0.1 billion had an offsetting effect.

CAPITALIZED CONTRACT COSTS

Capitalized contract assets increased from EUR 1.7 billion to EUR 1.9 billion as of June 30, 2019, mainly due to a higher level of capitalized costs of obtaining a contract, in particular in the United States operating segment. Capitalized contract costs arise from the application of IFRS 15 since January 1, 2018.

OTHER FINANCIAL ASSETS

Current and non-current other financial assets increased by EUR 0.5 billion compared with December 31, 2018 to EUR 4.9 billion. Positive measurement effects from embedded derivatives at T-Mobile US increased the carrying amount.

TRADE AND OTHER PAYABLES

Trade and other payables decreased by EUR 1.1 billion to EUR 9.6 billion due to the reduction in the level of liabilities, mainly in the Europe, Germany, and United States operating segments. Slightly positive exchange rate effects from the translation of U.S. dollars into euros had an offsetting effect.

OTHER LIABILITIES

Current and non-current other liabilities decreased by EUR 1.7 billion to EUR 4.4 billion. This decline is mainly attributable to the fact that, as a consequence of the first-time application of IFRS 16, liabilities from straight-line leases, primarily for cell sites in the United States operating segment, were no longer required to be reported. As of January 1, 2019, first of all, the lease terms underlying these liabilities were adjusted to the lease terms determined in accordance with IFRS 16, increasing shareholders' equity, and the remaining prepaid expense was offset against the right-of-use asset. This reduced other liabilities by EUR 2.2 billion as of the transition date. For more information on the application of the new accounting standard, please refer to the section "Accounting policies." By contrast, current other liabilities increased, due in particular to VAT liabilities in the Group Headquarters & Group Services segment.

OTHER PROVISIONS

Current and non-current other provisions decreased by EUR 0.5 billion to EUR 5.9 billion, mainly due to the performance-related compensation components for the prior year paid to employees in the first half of 2019.

FINANCIAL LIABILITIES

Current and non-current financial liabilities increased by EUR 1.9 billion to EUR 64.2 billion compared with the end of 2018.

The following borrowings or repayments of debt were made in the reporting period:

Deutsche Telekom AG issued euro bonds with a total volume of EUR 1.8 billion and pound sterling bonds with a total volume of GBP 0.4 billion (EUR 0.5 billion). In addition, a loan of EUR 0.5 billion was issued by the European Investment Bank. A promissory note taken out in the amount of EUR 0.3 billion also increased the carrying amount of the financial liabilities. Scheduled repayments of promissory notes in the amount of EUR 0.2 billion had an offsetting effect. The net change of EUR 0.5 billion in commercial paper and net short-term borrowings of EUR 0.6 billion also reduced the carrying amount of the financial liabilities.

An increase in the carrying amount of the financial liabilities compared with December 31, 2018 of around EUR 0.1 billion in total relates to exchange rate effects in the United States operating segment.

The first-time application of IFRS 16 resulted in finance lease liabilities being reclassified from financial liabilities to lease liabilities. Based on the carrying amounts as of December 31, 2018, this reclassification reduced financial liabilities by EUR 2.5 billion. For more information on the application of the new accounting standard, please refer to the section "Accounting policies."

The following table shows the composition and maturity structure of financial liabilities as of June 30, 2019:

millions of €

	June 30, 2019	Due within 1 year	Due > 1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	51,997	7,486	16,723	27,788
Liabilities to banks	6,004	1,756	2,807	1,441
Liabilities to non-banks from promissory note bonds	348	0	53	295
Other interest-bearing liabilities	2,617	1,848	573	197
Other non-interest-bearing liabilities	1,606	1,491	113	2
Derivative financial liabilities	1,614	1,002	146	467
FINANCIAL LIABILITIES	**64,187**	**13,582**	**20,416**	**30,190**

LEASE LIABILITIES

The first-time application of IFRS 16 led to the recognition of current and non-current lease liabilities totaling EUR 18.1 billion. These also included the finance lease liabilities that used to be reported under financial liabilities. The carrying amount of the recognized lease liabilities increased to EUR 19.3 billion as of June 30, 2019. Overall, lease liabilities in the amount of EUR 4.0 billion are due within one year. For more information on the application of the new accounting standard, please refer to the section "Accounting policies" and the explanations on right-of-use assets.

CONTRACT LIABILITIES

Compared with June 30, 2019, the carrying amount of current and non-current contract liabilities decreased by EUR 0.1 billion to EUR 2.2 billion. These mainly comprise deferred revenues.

PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

Provisions for pensions and other employee benefits increased from EUR 5.5 billion as of December 31, 2018 to EUR 6.6 billion, mainly due to interest rate adjustments and a decline in the price of the BT share transferred to plan assets. All this resulted in an actuarial loss of EUR 1.0 billion to be recognized directly in equity.

As of March 31, 2019, Deutsche Telekom changed the method it uses to calculate the discount rate in the euro zone, Switzerland, and the United Kingdom for determining pension obligations in accordance with IAS 19. The discount rate continues to be determined based on the yields of high-quality European corporate bonds with an AA rating, mapped in a yield curve showing the corresponding spot rates. The changes result from a change in provider for the determination of the yield curves.

Under the new method, adjustments are made in relation to the selection of the bonds available on the market (previous data basis: Bloomberg; data basis after adjustment: Thomson Reuters) as well as in the determination of the yield curve from this data. The first step is to remove bonds with special options (e.g., put or call options) or other properties (e.g., low-volume bonds, bundled bonds) from the available portfolio. Then a regression curve is determined based on the bond market so as to identify potential outliers (calculated using the double standard deviation) and likewise remove these from the bond portfolio for determining the interest rate. The yield curve determined using this method is subsequently applied to the cash flows in the pension plans so as to determine an equivalent uniform discount rate.

The Group's pension obligations are based on pension commitments mainly in Germany, Greece, and Switzerland. Without the change, the discount rate as of June 30, 2019 would be 0.21 percentage points lower in Germany, 0.20 or 0.19 percentage points lower in Greece, and 0.02 percentage points lower in Switzerland, and the defined benefit obligations would be EUR 308 million higher.

SHAREHOLDERS' EQUITY

Shareholders' equity decreased by EUR 0.7 billion compared with December 31, 2018 to EUR 42.7 billion, mainly due to the dividend payment for the 2018 financial year to Deutsche Telekom AG shareholders in the amount of EUR 3.3 billion and to non-controlling interests in the amount of EUR 0.2 billion. The carrying amount was also reduced by EUR 0.8 billion (after taxes) due to the remeasurement of defined benefit plans and by a total of EUR 0.7 billion due to losses from hedging instruments, mainly in connection with forward-payer swaps concluded for highly probable future borrowings at T-Mobile US. By contrast, the profit of EUR 2.7 billion increased shareholders' equity, as did the transition to IFRS 16. The cumulative effect of this was an increase of EUR 0.3 billion in retained earnings (including shares attributable to non-controlling interests) recognized directly in equity as of January 1, 2019. Currency translation effects recognized directly in equity and capital increases from share-based payments each increased shareholders' equity by EUR 0.2 billion. The acquisition of Tele2 Netherlands in the Group Development operating segment resulted in transactions with owners which increased shareholders' equity by EUR 0.5 billion, and effects of EUR 0.2 billion from changes in the composition of the Group. For more information, please refer to the section "Changes in the composition of the Group."

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

NET REVENUE

Net revenue breaks down into the following revenue categories:

millions of €

	H1 2019	H1 2018[b]
Revenue from the rendering of services	**32,070**	**29,945**
Germany	8,675	8,751
United States	15,220	13,299
Europe	4,899	4,802
Systems Solutions	2,515	2,588
Group Development	730	476
Group Headquarters & Group Services	31	29
Revenue from the sale of goods and merchandise[a]	**6,078**	**5,571**
Germany	1,018	987
United States	4,127	3,684
Europe	692	712
Systems Solutions	64	48
Group Development	177	141
Group Headquarters & Group Services	0	0
Revenue from the use of entity assets by others	**1,004**	**776**
Germany	402	238
United States	276	294
Europe	109	25
Systems Solutions	20	15
Group Development	134	143
Group Headquarters & Group Services	64	61
NET REVENUE	**39,152**	**36,291**

[a] Revenue from the sale of goods and merchandise includes interest income of EUR 0.2 billion in the reporting period, calculated using the effective interest method (H1 2018: EUR 0.1 billion). This income is primarily attributable to accrued interest on receivables in connection with handsets sold under installment plans in the United States operating segment.

[b] Prior-year figures were adjusted on account of a change in the allocation between revenue categories. This change relates to revenue from the use of entity assets by others of EUR 143 million in the Group Development operating segment that had been reported under revenue from the rendering of services in the consolidated financial statements for January 1 to June 30, 2018.

For details of changes in net revenue, please refer to the section "Development of business in the Group" in the interim Group management report.

OTHER OPERATING INCOME

millions of €

	H1 2019	H1 2018
Income from the reversal of impairment losses on non-current assets	0	2
Of which: IFRS 5	0	0
Income from the disposal of non-current assets	34	165
Income from reimbursements	74	81
Income from insurance compensation	56	169
Income from ancillary services	11	14
Income from the reversal of impairment losses on non-current assets	0	0
Miscellaneous other operating income	282	281
Of which: income from divestitures and from the sale of stakes accounted for using the equity method	1	0
	457	**711**

In the prior-year period, income from the disposal of non-current assets primarily comprised income from the disposal of real estate previously recognized as non-current assets and disposal groups held for sale. Income from insurance compensation in the prior-year period mainly comprised compensation payments received by T-Mobile US in the first half of 2018 for damage caused by hurricanes in 2017. Miscellaneous other operating income includes a large number of individual items accounting for marginal amounts.

OTHER OPERATING EXPENSES

millions of €

	H1 2019	H1 2018
Impairment losses on financial assets	(141)	(216)
Gains (losses) from the write-off of financial assets measured at amortized cost	(47)	(20)
Other	(1,307)	(1,182)
Legal and audit fees	(138)	(146)
Losses from asset disposals	(74)	(74)
Income (losses) from the measurement of factoring receivables	(77)	(62)
Other taxes	(257)	(259)
Cash and guarantee transaction costs	(172)	(166)
Insurance expenses	(48)	(44)
Miscellaneous other operating expenses	(541)	(431)
	(1,495)	**(1,418)**

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

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

At EUR 8.6 billion, depreciation, amortization and impairment losses on intangible assets, property, plant and equipment, and right-of-use assets were EUR 2.3 billion higher than in the prior-year period. Of this figure, EUR 1.7 billion was attributable to the depreciation charge for right-of-use assets required to be recognized for the first time in accordance with IFRS 16. In the prior-year period, by contrast, expenses had been recognized under goods and services purchased in connection with operating leases as well as depreciation of finance lease assets recognized as property, plant and equipment. Depreciation of property, plant and equipment and amortization of intangible assets were EUR 0.5 billion higher than in the prior year, mainly due to the consistently high investment volume in past years.

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

The loss from financial activities decreased by EUR 0.7 billion compared with the first half of 2018 to EUR 0.9 billion, with the share of profit/loss of associates and joint ventures accounted for using the equity method increasing substantially by EUR 0.6 billion to EUR 0.1 billion. This was mainly attributable to the settlement agreement reached in the prior year to end the Toll Collect arbitration proceedings, which had a negative effect of EUR 0.6 billion. Other financial income/expense improved by EUR 0.3 billion, mainly due to positive measurement effects from embedded derivatives at T-Mobile US. For more information, please refer to "Disclosures on financial instruments." By contrast, finance costs increased by EUR 0.2 billion to EUR 1.2 billion. The subsequent measurement of recognized lease liabilities since the application of IFRS 16 increased finance costs by EUR 0.4 billion.

INCOME TAXES

A tax expense of EUR 1.0 billion was recorded in the first half of 2019. The effective tax rate of 28 percent essentially reflects the shares of the different countries in the profit before income taxes and their respective national tax rates. In the prior-year period, the tax expense totaled EUR 0.9 billion and was primarily attributable to lower profit before income taxes.

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

NET CASH FROM OPERATING ACTIVITIES

Net cash from operating activities increased by EUR 2.9 billion year-on-year to EUR 11.6 billion. In the first half of 2018, the cash outflows in connection with operating leases reduced net cash from operating activities. Due to the first-time application of IFRS 16, the principal repayment portion of lease payments is presented in net cash used in financing activities. The strong performance of the operating segments, in particular the United States, significantly increased net cash from operating activities. Factoring agreements, especially in the Systems Solutions operating segment, resulted in positive effects of EUR 0.3 billion on net cash from operating activities in the reporting period. The effect from factoring agreements in the prior-year period also totaled EUR 0.3 billion. In addition, in the prior-year period, dividends received in the amount of EUR 0.2 billion had had an increasing effect. Net cash from operating activities was also reduced in the reporting period by a EUR 0.1 billion increase in net interest payments and a EUR 0.1 billion increase in tax payments.

NET CASH USED IN INVESTING ACTIVITIES

millions of €

	H1 2019	H1 2018
Cash capex		
Germany operating segment	(2,284)	(2,108)
United States operating segment	(3,985)	(2,495)
Europe operating segment	(915)	(836)
Systems Solutions operating segment	(167)	(265)
Group Development operating segment	(192)	(141)
Group Headquarters & Group Services	(505)	(495)
Reconciliation	21	106
	(8,027)	**(6,234)**
Net cash flows for collateral deposited and hedging transactions	836	(81)
Cash outflows for the acquisition of shares in Tele2 Netherlands[a]	(230)	0
Cash outflows for the acquisition of shares in Layer3 TV[b]	0	(258)
Proceeds from the disposal of property, plant and equipment, and intangible assets	82	304
Cash flows from the loss of control of subsidiaries and associates[c,d]	31	(61)
Other	(42)	(128)
	(7,350)	**(6,233)**

[a] Includes, in addition to the purchase price of EUR 234 million, inflows of cash and cash equivalents in the amount of EUR 4 million.

[b] Includes, in addition to the purchase price of EUR 260 million, inflows of cash and cash equivalents in the amount of EUR 2 million.

[c] In addition to the purchase price of EUR 50 million received by OTE for the sale of Telekom Albania, in the first half of 2019 this item includes outflows of cash and cash equivalents of EUR 15 million and bonus payments to be made of EUR 4 million.

[d] Relates primarily to outflows of cash and cash equivalents in connection with the transfer of the stake in BT as plan assets to Deutsche Telekom Trust e.V. in March 2018.

Cash capex increased by EUR 1.8 billion to EUR 8.0 billion. In the reporting period, mobile spectrum licenses were acquired for total cash of EUR 1.0 billion. EUR 0.9 billion of this relates to FCC licenses acquired in the United States operating segment in two auctions for the 28 GHz and 24 GHz spectrum, and EUR 0.1 billion to spectrum acquired in the Europe operating segment. The prior-year figure included EUR 0.1 billion for the acquisition of mobile spectrum licenses, predominantly for the United States operating segment. Adjusted for investments in mobile spectrum licenses, cash capex was up by EUR 0.9 billion. EUR 0.7 billion of this related to the United States operating segment and was primarily attributable to the infrastructure build-out for the 600 MHz spectrum, which also lays the groundwork for 5G. In the Germany operating segment, the increase in cash capex was due in particular to the broadband/fiber-optic rollout.

NET CASH USED IN FINANCING ACTIVITIES

millions of €

	H1 2019	H1 2018
Repayment of bonds	0	(3,813)
Dividends (including to non-controlling interests)	(3,409)	(3,148)
Repayment of EIB loans	(111)	(80)
Net cash flows for collateral deposited and hedging transactions	(26)	147
Principal portion of repayment of lease liabilities	(1,860)	(402)
Repayment of financial liabilities for media broadcasting rights	(182)	(262)
Cash flows from continuing involvement factoring, net	(19)	35
Loans taken out with the EIB	500	150
Promissory notes, net	144	24
Issuance of bonds	2,234	6,708
Commercial paper, net	(467)	(412)
Overnight borrowings from banks, net	(626)	(61)
Cash inflows from transactions with non-controlling entities		
T-Mobile US stock options	1	2
	1	**2**
Cash outflows from transactions with non-controlling entities		
T-Mobile US share buy-backs	(91)	(942)
Acquisition of T-Mobile US shares	0	(164)
OTE share buy-backs	(46)	(284)
Other	(7)	(26)
	(144)	**(1,416)**
Other	(93)	(266)
	(4,058)	**(2,794)**

NON-CASH TRANSACTIONS

In the first half of 2019, Deutsche Telekom chose financing options totaling EUR 0.3 billion under which the payments for trade payables from operating and investing activities primarily become due at a later point in time by involving banks in the process (H1 2018: EUR 0.2 billion). These payables will subsequently be recognized under financial liabilities in the statement of financial position. As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In the first half of 2019, Deutsche Telekom leased assets totaling EUR 2.9 billion, mainly network equipment, and land and buildings. These assets are now recognized in the statement of financial position under right-of-use assets and the related liability under lease liabilities. Future repayments of the liabilities will be recognized in net cash used in/from financing activities. In the first half of 2018, finance leases totaling EUR 0.4 billion had been concluded in accordance with the previous standard IAS 17.

Consideration for the acquisition of broadcasting rights will be paid by Deutsche Telekom in accordance with the terms of the contract on the date of its conclusion or spread over the term of the contract. Financial liabilities of EUR 0.1 billion were recognized in the first half of 2019 for future consideration for acquired broadcasting rights (H1 2018: EUR 0.1 billion). As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In the United States operating segment, EUR 0.3 billion was recognized for mobile handsets under property, plant and equipment in the reporting period (H1 2018: EUR 0.5 billion). These relate to the JUMP! On Demand business model at T-Mobile US, under which customers do not purchase the devices but lease them. The payments are presented under net cash from operating activities.

As part of the acquisition of 100 percent of the shares in Tele2 Netherlands N.V., Deutsche Telekom transferred a 25 percent share in T-Mobile Netherlands (prior to the business combination). For more information, please refer to the section “Changes in the composition of the Group.”

SEGMENT REPORTING

The following table provides an overview of Deutsche Telekom’s operating segments and the Group Headquarters & Group Services segment for the first half of 2019 and the first half of 2018.

The acquisition of 100 percent of the shares in the telecommunications provider Tele2 Netherlands Holding N.V. by T-Mobile Netherlands Holding B.V. was consummated on January 2, 2019. Since the acquisition date, Tele2 Netherlands has been allocated to the Group Development operating segment and included in Deutsche Telekom’s consolidated financial statements as a fully consolidated subsidiary.

In accordance with the Company’s own principles of segment management, when loans with embedded derivatives are granted internally to Group entities, the derivative component is recognized separately in the creditor company’s financial statements and measured at fair value through profit or loss.

For details on the development of operations in the operating segments and the Group Headquarters & Group Services segment, please refer to the section “Development of business in the operating segments” in the interim Group management report.

Segment information in the first half of the year

millions of €

		Comparative period						Reporting date		
		Net revenue	Inter-segment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets[a]	Segment liabilities[a]	Investments accounted for using the equity method[a]
Germany	H1 2019	10,095	650	10,745	1,754	(2,227)	0	36,670	27,001	12
	H1 2018	9,976	672	10,648	1,889	(1,968)	0	37,419	27,571	12
United States	H1 2019	19,622	1	19,623	2,840	(3,704)	0	81,685	53,452	266
	H1 2018	17,276	1	17,277	2,338	(2,544)	0	69,223	43,326	159
Europe	H1 2019	5,699	170	5,869	696	(1,370)	(6)	28,338	11,638	59
	H1 2018	5,538	169	5,707	702	(1,109)	(1)	27,263	10,134	60
Systems Solutions	H1 2019	2,599	705	3,304	(175)	(256)	(28)	6,478	4,737	26
	H1 2018	2,651	688	3,339	(104)	(194)	0	5,728	3,810	24
Group Development	H1 2019	1,041	323	1,364	227	(398)	0	8,656	10,466	302
	H1 2018	760	303	1,063	297	(158)	0	6,037	8,553	311
Group Headquarters & Group Services	H1 2019	96	1,233	1,329	(707)	(568)	0	52,514	64,494	10
	H1 2018	91	1,327	1,418	(605)	(427)	(4)	50,047	58,931	10
TOTAL	**H1 2019**	**39,152**	**3,081**	**42,234**	**4,635**	**(8,523)**	**(34)**	**214,341**	**171,788**	**675**
	H1 2018	**36,291**	**3,161**	**39,452**	**4,517**	**(6,400)**	**(5)**	**195,717**	**152,325**	**576**
Reconciliation	H1 2019	0	(3,081)	(3,081)	(27)	23	(20)	(50,127)	(50,264)	0
	H1 2018	0	(3,161)	(3,161)	6	103	1	(50,342)	(50,387)	0
GROUP	**H1 2019**	**39,152**	**0**	**39,152**	**4,608**	**(8,500)**	**(54)**	**164,214**	**121,524**	**675**
	H1 2018	**36,291**	**0**	**36,291**	**4,523**	**(6,297)**	**(4)**	**145,375**	**101,938**	**576**

[a] Figures relate to the reporting dates of June 30, 2019 and December 31, 2018, respectively.

CONTINGENT LIABILITIES

This section provides additional information and explains recent changes in the contingent liabilities as described in the consolidated financial statements for the 2018 financial year.

Lawsuits filed by partnering publishers of telephone directories. In the lawsuits filed by the partnering publishers of telephone directories, two of the suits suspended in the first instance were withdrawn in March 2019 after the already reported ruling of the Federal Court of Justice in January 2019 went in favor of Deutsche Telekom. As a result, ten proceedings are still pending with a total claimed amount of approximately EUR 70 million plus interest. For nine of these suits, appeal proceedings are still in process with the German Federal Court of Justice while one claim remains suspended. Proceedings before the administrative court were also brought to a close after the remaining two plaintiffs withdrew their respective suits under administrative law.

Claims for damages against Slovak Telekom following a European Commission decision to impose fines. On February 21, 2019, Slovak Telekom and Deutsche Telekom filed an appeal with the European Court of Justice against the ruling by the General Court of the European Union of December 13, 2018 in which the fines imposed by the European Commission were partially overturned and the level of the fines reduced. As such, Slovak Telekom and Deutsche Telekom are seeking, inter alia, to have the decision ruling Slovak Telekom's behavior as abusive overturned.

OTHER FINANCIAL OBLIGATIONS

The following table provides an overview of Deutsche Telekom's other financial obligations as of June 30, 2019:

millions of €

	June 30, 2019
Purchase commitments regarding property, plant and equipment	5,329
Purchase commitments regarding intangible assets	2,622
Firm purchase commitments for inventories	2,623
Other purchase commitments and similar obligations	17,466
Payment obligations to the Civil Service Pension Fund	2,184
Obligations from the acquisition of interests in other companies	23,308
Miscellaneous other obligations	41
	53,573

Obligations from the acquisition of interests in other companies mainly relate to the agreed business combination of T-Mobile US and Sprint at USD 26.5 billion (EUR 23.3 billion). For further information on agreed corporate transactions, please refer to the section "Changes in the composition of the Group," and to the 2018 Annual Report, section "Summary of accounting policies – Changes in the composition of the Group and other transactions."

The purchase commitments regarding intangible assets include EUR 2.1 billion for the four frequency blocks in the 2 GHz band and nine lots in the 3.6 GHz band purchased at auction in Germany. With the auction now over, Telekom Deutschland has filed an application with the Federal Network Agency on using the spectrum to begin building out the 5G network across Germany.

DISCLOSURES ON FINANCIAL INSTRUMENTS

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

millions of €

			Amounts recognized in the statement of financial position in accordance with IFRS 9					
	Measurement category in accordance with IFRS 9	**Carrying amount June 30, 2019**	Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through other comprehensive income to be reclassified subsequently to profit or loss	Fair value through profit or loss	Amounts recognized in the statement of financial position in accordance with IFRS 16	**Fair value June 30, 2019[a]**
ASSETS								
Cash and cash equivalents	AC	3,894	3,894					
Trade receivables								
At amortized cost	AC	4,620	4,620					
At fair value through other comprehensive income	FVOCI	5,276			5,276			5,276
At fair value through profit or loss	FVTPL	2				2		2
Other financial assets								
Originated loans and other receivables								
At amortized cost	AC	2,259	2,259					2,295
Of which: collateral paid	AC	5	5					
At fair value through other comprehensive income	FVOCI	0			0			
At fair value through profit or loss	FVTPL	111				111		111
Equity instruments								
At fair value through other comprehensive income	FVOCI	352		352				352
Derivative financial assets								
Derivatives without a hedging relationship	FVTPL	894				894		894
Of which: termination rights embedded in bonds issued	FVTPL	514				514		514
Of which: energy forward agreements embedded in contracts	FVTPL	4				4		4
Derivatives with a hedging relationship	n.a.	1,136			110	1,026		1,136
Lease assets	n.a.	163					163	
Cash and cash equivalents and trade receivables directly associated with non-current assets and disposal groups held for sale	AC	0	0					
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	45		45				45
LIABILITIES								
Trade payables	AC	9,647	9,647					
Bonds and other securitized liabilities	AC	51,997	51,997					55,781
Liabilities to banks	AC	6,004	6,004					6,067
Liabilities to non-banks from promissory note bonds	AC	348	348					437
Other interest-bearing liabilities	AC	2,617	2,617					2,645
Of which: collateral received	AC	1,011	1,011					
Other non-interest-bearing liabilities	AC	1,606	1,606					
Lease liabilities	n.a.	19,347					19,347	
Finance lease liabilities	n.a.	n.a.						
Derivative financial liabilities								
Derivatives without a hedging relationship	FVTPL	296				296		296
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FVTPL	7				7		7
Of which: energy forward agreements embedded in contracts	FVTPL	111				111		111
Derivatives with a hedging relationship	n.a.	1,318			1,224	94		1,318
Trade payables directly associated with non-current assets and disposal groups held for sale	AC	0	0					
Of which: aggregated by measurement category in accordance with IFRS 9								
ASSETS								
Financial assets at amortized cost	AC	10,773	10,773					2,295
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	5,276			5,276			5,276
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	397		397				397
Financial assets at fair value through profit or loss	FVTPL	1,007				1,007		1,007
LIABILITIES								
Financial liabilities at amortized cost	AC	72,219	72,219					64,930
Financial liabilities at fair value through profit or loss	FVTPL	296				296		296

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

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

millions of €

			Amounts recognized in the statement of financial position in accordance with IFRS 9					
	Measurement category in accordance with IFRS 9	Carrying amount Dec. 31, 2018	Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through other comprehensive income to be reclassified subsequently to profit or loss	Fair value through profit or loss	Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2018[a]
ASSETS								
Cash and cash equivalents	AC	3,679	3,679					
Trade receivables								
At amortized cost	AC	4,280	4,280					
At fair value through other comprehensive income	FVOCI	5,703			5,703			5,703
At fair value through profit or loss	FVTPL	5				5		5
Other financial assets								
Originated loans and other receivables								
At amortized cost	AC	2,982	2,982					3,013
Of which: collateral paid	AC	299	299					
At fair value through other comprehensive income	FVOCI	0						0
At fair value through profit or loss	FVTPL	103				103		103
Equity instruments								
At fair value through other comprehensive income	FVOCI	324		324				324
Derivative financial assets								
Derivatives without a hedging relationship	FVTPL	597				597		597
Of which: termination rights embedded in bonds issued	FVTPL	99				99		99
Of which: energy forward agreements embedded in contracts	FVTPL	12				12		12
Derivatives with a hedging relationship	n.a.	273			5	268		273
Lease assets	n.a.	147					147	
Cash and cash equivalents and trade receivables directly associated with non-current assets and disposal groups held for sale	AC	27	27					
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	34		34				34
LIABILITIES								
Trade payables	AC	10,735	10,735					
Bonds and other securitized liabilities	AC	49,033	49,033					51,736
Liabilities to banks	AC	5,710	5,710					5,749
Liabilities to non-banks from promissory note bonds	AC	497	497					578
Other interest-bearing liabilities	AC	1,878	1,878					1,927
Of which: collateral received	AC	404	404					
Other non-interest-bearing liabilities	AC	1,608	1,608					
Lease liabilities	n.a.	n.a.						
Finance lease liabilities		2,472					2,472	2,695
Derivative financial liabilities								
Derivatives without a hedging relationship	FVTPL	242				242		242
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FVTPL	10				10		10
Of which: energy forward agreements embedded in contracts	FVTPL	52				52		52
Derivatives with a hedging relationship	n.a.	836			486	350		836
Trade payables directly associated with non-current assets and disposal groups held for sale	AC	36	36					
Of which: aggregated by measurement category in accordance with IFRS 9								
ASSETS								
Financial assets at amortized cost	AC	10,968	10,968					3,013
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	5,703			5,703			5,703
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	358		358				358
Financial assets at fair value through profit or loss	FVTPL	705				705		705
LIABILITIES								
Financial liabilities at amortized cost	AC	69,497	69,497					59,990
Financial liabilities at fair value through profit or loss	FVTPL	242				242		242

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

Trade receivables include receivables amounting to EUR 1.8 billion (December 31, 2018: EUR 1.7 billion) due in more than one year. The fair value generally equals the carrying amount.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

When determining the fair value, it is important to maximize the use of current inputs observable in liquid markets for the financial instrument in question and minimize the use of other inputs (e.g., historical prices, prices for similar instruments, prices on illiquid markets). A three-level measurement hierarchy is defined for these purposes. If prices quoted in liquid markets are available at the reporting date for the respective financial instrument, these will be used unadjusted for the measurement (Level 1 measurement). Other input parameters are then irrelevant for the measurement. One such example is shares and bonds that are actively traded on a stock exchange. Even if quoted prices on liquid markets are not available at the reporting date for the respective financial instrument, the instrument can be measured using other inputs that are observable on the market at the reporting date (Level 2 measurement). The conditions for this are that no major adjustments have been made to the observable inputs and no unobservable inputs are used. Examples of Level 2 measurements are collateralized interest rate swaps, currency forwards, and cross-currency swaps that can be measured using current interest rates or exchange rates. If the conditions for a Level 1 or Level 2 measurement are not met, a Level 3 measurement is applied. In such cases, major adjustments must be made to observable inputs or unobservable inputs must be used.

Financial instruments measured at fair value

millions of €

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
ASSETS				
Trade receivables				
At fair value through other comprehensive income			5,276	**5,276**
At fair value through profit or loss			2	**2**
Other financial assets – Originated loans and other receivables				
At fair value through other comprehensive income				
At fair value through profit or loss	104		7	**111**
Equity instruments				
At fair value through other comprehensive income	6		391	**397**
Derivative financial assets				
Derivatives without a hedging relationship		376	518	**894**
Derivatives with a hedging relationship		1,136		**1,136**
LIABILITIES				
Derivative financial liabilities				
Derivatives without a hedging relationship		178	118	**296**
Derivatives with a hedging relationship		1,318		**1,318**

Financial instruments measured at fair value

millions of €

	Dec. 31, 2018			
	Level 1	Level 2	Level 3	Total
ASSETS				
Trade receivables				
At fair value through other comprehensive income			5,703	**5,703**
At fair value through profit or loss			5	**5**
Other financial assets – Originated loans and other receivables				
At fair value through other comprehensive income				
At fair value through profit or loss	93		10	**103**
Equity instruments				
At fair value through other comprehensive income			358	**358**
Derivative financial assets				
Derivatives without a hedging relationship		486	111	**597**
Derivatives with a hedging relationship		273		**273**
LIABILITIES				
Derivative financial liabilities				
Derivatives without a hedging relationship		180	62	**242**
Derivatives with a hedging relationship		836		**836**

Of the equity instruments measured at fair value through other comprehensive income and recognized under other financial assets, the instruments presented in the different levels constitute separate classes of financial instruments. In each case, the fair values of the total volume of equity instruments recognized as Level 1 are the price quotations at the reporting date.

The listed bonds and other securitized liabilities are assigned to Level 1 or Level 2 depending on the market liquidity of the relevant instrument. Consequently, issues denominated in euros or U.S. dollars with relatively large nominal amounts are to be classified as Level 1, the rest as Level 2. The fair values of the instruments assigned to Level 1 equal the nominal amounts multiplied by the price quotations at the reporting date. The fair values of the instruments assigned to Level 2 are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and Deutsche Telekom's credit spread curve for specific currencies.

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

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

Derivatives with a hedging relationship include forward-payer swaps for highly probable future borrowings at T-Mobile US with a nominal value of EUR 8.4 billion when translated into euros. These transactions were designated as cash flow hedges in effective hedging relationships. In the first half of 2019, the measurement resulted in a loss from hedging instruments of EUR 581 million recognized under other comprehensive income.

The equity instruments measured at fair value through other comprehensive income contain a large number of investments in strategic, unlisted individual positions. Deutsche Telekom considers the chosen measurement through other comprehensive income without recycling to profit or loss to be appropriate because there are no plans to use the investments for short-term profit-taking. At the date of disposal of an investment, the total cumulative gain or loss is reclassified to retained earnings. Acquisitions and disposals are based on business policy investment decisions.

Development of the carrying amounts of the financial assets and financial liabilities assigned to Level 3

millions of €

	Equity instruments at fair value through other comprehensive income	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial assets at fair value through profit or loss: energy forward agreements embedded in contracts	Derivative financial liabilities at fair value through profit or loss: energy forward agreements embedded in contracts
Carrying amount as of January 1, 2019	**358**	**99**	**12**	**(52)**
Additions (including first-time categorization as Level 3)	30	0	0	0
Decreases in fair value recognized in profit/loss (including losses on disposal)	0	(22)	(13)	(59)
Increases in fair value recognized in profit/loss (including gains on disposal)	0	439	5	0
Decreases in fair value recognized directly in equity	(2)	0	0	0
Increases in fair value recognized directly in equity	33	0	0	0
Disposals	(28)	0	0	0
Currency translation effects recognized directly in equity	0	(2)	0	0
CARRYING AMOUNT AS OF JUNE 30, 2019	**391**	**514**	**4**	**(111)**

The equity instruments assigned to Level 3 that are measured at fair value through other comprehensive income and carried under other financial assets are equity investments with a carrying amount of EUR 391 million measured using the best information available at the reporting date. As a rule, Deutsche Telekom considers transactions involving shares in those companies to have the greatest relevance. Transactions involving shares in comparable companies are also considered. The proximity of the relevant transaction to the reporting date, and the question of whether it was conducted at arm's length, are relevant for deciding which information is used for the measurement. Furthermore, the degree of similarity between the object being measured and comparable companies must be taken into consideration. Based on Deutsche Telekom's own assessment, the fair values of the equity investments at the reporting date could be determined with sufficient reliability. Please refer to the table above for the development of the carrying amounts in the reporting period. At the reporting date, investments with a carrying amount of EUR 45 million were held for sale, while there were no plans to sell the remaining investments. In the case of investments with a carrying amount of EUR 246 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why the share prices agreed in the transactions were to be used without adjustment for the measurement as of June 30, 2019. In the case of investments with a carrying amount of EUR 97 million, an analysis of operational indicators (especially revenue, EBIT, and liquidity) revealed that the carrying amounts were equivalent to current fair values. Due to better comparability, previous arm's-length transactions involving shares in these companies are preferable to more recent transactions involving shares in similar companies. In the case of investments with a carrying amount of EUR 48 million, for which the last arm's length transactions relating to shares in these companies took place some time ago, a measurement performed more recently relating to shares in similar companies provides the most reliable representation of the fair values. Here, multiples to the reference variable of expected revenue (ranging between 3.2 and 11.2) were taken. The 25 percent quantile, the median, or the 75 percent quantile was used for the multiples depending on the specific circumstances. If other values had been used for the multiples and for the expected revenue amounts, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table below.

The derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial assets relate to options embedded in bonds issued by T-Mobile US with a carrying amount of EUR 514 million when translated into euros. The options, which can be exercised by T-Mobile US at any time, allow early redemption of the bonds at fixed exercise prices. Observable market prices are available regularly and also at the reporting date for the bonds as entire instruments, but not for the options embedded therein. The termination rights are measured using an option pricing model. Historical interest rate volatilities of bonds issued by T-Mobile US and comparable issuers are used for the measurement because these provide a more reliable estimate at the reporting date than current market interest rate volatilities. The absolute figure used for the interest rate volatility at the current reporting date was between 1.2 and 2.0 percent. The spread curve, which is also unobservable, was derived on the basis of current market prices of bonds issued by T-Mobile US and debt instruments of comparable issuers. The spreads used at the current reporting date were between 1.8 and 2.4 percent for the maturities of the bonds and between 0.3 and 1.6 percent for shorter terms. For the mean reversion input, which is likewise unobservable, 10 percent was used. In our opinion, the values used constitute the best estimate in each case. If other values had been used for interest rate volatility, spread curve or mean reversion, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table below. In the reporting period, net income of EUR 416 million when translated into euros was recognized under Level 3 in other financial income/expense for unrealized gains for the options in the portfolio at the reporting date. Please refer to the table above for the development of the carrying amounts in the reporting period. The changes in value recognized in profit or loss in the reporting period were mainly attributable to fluctuations in the interest rates and historical interest rate volatilities in absolute terms that are relevant for measurement. Due to their distinctiveness, these instruments constitute a separate class of financial instruments.

Sensitivities[a] of the carrying amounts of the financial assets and financial liabilities assigned to Level 3 depending on unobservable inputs

millions of €

	Equity instruments at fair value through other comprehensive income	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial assets at fair value through profit or loss: energy forward agreements embedded in contracts	Derivative financial liabilities at fair value through profit or loss: energy forward agreements embedded in contracts
Multiple next-level-up quantile	5			
Multiple next-level-down quantile	(5)			
Expected revenues +10%	2			
Expected revenues -10%	(2)			
Interest rate volatility[b] +10%		23		
Interest rate volatility[b] -10%		(15)		
Spread curve[c] +100 basis points		(200)		
Spread curve[c] -100 basis points		269		
Mean reversion[d] +100 basis points		(5)		
Mean reversion[d] -100 basis points		1		
Future energy prices +10%			19	48
Future energy prices -10%			(19)	(48)
Future energy output +5%			5	6
Future energy output -5%			(5)	(6)
Future prices for renewable energy credits[e] +100%			4	11
Future prices for renewable energy credits[e] from zero			(4)	(11)

[a] Change in the relevant input parameter assuming all other input parameters are unchanged.

[b] Interest rate volatility shows the magnitude of fluctuations in interest rates over time (relative change). The larger the fluctuations, the higher the interest rate volatility.

[c] The spread curve shows, for the respective maturities, the difference between the interest rates payable by T-Mobile US and the interest rates on U.S. government bonds.

[d] Mean reversion describes the assumption that, after a change, an interest rate will revert to its average over time. The higher the selected value (mean reversion speed), the faster the interest rate will revert to its average in the measurement model.

[e] Renewable energy credits is the term used for U.S. emission certificates.

With a carrying amount of EUR 111 million when translated into euros, the derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial liabilities relate to energy forward agreements embedded in contracts entered into by T-Mobile US. The same applies to derivative financial assets with a carrying amount of EUR 4 million when translated into euros. These agreements consist of two components: the energy forward agreement and the acquisition of renewable energy credits by T-Mobile US. The contracts have been entered into with energy producers since 2017 and run for terms of between 12 and 20 years from the commencement of commercial operation. In the case of one energy forward agreement, commercial operations began at the end of 2017; with the others, commercial operations are set to begin between 2019 and 2021. The respective settlement period of the energy forward agreement, which is accounted for separately as a derivative, also starts when the facility begins commercial operation. Under the energy forward agreements, T-Mobile US receives variable amounts based on the facility's actual energy output and the then current energy prices, and pays fixed amounts per unit of energy generated throughout the term of the contract. The energy forward agreements are measured using valuation models because no observable market prices are available. The value of the derivatives is materially influenced by the facility's future energy output, for which T-Mobile US estimated a value of 2,899 gigawatt hours per year at the reporting date. The value of the derivatives is also significantly influenced by future energy prices, which are not observable for the period beyond five years. Further, the value of the derivatives is materially influenced by the future prices for renewable energy credits, which are also not observable. For the unobservable portion of the term, T-Mobile US used on-peak energy prices of between EUR 16.88/MWh and EUR 68.17/MWh when translated into euros and off-peak prices of between EUR 12.45/MWh and EUR 43.16/MWh when translated into euros. An average on-peak/off-peak ratio of 47 percent was used. In our opinion, the values used constitute the best estimate in each case. If other values had been used for future energy prices, future energy output, or future prices of renewable energy credits, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table above. In the reporting period, a net expense of EUR 67 million (when translated into euros) was recognized under the Level 3 measurement in other operating income/expense for unrealized losses for the derivatives. Please refer to the corresponding table for the development of the carrying amounts in the reporting period. The market-price changes in the reporting period were largely attributable to changes in observable and unobservable energy prices and to interest rate effects. Due to their distinctiveness, these instruments constitute a separate class of financial instruments. In the view of T-Mobile US, the contracts were entered into at current market conditions, and the most appropriate parameters for the unobservable inputs were used for measurement purposes. The transaction price at inception was zero in each case. Since the unobservable inputs have a material influence on the measurement of the derivatives, the respective amount resulting from initial measurement was not carried on initial recognition. Instead, these amounts are amortized in profit or loss on a straight-line basis over the period of commercial energy generation (for a total amount of EUR 13 million per year when translated into euros). This amortization adjusts the effects from measuring the derivatives in each accounting period using the respective valuation models and updated parameters. All amounts from the measurement of the derivatives are presented in net terms per contract in the statement of financial position (derivative financial assets/liabilities) and in the income statement (other operating income/expenses). The difference yet to be amortized in the income statement developed as follows during the reporting period:

Energy forward agreements

millions of €	Development of the not yet amortized amounts
Measurement amounts on initial recognition	**151**
Measurement amounts on initial recognition (additions during the reporting period)	27
Measurement amounts amortized in profit or loss in prior periods	(3)
Measurement amounts amortized in profit or loss in the current reporting period	(2)
Currency translation adjustments	1
MEASUREMENT AMOUNTS NOT AMORTIZED AS OF JUNE 30, 2019	**174**

For the trade receivables, loans issued, and other receivables assigned to Level 3, which are measured either at fair value through other comprehensive income or at fair value through profit or loss, the main factor in determining fair value is the credit risk of the relevant counterparties. If the default rates applied as of the reporting date had been 1 percent higher (lower) with no change in the reference variables, the fair values of the instruments would have been 1 percent lower (higher).

The financial liabilities measured at fair value through profit or loss and assigned to Level 3 include derivative financial liabilities with a carrying amount of EUR 7 million resulting from an option granted to third parties for the purchase of shares in an associate of Deutsche Telekom. The option was granted in connection with a sale of shares in this associate, and no notable fluctuations in value are expected. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments.

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. The net amounts are normally recalculated every bank working day and offset against each other. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 1,011 million as of the reporting date (December 31, 2018: EUR 404 million). The credit risk was thus reduced by EUR 981 million (December 31, 2018: EUR 400 million) because, on the reporting date, the collateral received was offset by corresponding net derivative positions in the same amount. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 1,514 million as of the reporting date (December 31, 2018: EUR 756 million) had a maximum credit risk of EUR 7 million as of June 30, 2019 (December 31, 2018: EUR 24 million).

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 in the amount of EUR 5 million as of the reporting date (December 31, 2018: EUR 299 million) to counterparties pursuant to collateral agreements. The cash collateral paid is offset by corresponding net derivative positions of EUR 3 million at the reporting date (December 31, 2018: EUR 285 million), which is why it was not exposed to any credit risks in this amount.

On account of its close connection to the corresponding derivatives, the collateral received (paid) constitutes a separate class of financial liabilities (assets). There were no other significant agreements reducing the maximum exposure to the credit risks of financial assets. The maximum exposure to credit risk of the other financial assets thus corresponds to their carrying amounts.

According to agreement, no cash collateral was provided for interest rate swaps concluded by T-Mobile US with a nominal value of EUR 8.4 billion (when translated into euros). The fair values at the reporting date were negative in each case from the perspective of T-Mobile US and amounted to EUR -965 million when translated into euros (December 31, 2018: EUR -391 million).

Please refer to the explanations above for more information on the energy forward agreements for which no collateral is provided. There is also no default risk on embedded derivatives held.

RELATED-PARTY DISCLOSURES

There were no significant changes at June 30, 2019 to the related-party disclosures reported in the consolidated financial statements as of December 31, 2018.

EXECUTIVE BODIES

CHANGES IN THE COMPOSITION OF THE BOARD OF MANAGEMENT

At its meeting on February 21, 2018, the Supervisory Board of Deutsche Telekom AG resolved to extend Timotheus Höttges' contract as Chairman of the Board of Management by five years. Timotheus Höttges was reappointed as Chairman of the Board of Management effective January 1, 2019. Also at its meeting on February 21, 2018, the Supervisory Board of Deutsche Telekom AG resolved to appoint Dr. Christian P. Illek as Chief Financial Officer (CFO) effective January 1, 2019.

At its meeting on July 13, 2018, the Supervisory Board of Deutsche Telekom AG resolved to appoint Birgit Bohle as the new Board of Management member responsible for Human Resources and as Labor Director effective January 1, 2019. Birgit Bohle succeeded Dr. Christian P. Illek in this position.

At its meeting on September 4, 2018, the Supervisory Board of Deutsche Telekom AG resolved to appoint Thorsten Langheim as the Board of Management member responsible for USA and Group Development, a newly created Board of Management department, effective January 1, 2019.

At its meeting on May 22, 2019, the Supervisory Board of Deutsche Telekom AG resolved to merge the Data Privacy, Legal Affairs and Compliance department (DRC) with the Human Resources department. Birgit Bohle will head up the extended Human Resources and Legal Affairs department from January 1, 2020. Dr. Thomas Kremer will leave the Group for reasons of age effective March 31, 2020. Until his departure, Dr. Kremer will support the transition to the new structures.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

Shareholders' representatives. The current terms of the Supervisory Board appointments of Lars Hinrichs and Karl-Heinz Streibich ended after the shareholders' meeting on March 28, 2019. The shareholders' meeting resolved, by a majority, to elect both Supervisory Board members as shareholders' representatives in the Supervisory Board until the end of the shareholders' meeting that resolves to approve the actions of the Supervisory Board members for the 2023 financial year. The Bonn District Court's appointment of Dr. Rolf Bösinger as a member of the Supervisory Board ended at the close of the shareholders' meeting on March 28, 2019. The shareholders' meeting resolved, by a majority, to elect Dr. Rolf Bösinger as a shareholders' representative in the Supervisory Board until the end of the shareholders' meeting that resolves to approve the actions of the Supervisory Board members for the 2023 financial year.

EVENTS AFTER THE REPORTING PERIOD

For information on the business combination agreement with Sprint, please refer to the sections "Group organization, strategy, and management" and "Changes in the composition of the Group."

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the half-year consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss 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 material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Bonn, August 8, 2019

Deutsche Telekom AG
Board of Management

Timotheus Höttges

Adel Al-Saleh	Birgit Bohle	Srini Gopalan	Dr. Christian P. Illek
Dr. Thomas Kremer	Thorsten Langheim	Claudia Nemat	Dr. Dirk Wössner

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, the 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, 2019, which are part of the half-year financial report pursuant to § 115 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, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels	Thomas Tandetzki
Wirtschaftsprüfer	Wirtschaftsprüfer

ADDITIONAL INFORMATION

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

SPECIAL FACTORS

The following table presents a reconciliation of EBITDA AL, 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 2018 financial year:

millions of €

	EBITDA AL H1 2019	EBIT H1 2019	EBITDA AL H1 2018	EBIT H1 2018	EBITDA AL FY 2018	EBIT FY 2018
EBITDA AL/EBIT	**11,221**	**4,608**	**10,701**	**4,523**	**21,577**	**8,001**
GERMANY	**(293)**	**(293)**	**(352)**	**(352)**	**(598)**	**(598)**
Staff-related measures	(284)	(284)	(340)	(340)	(565)	(565)
Non-staff-related restructuring	(18)	(18)	(14)	(14)	(46)	(46)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Other	9	9	2	2	13	13
UNITED STATES	**(299)**	**(299)**	**(4)**	**(4)**	**(160)**	**(160)**
Staff-related measures	(4)	(4)	(4)	(4)	(15)	(15)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(295)	(295)	1	1	(145)	(145)
Impairment losses	0	0	0	0	0	0
Other	0	0	0	0	0	0
EUROPE	**(86)**	**(86)**	**(52)**	**(52)**	**(122)**	**(797)**
Staff-related measures	(79)	(79)	(48)	(48)	(90)	(90)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(5)	(5)	(1)	(1)	(14)	(14)
Impairment losses	0	0	0	0	0	(674)
Other	(2)	(2)	(3)	(3)	(19)	(19)
SYSTEMS SOLUTIONS	**(176)**	**(203)**	**(89)**	**(89)**	**(266)**	**(322)**
Staff-related measures	(74)	(74)	(52)	(52)	(194)	(194)
Non-staff-related restructuring	(3)	(3)	(1)	(1)	(4)	(4)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	0	(27)	0	0	0	(56)
Other	(99)	(99)	(37)	(37)	(68)	(68)
GROUP DEVELOPMENT	**(25)**	**(25)**	**(9)**	**(9)**	**(27)**	**(27)**
Staff-related measures	(15)	(15)	(3)	(3)	(6)	(6)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(10)	(10)	(5)	(5)	(21)	(21)
Impairment losses	0	0	0	0	0	0
Other	0	0	(1)	(1)	(1)	(1)
GROUP HEADQUARTERS & GROUP SERVICES	**(124)**	**(124)**	**(146)**	**(146)**	**(322)**	**(322)**
Staff-related measures	(139)	(139)	(182)	(182)	(288)	(288)
Non-staff-related restructuring	(27)	(27)	(40)	(40)	(59)	(59)
Effects of deconsolidations, disposals and acquisitions	25	25	(4)	(4)	(44)	(44)
Impairment losses	0	0	0	0	0	0
Other	18	18	80	80	69	69
GROUP	**(1,002)**	**(1,052)**	**(652)**	**(652)**	**(1,497)**	**(2,204)**
Staff-related measures	(594)	(594)	(630)	(630)	(1,159)	(1,159)
Non-staff-related restructuring	(49)	(49)	(55)	(55)	(109)	(109)
Effects of deconsolidations, disposals and acquisitions	(285)	(285)	(9)	(9)	(223)	(223)
Impairment losses	0	(50)	0	0	0	(707)
Other	(74)	(74)	42	42	(6)	(6)
EBITDA AL/EBIT (ADJUSTED FOR SPECIAL FACTORS)	**12,223**	**5,660**	**11,353**	**5,175**	**23,074**	**10,204**
Profit (loss) from financial activities (adjusted for special factors)		(871)		(893)		(2,091)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		**4,788**		**4,282**		**8,114**
Income taxes (adjusted for special factors)		(1,333)		(1,230)		(2,225)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		**3,456**		**3,053**		**5,889**
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		2,512		2,428		4,545
Non-controlling interests (adjusted for special factors)		944		625		1,344

GROSS AND NET DEBT

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

millions of €

	June 30, 2019	Dec. 31, 2018	Change	Change %	June 30, 2018
Financial liabilities (current)[a]	13,582	10,527	n.a.	n.a.	6,708
Financial liabilities (non-current)[a]	50,605	51,748	n.a.	n.a.	54,554
Lease liabilities	19,347	n.a.	n.a.	n.a.	n.a.
FINANCIAL LIABILITIES	**83,534**	**62,275**	**n.a.**	**n.a.**	**61,262**
Accrued interest	(717)	(719)	2	0.3	(678)
Other	(924)	(928)	4	0.4	(570)
GROSS DEBT	**81,893**	**60,628**	**n.a.**	**n.a.**	**60,014**
Cash and cash equivalents	3,894	3,679	215	5.8	2,943
Derivative financial assets	2,031	870	1,161	n.a.	1,172
Other financial assets	259	654	(395)	(60.4)	1,127
NET DEBT	**75,709**	**55,425**	**n.a.**	**n.a.**	**54,772**

[a] Financial liabilities included finance lease liabilities in accordance with IAS 17 for the last time as of December 31, 2018 (EUR 2.5 billion).

The new IFRS 16 “Leases” accounting standard has been applied since January 1, 2019. Prior-year comparatives were not adjusted. For more information, please refer to the section “Accounting policies” in the interim consolidated financial statements.

GLOSSARY

For definitions, please refer to the 2018 Annual Report and the glossary therein.

DISCLAIMER

This Report (particularly the section "Forecast") contains forward-looking statements that reflect the current views of Deutsche Telekom's management with respect to future events. They are generally identified by the words "expect," "anticipate," "believe," "intend," "estimate," "aim," "goal," "plan," "will," "seek," "outlook," or similar expressions and include generally any information that relates to expectations or targets for revenue, adjusted EBITDA AL, 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 staff-related restructuring measures and the impact of other significant strategic or business initiatives, including acquisitions, dispositions, and business combinations.

In addition, movements in exchange rates and interest rates, regulatory rulings, stronger than expected competition, technological change, litigation, and regulatory developments, among other factors, may have a material adverse effect on costs and revenue development.

If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, Deutsche Telekom's actual results may be materially different from those expressed or implied by such statements. Deutsche Telekom can offer no assurance that its expectations or targets will be achieved.

Without prejudice to existing obligations under capital market law, Deutsche Telekom does not assume any obligation to update forward-looking statements to account for new information or future events or anything else. In addition to figures prepared in accordance with IFRSs, Deutsche Telekom presents alternative performance measures, e.g., EBITDA, EBITDA AL, EBITDA AL margin, adjusted EBITDA, adjusted EBITDA AL, adjusted EBITDA AL margin, adjusted EBIT, adjusted EBIT margin, adjusted net profit/loss, free cash flow, free cash flow AL, gross debt, and net debt.

These measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRSs. Alternative performance measures are not subject to IFRSs or any other generally accepted accounting principles. Other companies may define these terms in different ways. For further information relevant to alternative performance measures, please refer to the 2018 Annual Report, section "Management of the Group" or to Deutsche Telekom's website under Investor Relations.

The figures shown in this report were rounded in accordance with standard business rounding principles. As a result, the total indicated may not be equal to the precise sum of the individual figures.

Our Interim Group Report (PDF and online) includes references and links to websites with additional information not contained in the Interim Group Report. These references and links are purely of a supplementary nature and are only intended to simplify access to this information. Please note that this information is not part of the Interim Group Report.

FINANCIAL CALENDAR

August 8, 2019	November 7, 2019	February 19, 2020
Publication of the Interim Group Report as of June 30, 2019	Publication of the Interim Group Report as of September 30, 2019	Press conference on the 2019 financial statements and publication of the 2019 Annual Report
March 26, 2020	**May 14, 2020**	**August 6, 2020**
2020 shareholders' meeting	Publication of the Interim Group Report as of March 31, 2020	Publication of the Interim Group Report as of June 30, 2020

All dates are subject to change.

For more dates, an updated schedule, and information on webcasts, please go to www.telekom.com/financial-calendar.

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Further information on Deutsche Telekom is available at www.telekom.com

This Interim Group Report can be downloaded from our Investor Relations website at: www.telekom.com/investor-relations

Our Annual Report is available online at:
www.telekom.com/geschaeftsbericht
www.telekom.com/annualreport

The English version of the Interim Group Report for January 1 to June 30, 2019 is a translation of the German version of the Interim Group Report. The German version is legally binding.

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