DEUTSCHE TELEKOM

INTERIM GROUP REPORT
JANUARY 1 TO JUNE 30, 2018

LIFE IS FOR SHARING.

SELECTED FINANCIAL DATA OF THE GROUP

millions of €

		Q2 2018	Q2 2017	Change %	H1 2018	H1 2017	Change %	FY 2017
REVENUE AND EARNINGS								
Net revenue		18,367	18,890	(2.8)	36,291	37,537	(3.3)	74,947
Of which: domestic	%	32.4	31.9		32.9	32.3		32.8
Of which: international	%	67.6	68.1		67.1	67.7		67.2
Profit from operations (EBIT)		2,352	2,830	(16.9)	4,523	5,601	(19.2)	9,383
Net profit (loss)		495	874	(43.4)	1,487	1,621	(8.3)	3,461
Net profit (loss) (adjusted for special factors)		1,238	1,199	3.3	2,428	2,138	13.6	6,039
EBITDA		5,556	5,986	(7.2)	10,825	11,949	(9.4)	23,969
EBITDA (adjusted for special factors)		5,928	5,944	(0.3)	11,477	11,495	(0.2)	22,230
EBITDA margin (adjusted for special factors)	%	32.3	31.5		31.6	30.6		29.7
Earnings per share basic/diluted	€	0.10	0.19	(47.4)	0.31	0.35	(11.4)	0.74
STATEMENT OF FINANCIAL POSITION								
Total assets					139,749	141,490	(1.2)	141,334
Shareholders' equity					41,403	38,594	7.3	42,470
Equity ratio	%				29.6	27.3		30.0
Net debt					54,772	55,249	(0.9)	50,791
CASH FLOWS								
Net cash from operating activities		4,392	4,204	4.5	8,689	8,559	1.5	17,196
Cash capex		(3,094)	(10,240)	69.8	(6,234)	(13,520)	53.9	(19,494)
Free cash flow (before dividend payments and spectrum investment)		1,514	1,301	16.4	2,896	2,530	14.5	5,497
Net cash used in investing activities		(2,589)	(7,212)	64.1	(6,233)	(10,703)	41.8	(16,814)
Net cash used in financing activities		(2,499)	(3,950)	36.7	(2,794)	(2,970)	5.9	(4,594)

millions

	June 30, 2018	Dec. 31, 2017	Change June 30, 2018/ Dec. 31, 2017 %	June 30, 2017	Change June 30, 2018/ June 30, 2017 %
NUMBER OF FIXED-NETWORK AND MOBILE CUSTOMERS					
Mobile customers	172.5	168.4	2.4	163.1	5.8
Fixed-network lines	27.6	27.9	(1.1)	28.1	(1.8)
Broadband customers[a, b]	19.3	18.9	2.1	18.6	3.8

[a] Excluding wholesale.
[b] Starting in Q2 2018, we no longer report the number of retail broadband lines from a technical perspective. Instead we report the number of broadband customers. Prior-year comparatives have been adjusted.

The key parameters used by Deutsche Telekom are defined in the section "Management of the Group" of the 2017 Annual Report, page 38 et seq.
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 accounting standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" took effect as of January 1, 2018. Prior-year comparatives were not adjusted. For more information, please refer to section "Accounting policies" in the interim consolidated financial statements, page 35 et seq.

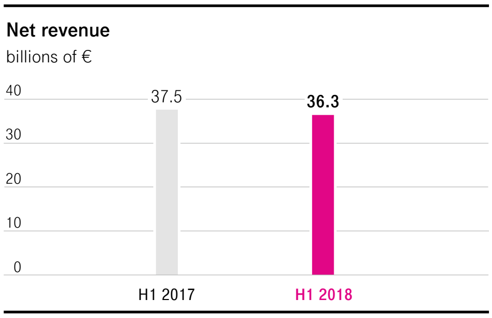
CONTENTS

TO OUR SHAREHOLDERS

DEUTSCHE TELEKOM AT A GLANCE

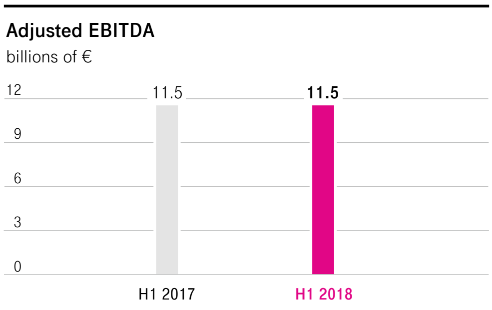
NET REVENUE

- Net revenue decreased by EUR 1.2 billion to EUR 36.3 billion. Adjusted for exchange rate effects and the slightly negative effects of changes in the composition of the Group, net revenue rose 2.2 percent.
- Our United States operating segment posted a decline in revenue of 5.2 percent; in U.S. dollars, the continuing success of our U.S. operations was evident in revenue growth of 6.0 percent.
- The business trend was stable in our Germany operating segment, with revenue down by a marginal 1.1 percent due to the first-time application of the IFRS 15 accounting standard.
- Revenue edged up 1.2 percent at our Europe operating segment, while revenue decreased by 1.6 percent in our Systems Solutions operating segment. Revenue also declined in our Group Development operating segment, mainly as a result of the deconsolidation of Strato.



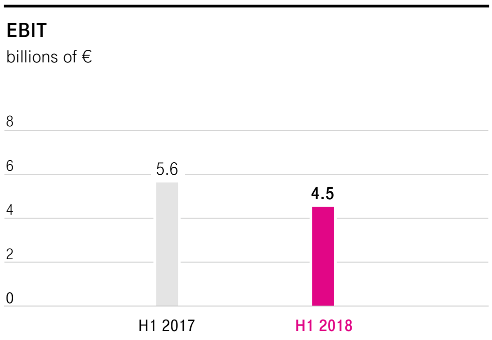
ADJUSTED EBITDA

- Adjusted EBITDA was stable. Excluding exchange rate effects and slightly negative effects from changes in the composition of the Group, adjusted EBITDA rose 5.2 percent.
- Adjusted EBITDA for our United States operating segment decreased by 2.8 percent; in U.S. dollars, it rose 8.6 percent.
- Our Germany and Europe operating segments posted increases in adjusted EBITDA of 1.6 percent and 1.5 percent respectively, while adjusted EBITDA declined in our Systems Solutions and Group Development operating segments.
- At 31.6 percent, the Group's adjusted EBITDA margin increased against the prior-year level of 30.6 percent. The EBITDA margin was 39.5 percent in Germany, 32.7 percent in Europe, and 28.3 percent in the United States.



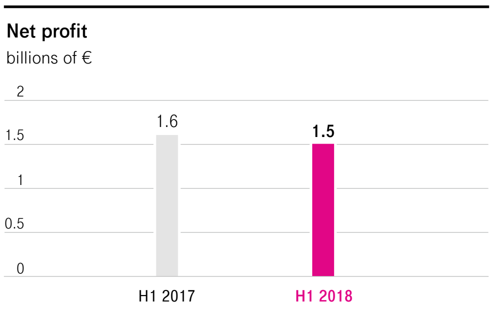
EBIT

- EBIT decreased by EUR 1.1 billion to EUR 4.5 billion.
- Negative special factors affecting EBIT were EUR 1.1 billion higher year-on-year. Special factors in connection with staff-related measures were EUR 0.4 billion higher than in the same period of last year. Additionally, the prior-year period had benefited from positive special factors, namely the sale of Strato (EUR 0.5 billion) and the sale of further shares in Scout24 AG (EUR 0.2 billion).
- At EUR 6.3 billion, depreciation, amortization and impairment losses were on a par with the prior-year period.

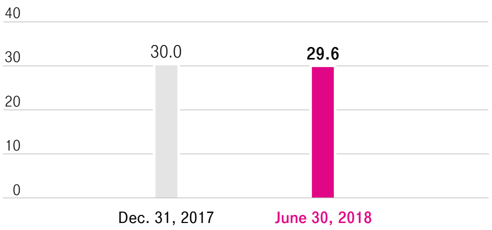


NET PROFIT

- Net profit decreased from EUR 1.6 billion to EUR 1.5 billion.
- At EUR 1.6 billion, the loss from financial activities was EUR 1.4 billion smaller than a year earlier, offsetting the effects of the reduction in EBIT. The loss in the prior-year period was attributable to the EUR 1.1 billion impairment of our financial stake in BT recognized in profit or loss, as well as to higher negative effects from the exercise and remeasurement of derivatives at T-Mobile US. While the settlement amount of EUR 0.6 billion agreed in the Toll Collect arbitration proceedings had a negative impact in the reporting period, finance costs improved by EUR 0.2 billion year-on-year.
- The tax expense of EUR 0.9 billion was EUR 0.3 billion higher than in the prior-year period.
- Profit attributable to non-controlling interests increased by EUR 0.2 billion.



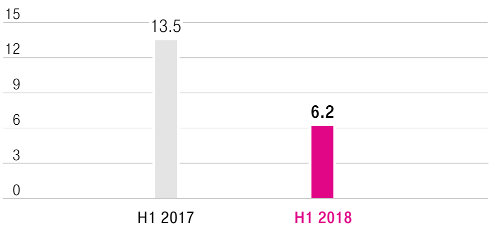
Equity ratio
%



EQUITY RATIO

- The equity ratio decreased by 0.4 percentage points to 29.6 percent.
- Total assets decreased by EUR 1.6 billion compared with the end of 2017.
- Shareholders' equity decreased from EUR 42.5 billion as of December 31, 2017 to EUR 41.4 billion. Shareholders' equity was reduced in particular by the dividend payment to Deutsche Telekom AG shareholders in the amount of EUR 3.1 billion, by EUR 0.9 billion for T-Mobile US' share buy-back program, and by an impairment loss of EUR 0.7 billion on the financial stake in BT recognized directly in equity. By contrast, profit of EUR 2.1 billion and an effect of EUR 1.5 billion recognized directly in equity, attributable to the transition to IFRS 9 and IFRS 15, had an increasing effect. Currency translation effects recognized directly in equity increased shareholders' equity by EUR 0.5 billion.

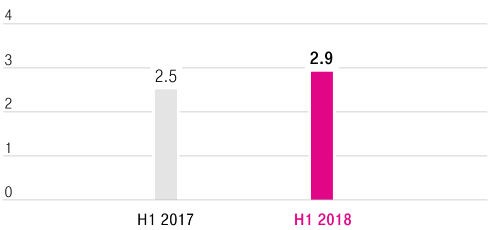
Cash capex
billions of €



CASH CAPEX

- Cash capex (including spectrum investment) decreased from EUR 13.5 billion to EUR 6.2 billion.
- In the prior-year period, mobile spectrum licenses had been acquired for EUR 7.3 billion, mainly in the United States operating segment, compared with cash outflows in the reporting period of EUR 0.1 billion, primarily in the United States.
- Excluding the effects of spectrum acquisitions, cash capex declined by EUR 0.1 billion; adjusted for currency translation effects, cash capex was up year-on-year. Capital expenditures were focused primarily on the United States, Germany, and Europe operating segments and went toward the build-out and upgrade of our networks.

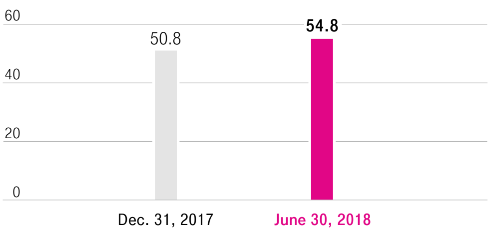
Free cash flow
(before dividend payments and spectrum investment)
billions of €



FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)

- Free cash flow was up by EUR 0.4 billion to EUR 2.9 billion.
- Net cash from operating activities increased by EUR 0.1 billion year-on-year. Lower net interest payments had a positive effect. The positive business development in our United States operating segment was adversely affected by currency translation effects.
- The year-on-year decrease of EUR 0.1 billion in cash capex (before spectrum investment) enhanced free cash flow.

Net debt
billions of €



NET DEBT

- Net debt increased from EUR 50.8 billion at the end of 2017 to EUR 54.8 billion.
- The positive effect of free cash flow (EUR 2.9 billion) only partially offset the increase in net debt caused by the dividend payment – including to non-controlling interests – (EUR 3.1 billion), T-Mobile US' share buy-back program (EUR 0.9 billion), further purchases of shares in T-Mobile US and OTE (EUR 0.4 billion), and the acquisition of Layer3 TV (EUR 0.3 billion). Exchange rate effects of EUR 0.7 billion were another factor increasing net debt.

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

HIGHLIGHTS IN THE SECOND QUARTER OF 2018

2018 CAPITAL MARKETS DAY

We announced our new medium-term strategy and financial outlook at the Capital Markets Day in Bonn in May 2018. Through 2021 we expect growth to remain at the same consistently high level as forecast at our Capital Markets Day in 2015: Revenue is set to continue growing at a rate of 1 to 2 percent a year, adjusted EBITDA at a rate of 2 to 4 percent, and free cash flow at a rate of around 10 percent. We expect that all business units will contribute to earnings growth at the Group from 2019 onwards. Convergent products and services for consumers and business customers are at the core of our strategy. Our capital expenditure is to remain at a high level and will center on the ongoing build-out of broadband networks and upgrading to the LTE and 5G standards. Starting in 2019, the dividend will track the development in adjusted earnings per share. For 2018, we continue to expect a figure of around EUR 1.00 per share as announced at the Capital Markets Day in 2015 and expect this to rise to around EUR 1.20 per share through 2021.

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 in April 2018 to combine their companies. The larger T-Mobile US is expected to achieve cost and capital expenditure synergies with a net present value of around USD 43 billion (after integration costs). Around USD 15 billion has been budgeted for integration costs. The business combination is expected to make a positive contribution to adjusted earnings per share at the Deutsche Telekom Group after the first three years. The new company will have a total customer base of some 127 million. Under the agreement, T-Mobile US will acquire all of the shares in Sprint. 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. This distribution of the T-Mobile US shares, along with clear corporate governance rules, means that Deutsche Telekom will continue to be able to include T-Mobile US as a subsidiary in its consolidated financial statements. The agreement is subject to the necessary approvals by the responsible authorities, by T-Mobile US' and Sprint's shareholders, and other closing conditions.

FINANCING

In the second quarter of 2018, Deutsche Telekom International Finance B.V. issued euro bonds with a total volume of EUR 2.9 billion and U.S. dollar bonds with a total value of USD 1.75 billion (EUR 1.4 billion). In April 2018, T-Mobile US repaid senior notes – for nominal amounts of USD 1.75 billion (EUR 1.4 billion) and USD 0.6 billion (EUR 0.5 billion) – before the due date.

SETTLEMENT IN THE TOLL COLLECT ARBITRATION PROCEEDINGS

Together with Daimler Financial Services AG we reached an agreement with the Federal Republic of Germany to end the toll collection arbitration proceedings. This agreement puts an end to a lengthy legal dispute regarding the implementation of heavy truck road tolls in Germany. The agreed settlement amount of around EUR 3.2 billion includes services previously provided to the Federal Republic of Germany. Daimler Financial Services AG and Deutsche Telekom have both agreed to make final payments of EUR 550 million each.

T-MOBILE US SHARE BUY-BACK PROGRAM

In April 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.

INVESTMENTS IN NETWORKS

Fiber-optic rollout progresses apace. Internet at the speed of light for the Port of Hamburg, the Burgenlandkreis region, and the towns of Bautzen and Lüneburg – a whole host of large-scale fiber-optic projects in urban and rural areas alike have been given the green light. A comprehensive project to digitalize Stuttgart and five neighboring districts has been approved: This alone will bring gigabit connections to some 90 percent of the 1.38 million households and to all of the around 140,000 company sites and businesses covered by the project. The nationwide build-out of FTTH is gathering speed. The number of households provided with new end-to-end fiber-optic lines (FTTH/FTTB) is set to increase steadily through 2021 to around two million per year. Given the right regulatory conditions, optical fiber will then be rolled out to some two million households a year from 2021 onwards. Meanwhile, we have also entered the third phase of our program to roll out fiber-optic infrastructure to business parks across Germany, which will benefit some 49,000 enterprises.

Supervectoring. The rollout of supervectoring, which will offer download speeds of 250 Mbit/s, is about to start. Eight million households will benefit immediately, a figure that will rise to 15 million by the end of 2018. We plan to have upgraded 95 percent of our 100 Mbit/s households to up to 250 Mbit/s by the end of 2019. Vectoring has already brought speeds of up to 100 Mbit/s (at least 50 Mbit/s) to over five million more households since the start of 2018; for the first time ever, it has also been possible to deploy vectoring technology in former development areas.

Foundation laid for 5G rollout in Germany. Europe’s first 5G antennas, which fully support the communications standard of the future, have been transmitting data under real-life conditions via our network in Berlin. These antennas are based entirely on the future 5G standard for the 5G New Radio (5G NR) mobile communications component. Currently, we are building an entire 5G cluster in the heart of Berlin. At the beginning of this year, Deutsche Telekom, Intel, and Huawei provided the world’s first demonstration of 5G NR interoperability, proving that technical components of different vendors and one carrier can interact properly on the basis of the new 5G standard.

First European NB-IoT roaming tests concluded. In June 2018 we announced that, together with the Vodafone Group, we had successfully concluded the first international roaming tests in Europe using licensed Narrowband IoT technology. This service is designed to ensure seamless coverage and service continuity for millions of connections over low-power wide-area networks. The success of these tests marks a major milestone in the development of a stable roaming environment for mobile IoT networks.

New cell sites in operation. We also continue to drive the build-out of mobile networks in metropolitan and rural areas alike, with almost 300 new cell sites across Germany going into operation in June 2018 alone. We have increased the network density, modernized it, and filled in gaps. Coverage with our LTE network increased by 0.2 percentage points to reach 94.4 percent of the population. This percentage is set to increase to 98 percent by 2019. The expansion of LTE infrastructure lays important foundations for the future 5G network.

INNOVATIONS AND PARTNERSHIPS

Digitalization reaches all areas of healthcare. Hospital beds that independently communicate their whereabouts, ultrasound scanners that indicate when they are due for inspection, patient support using telemedicine services, and mobile apps: The digital revolution is dramatically changing the healthcare sector and poses a complex challenge to everyone involved. Telekom Healthcare Solutions provides IT solutions that help users successfully take on the new tasks that digitalization brings. conhIT, the world's leading trade fair for healthcare IT, took place in Berlin in April 2018. Under the motto "Set for a digital future" (Digital auf Zukunft programmiert), T-Systems showcased its latest innovations, which include a tracking system to localize medical equipment and a secure platform for digital collaboration.

“Shape the digital now.” This was our slogan at Hannover Messe 2018, where we presented our modular solutions for industry. The focus was on practical and concrete implementation options for production planning, manufacturing, and logistics. Visitors were able to see products and services relating to cloud computing, the Internet of Things, connectivity, and security, and experience new trends such as digital twins, blockchains, and artificial intelligence. We also showcased the new PLM Cloud service, a cloud-based product lifecycle management (PLM) solution that was launched at the start of the year. Companies can use the PLM Cloud to transform what is probably their most important process, i.e., the development of new products from initial design through to test simulation, bring that process into the digital age, and thus accelerate their approach to innovation.

Public cloud – strategic partnerships. T-Systems and Microsoft are entering into a strategic partnership that will focus on promoting public cloud services in four key areas: SAP applications, managed services on Microsoft Azure and Microsoft 365, digital solutions using artificial intelligence and mixed reality, and IoT. SAP certified the Open Telekom Cloud in time for Hannover Messe 2018, thus guaranteeing the performance of SAP HANA in the public cloud and enabling the solution to be integrated seamlessly into SAP support processes. The additional service in the public cloud means companies can complement their IT landscape with SAP applications flexibly and easily by self-service and receive appropriate support where needed.

CORPORATE CUSTOMER DEALS

T-Systems wins major contract with the Sparda group. The group of Sparda-Banks has signed a seven-year outsourcing contract with T-Systems for an amount in the mid-three-digit million euro range. We will take over the entire IT infrastructure of Sparda-Datenverarbeitung eG (SDV-IT), the Sparda-Banks group's central IT service provider, and migrate all mainframes and server landscapes to the high-security data centers at T-Systems. This traditional IT outsourcing contract is one of the biggest deals seen on the market in recent months.

Brandenburg's government administration to get high-speed network. Brandenburg has placed a major telecommunications order in the high two-digit million euro range with T-Systems. We will provide the infrastructure and components for telephony and the wide-area network of the state's administration. In future, sites will get connection speeds of up to 10 Gbit/s using up to ten times more bandwidth than before. Brandenburg intends to have the network certified by the German Federal Office for Information Security (BSI).

NEW PRODUCTS

Full-service Internet of Things bundles. Our new full-service bundles offer customers a quick and easy way to get started in the Internet of Things. The bundles contain everything a complete solution needs: hardware, mobile connectivity, cloud storage, and a user-friendly web portal. Standardized and reliable platforms – like our Cloud of Things IoT platform, which we operate in conjunction with Software AG – allow customers to deploy these IoT solutions quickly and easily as needed, no labor-intensive and costly installation required. The first complete bundles to be launched are Asset Tracking and Industrial Machine Monitoring. In May 2018, Hrvatski Telekom became the first provider in Croatia to make NB-IoT services available commercially.

AWARDS

The illustration below shows the main awards received in the second quarter of 2018. For details on more awards, please go to www.telekom.com/media.

Major awards in the second quarter of 2018

APRIL – JUNE

Best tested mobile network:
P3 communications rates the T-Mobile Netherlands mobile network as best in test for the third time in succession

WoB Award 2018:
The FidAR association to promote the advancement of women on supervisory boards honors Deutsche Telekom with an award for its implementation of equal gender participation

connect readers' choice 2018:
Deutsche Telekom wins in eight categories and receives awards for its subsidiaries congstar and T-Mobile Austria

German Investor Relations Prize 2018:
Deutsche Telekom once again wins the award for investor relations excellence in a DAX 30 ranking

Extel Survey 2018:
Investor Relations at Deutsche Telekom are rated the best in Europe and its IR organization the best in the European telecoms sector

German Innovation Award:
Partners Deutsche Telekom and Inmarsat win the Innovation Award for their European Aviation Network

INTERIM GROUP MANAGEMENT REPORT

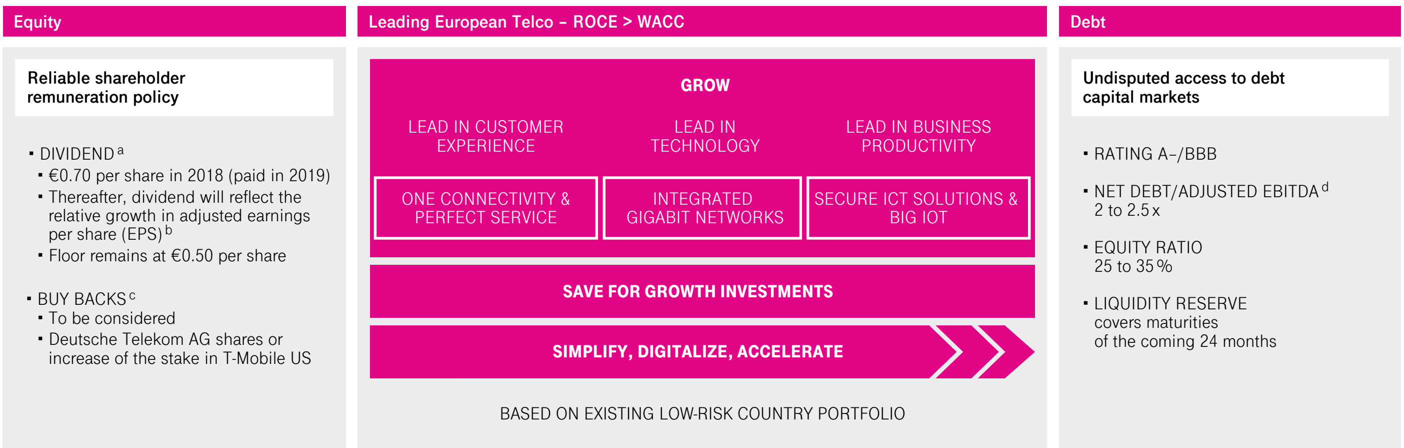
GROUP ORGANIZATION, STRATEGY, AND MANAGEMENT

With regard to our **Group organization, strategy, and management**, please refer to the explanations in the 2017 combined management report (2017 Annual Report, page 31 et seq.). From the Group's perspective, the following changes and/or additions were made to the Group structure and the finance strategy:

We assigned **Vivento Customer Services GmbH**, a provider of call center services, to our Germany operating segment as of January 1, 2018; previously it was part of our Group Headquarters & Group Services segment. Comparative figures have been adjusted retrospectively. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 47 and 48.

We presented our updated **finance strategy** for the years 2018 through 2021 at the Capital Markets Day in late May 2018.

Our finance strategy until 2021



[a] Subject to approval by the relevant bodies and the fulfillment of other legal requirements.
[b] Adjusted earnings per share (EPS) in 2018 as starting point.
[c] Not relevant for the first 3 years after the successful closing of the business combination of T-Mobile US and Sprint.
[d] Deviation from the target range for a short period after the successful closing of the business combination of T-Mobile US and Sprint.

Part of our finance strategy is to achieve our target financial ratios – relative debt (ratio of net debt to adjusted EBITDA) and equity ratio – along with a liquidity reserve that covers our maturities of the coming 24 months at least. With these clear statements we intend to maintain our rating in a corridor from A– to BBB and safeguard undisputed access to the capital market.

Through 2021 we expect growth to remain at the same consistently high level as forecast at our Capital Markets Day in 2015: Revenue is set to continue growing at a rate of 1 to 2 percent a year, adjusted EBITDA at a rate of 2 to 4 percent, and free cash flow at a rate of around 10 percent.

There is a reliable dividend policy for shareholders, which is subject to approval by the relevant bodies and the fulfillment of other legal requirements. For the 2018 financial year, we will propose a dividend of EUR 0.70 for each dividend-bearing share. A dividend of at least EUR 0.50 per dividend-bearing share is to be paid for each of the financial years from 2019 through 2021. Relative growth in adjusted earnings per share is to serve as a basis for measuring the amount of the dividend for the financial years starting 2019. For 2018, we continue to expect a figure of around EUR 1.00 per share as announced at the Capital Markets Day in 2015 and expect this to rise to around EUR 1.20 per share through 2021. We thus offer our shareholders both an attractive return and planning reliability.

We will also take share buy-backs into consideration, both of Deutsche Telekom AG shares and shares in T-Mobile US. However, no shares will be bought back in the first three years after the successful closing of the business combination of T-Mobile US and Sprint.

Total capital expenditure is also to remain high in the next few years. The scope for investment is to be used to further roll out our broadband infrastructure and to accelerate the transformation of the Company to an IP-based production model. In mobile communications, the infrastructure build-out will focus on the LTE and 5G standards, and in the fixed network, on optical fiber and vectoring. The finance strategy supports the transformation of our Group into the Leading European Telco. In order to generate a sustainable increase in value, we intend to earn our cost of capital in the medium term. We aim to achieve this goal in part by optimizing the utilization of our non-current assets. We also intend to achieve our target of earning our cost of capital through strict cost discipline and improved cross-functional collaboration. Additionally, we focus our performance management on unadjusted EBIT. Taking capital expenditure into consideration brings EBIT closer to the ROCE concept and supports our rigorous focus on the efficient allocation of capital at the Deutsche Telekom Group.

THE ECONOMIC ENVIRONMENT

This section provides additional information on, and explains recent changes to, the economic situation as described in the combined management report for the 2017 financial year, focusing on macroeconomic developments in the first six months of 2018, the outlook, the currently prevailing economic risks, and the regulatory environment. The overall economic outlook is subject to the precondition that there are no major unexpected occurrences in the forecast period.

MACROECONOMIC DEVELOPMENT

The global economy continued on its trajectory in the first half of 2018, although the rate slowed from the first to the second quarter. In its updated May 2018 forecast, the OECD expects global gross domestic product (GDP) to grow by 3.8 percent in 2018, compared with 3.7 percent in 2017. The expansion of the national economies in our core markets continues, although the growth is slower than in the comparative period.

OUTLOOK

Under the current conditions, we expect to see positive economic trends in the economies of our core markets. However, uncertainties over the future of global trade are negatively affecting current forecasts, which now show that economic growth may be slower overall than previously expected for 2018 and 2019.

OVERALL ECONOMIC RISKS

At present, global economic growth continues to withstand the negative effects of economic policy in recent months. The economic risks have increased. Sustained growth may be impeded by political tensions in Europe and the spread of protectionist measures at a global level. Furthermore, geopolitical crises could also have a negative impact on the economies of the countries in which we operate.

REGULATION

Federal Network Agency decision on StreamOn. On December 15, 2017, the Federal Network Agency prohibited elements of the MagentaMobil StreamOn add-on option. According to the Federal Network Agency, two aspects of this option breached the EU Regulation on net neutrality and roaming. The ruling stipulates that we must transmit all StreamOn data traffic at the maximum available bandwidth and that this also cannot be deducted from the included data volume contingent when roaming within the EU. However, we believe that our service complies with EU law. We have filed an appeal with the Cologne Administrative Court against the Federal Network Agency's ruling and also sought a preliminary injunction. We will continue to offer StreamOn in unchanged form during the summary proceedings.

Federal Network Agency decision on bitstream charges. On March 8, 2018, we received the Federal Network Agency's final decision on our rate application dated September 21, 2017. The application relates to the rates we can charge to wholesale customers for access to our broadband lines for "layer 2 bitstream access." In its final decision, the Federal Network Agency confirmed its preliminary decision from December of last year and approved the majority of rates at the current levels. We had requested an increase in the monthly rate as part of contingent models. As per the preliminary decision, this application was not approved in the final decision.

AWARDING OF SPECTRUM

The table below 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

	Start of award procedure	End of award procedure	Frequency ranges (MHz)	Award process	Spectrum acquired (MHz)
Albania	Q3 2018	Q4 2018	800	Sealed bid [a] or auction	tbd
Germany	Q2 2019	Q2 2019	2,000 / 3,400 – 3,800	Auction (SMRA [b]), expected	tbd
Greece	Q3 2019	Q4 2019	3,400 – 3,800	tbd	tbd
Croatia	Q3 2018	Q4 2018	2,100	tbd	tbd
Macedonia	Q2 2018	Q4 2018	900 / 2,100	Extension of licenses, expected	tbd
Netherlands	Q3 2019	Q4 2019	700 / 1,500 / 2,100	Auction, details tbd	tbd
Austria	Q3 2018	Q4 2018	3,400 – 3,800	Auction (CCA [c]), expected	tbd
Austria	Q3 2019	Q4 2019	700 / 1,500 / 2,100	Auction, details tbd	tbd
Poland	Q2 2019	Q4 2019	3,700 – 3,800	tbd	tbd
Romania	Q1 2019	Q2 2019	700 / 800 / 1,500 / 2,600 / 3,400 – 3,600	Auction, details tbd	tbd
Slovakia	Q2 2018	Q3 2018	1,800	Auction (SMRA [b]), expected	tbd
Czech Republic	Q3 2019	Q4 2019	700 / 3,400 – 3,600	Auction, details tbd	tbd
Hungary	Q4 2018	Q1 2019	700 / 1,500 / 2,100 / 2,300 / 2,600 / 26,000	tbd	tbd
United States	Q4 2018	Q2 2019	24,000 / 28,000	tbd	tbd

[a] Submission of an individual bid in a sealed envelope, in some cases sequential, in several awards.
[b] Simultaneous electronic multi-round auction with ascending, parallel bids for all ranges.
[c] Combinatorial Clock Auction, three-stage, multi-round auction for spectrum from all frequency ranges.

DEVELOPMENT OF BUSINESS IN THE GROUP

The new accounting standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" took effect as of January 1, 2018. Prior-year comparatives were not adjusted. Application of these standards did not have any material effect on the Group's results of operations.

IFRS 15 introduces an amended model for determining and recognizing revenue. The effects of the new regulations on our operating segments differ depending on the underlying business model and, for the most part, neutralize each other. For example, in our Germany operating segment – where the sale of subsidized handsets in combination with service contracts is still customary – the amortization of capitalized contract assets reduces revenue to a minor extent. In our United States operating segment – where customers are predominantly offered payment-by-installment models or leased models – the capitalization of customer acquisition costs and their distribution over the average customer retention period have a slightly positive impact on EBITDA.

IFRS 15 has a material impact on the presentation of the Group's results of operations and its financial position. The main effects are explained where the changes in the relevant items of the statement of financial position are discussed.

For a more detailed explanation of these remeasurement and reclassification effects, please refer to the section "Accounting policies" of the interim consolidated financial statements, page 35 et seq.

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

In the first half of 2018, we generated net revenue of EUR 36.3 billion, a decrease of 3.3 percent or EUR 1.2 billion year-on-year. The main factor in this decline was the effects from translation of U.S. dollars into euros. Adjusted for these negative exchange rate effects totaling EUR 1.9 billion, and for the slightly negative effect of changes in the composition of the Group, revenue actually increased by EUR 0.8 billion or 2.2 percent.

In our United States operating segment, revenue – adjusted for exchange rate effects – increased by a very positive 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, the growing success in new customer segments, along with lower customer churn. In our German home market, revenue contracted by a slight 1.1 percent. Adjusted for the effects of IFRS 15, total revenue was at a comparable level with the previous year, with revenue from mobile business rising marginally. Higher IT and broadband revenues compensated almost entirely for the decrease in fixed-network revenue. In our Europe operating segment, revenue was up by 1.2 percent year-on-year; adjusted for exchange rate effects, it increased by 0.8 percent. Revenue growth in business customer operations and in mobile business had a positive effect. With respect to the lower fixed-network revenue, declines in wholesale business eroded the positive revenue contribution of TV and broadband business. In the Systems Solutions operating segment, revenue decreased slightly by 1.6 percent compared with the prior-year period. While there was a decline in revenue from traditional IT business, notably from international corporate customers and due to the general market contraction in our core market of Western Europe, revenue in our growth areas – in particular cloud computing, the Internet of Things, and digital solutions – increased compared with the first half of the previous year.

Revenue generated by our Group Development operating segment decreased by 8.1 percent year-on-year in the first six months of 2018, a decline largely attributable to forgone revenue following the deconsolidation of Strato as of March 31, 2017 and lower revenue at T-Mobile Netherlands.

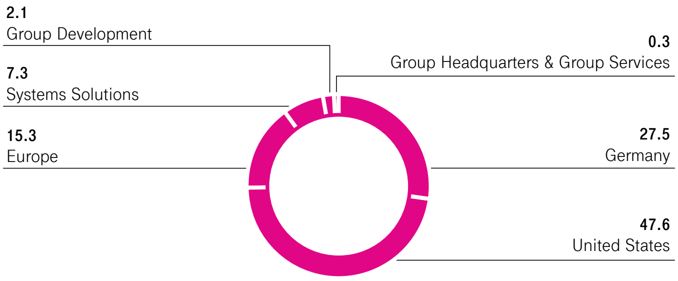
For detailed information on revenue development in our segments, please refer to the section "Development of business in the operating segments," page 17 et seq.

Contribution of the segments to net revenue
millions of €

	Q1 2018	Q2 2018	Q2 2017	Change %	H1 2018	H1 2017	Change %	FY 2017
NET REVENUE	**17,924**	**18,367**	**18,890**	**(2.8)**	**36,291**	**37,537**	**(3.3)**	**74,947**
Germany[a]	5,325	5,322	5,371	(0.9)	10,648	10,768	(1.1)	21,931
United States	8,455	8,821	9,236	(4.5)	17,277	18,218	(5.2)	35,736
Europe	2,811	2,896	2,860	1.3	5,707	5,641	1.2	11,589
Systems Solutions	1,665	1,674	1,688	(0.8)	3,339	3,392	(1.6)	6,918
Group Development	528	535	562	(4.8)	1,063	1,157	(8.1)	2,263
Group Headquarters & Group Services[a]	651	767	785	(2.3)	1,418	1,521	(6.8)	2,935
Intersegment revenue	(1,511)	(1,649)	(1,614)	(2.2)	(3,161)	(3,161)	0	(6,425)

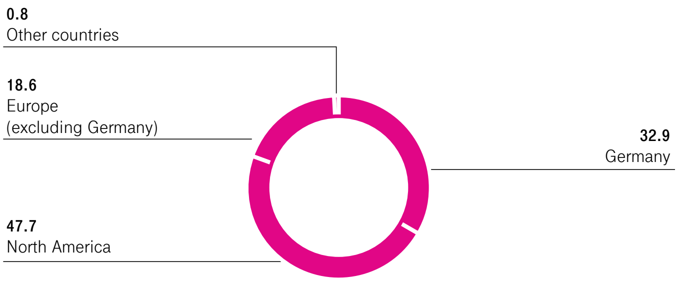
[a] We assigned Vivento Customer Services GmbH, a provider of call center services, to our Germany operating segment as of January 1, 2018; previously it was part of our Group Headquarters & Group Services segment. Comparative figures have been adjusted retrospectively. For more information, please refer to the section "Group organization, strategy, and management," pages 9 and 10, and the disclosures under segment reporting in the interim consolidated financial statements, pages 47 and 48.

Contribution of the segments to net revenue [a]
%



[a] For more information on net revenue, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 47 and 48.

Breakdown of revenue by region
%



At 47.6 percent, our United States operating segment again provided the largest contribution to net revenue of the Group. This was a decrease of 0.9 percentage points compared with the prior-year period and was mainly due to negative effects from the translation of U.S. dollars into euros. As a result, the proportion of net revenue generated outside Germany decreased from 67.7 percent to 67.1 percent.

EBITDA, ADJUSTED EBITDA

Excluding special factors, first-half adjusted EBITDA was stable year-on-year, coming in at EUR 11.5 billion; negative exchange rate effects of EUR 0.6 billion, particularly from the translation of U.S. dollars into euros, and slightly negative effects of changes in the composition of the Group were a major negative factor in this result. Excluding such effects, adjusted EBITDA actually rose by EUR 0.5 billion or 5.2 percent. Adjusted for exchange rate effects, EBITDA in our United States operating segment developed very positively, due primarily to higher revenues. Our Germany and Europe operating segments also performed well. The decrease in adjusted EBITDA at our Systems Solutions operating segment was mainly attributable to the higher costs involved in establishing operations in growth areas and to higher expenses resulting from the ongoing migration to all IP. In our Group Development operating segment, adjusted EBITDA declined, mainly due to forgone earnings resulting from the deconsolidation of Strato in the first quarter of 2017.

Our EBITDA decreased by EUR 1.1 billion year-on-year to EUR 10.8 billion, with net negative special factors decreasing by EUR 1.1 billion to EUR 0.7 billion. The decline was attributable to a EUR 0.5 billion rise in expenses for staff-related measures and expenses for non-staff-related restructuring totaling EUR 0.7 billion. The figure for the prior-year period had also included income of EUR 0.5 billion from the deconsolidation of Strato, which was sold as of March 31, 2017, as well as income of EUR 0.2 billion from the sale of further shares in Scout24 AG.

For detailed information on the development of EBITDA/adjusted EBITDA in our segments, please refer to the section "Development of business in the operating segments," page 17 et seq.

Contribution of the segments to adjusted Group EBITDA
millions of €

	Q1 2018	Q2 2018	Q2 2017	Change %	H1 2018	H1 2017	Change %	FY 2017
EBITDA (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	**5,549**	**5,928**	**5,944**	**(0.3)**	**11,477**	**11,495**	**(0.2)**	**22,230**
Germany [a]	2,082	2,126	2,086	1.9	4,209	4,141	1.6	8,412
United States	2,332	2,553	2,640	(3.3)	4,885	5,025	(2.8)	9,316
Europe	911	953	947	0.6	1,864	1,836	1.5	3,749
Systems Solutions	57	121	136	(11.0)	179	232	(22.8)	509
Group Development	231	233	236	(1.3)	464	475	(2.3)	915
Group Headquarters & Group Services [a]	(70)	41	(76)	n. a.	(29)	(189)	84.7	(661)
Reconciliation	5	(101)	(24)	n. a.	(96)	(25)	n. a.	(11)

[a] We assigned Vivento Customer Services GmbH, a provider of call center services, to our Germany operating segment as of January 1, 2018; previously it was part of our Group Headquarters & Group Services segment. Comparative figures have been adjusted retrospectively. For more information, please refer to the section "Group organization, strategy, and management," pages 9 and 10, and the disclosures under segment reporting in the interim consolidated financial statements, pages 47 and 48.

EBIT

Group EBIT stood at EUR 4.5 billion, down EUR 1.1 billion against the prior-year period. This decrease is due to the effects described under EBITDA. At EUR 6.3 billion, depreciation, amortization and impairment losses were on a par with the prior-year period.

PROFIT/LOSS BEFORE INCOME TAXES

Profit before income taxes increased by EUR 0.3 billion to EUR 2.9 billion compared with the first half of 2017. This increase was largely attributable the decrease of EUR 1.4 billion in the loss from financial activities to EUR 1.6 billion. The high loss in the previous year was due in particular to the EUR 1.1 billion impairment of our financial stake in BT that was recognized in profit or loss. In March 2018, we transferred our financial stake in BT to Deutsche Telekom Trust e.V., where it will be used as plan assets to cover our pension obligations. With effect from the first quarter of 2018, changes in the value of our stake are recognized directly in equity (other comprehensive income) and no longer as profit/loss from investing activities in the income statement. Nor will future dividend income from the stake in BT be recognized in profit/loss from financial activities. Finance costs decreased by EUR 0.2 billion. This was essentially due to the fact that T-Mobile US has increasingly been financed internally since 2017. The share of profit/loss of associates and joint ventures accounted for using the equity method decreased to EUR -0.5 billion. This was mainly attributable to the settlement agreement reached to end the Toll Collect arbitration proceedings, which had a negative effect of EUR 0.6 billion. By contrast, the profit distribution resolved in March 2018 by the shareholders of the Toll Collect GmbH joint venture – EUR 0.1 billion of which is attributable to Deutsche Telekom – had a positive effect. In the first half of 2018, negative effects from the exercise and remeasurement of embedded derivatives at T-Mobile US increased the loss from financial activities by EUR 0.2 billion. In the prior-year period, this negative effect on the loss from financial activities totaled EUR 0.4 billion.

NET PROFIT

Net profit decreased year-on-year by EUR 0.1 billion to EUR 1.5 billion. Tax expense came to EUR 0.9 billion in the first half of 2018, up EUR 0.3 billion year-on-year. For further information, please refer to the interim consolidated financial statements, page 46. Profit attributable to non-controlling interests increased by EUR 0.2 billion year-on-year, mainly in our United States operating segment.

EMPLOYEES

Number of employees (at the reporting date)

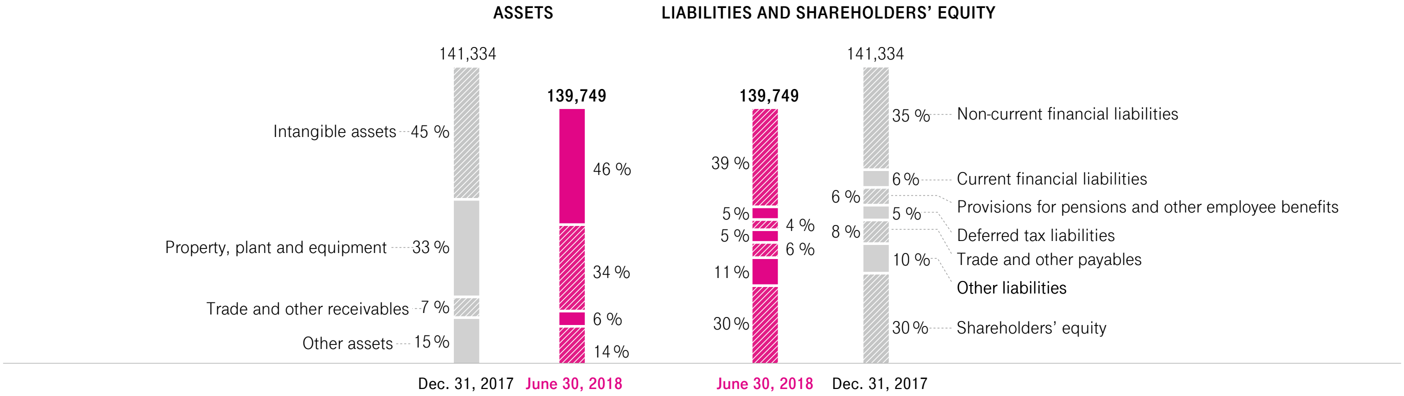
	June 30, 2018	Dec. 31, 2017	Change %
NUMBER OF EMPLOYEES IN THE GROUP	**216,319**	**217,349**	**(0.5)**
Of which: civil servants (in Germany, with an active service relationship)	14,393	15,482	(7.0)
Germany [a]	63,872	64,798	(1.4)
United States	45,643	45,888	(0.5)
Europe	48,038	47,421	1.3
Systems Solutions	37,830	37,924	(0.2)
Group Development	1,955	1,967	(0.6)
Group Headquarters & Group Services [a]	18,981	19,351	(1.9)

[a] We assigned Vivento Customer Services GmbH, a provider of call center services, to our Germany operating segment as of January 1, 2018; previously it was part of our Group Headquarters & Group Services segment. Comparative figures have been adjusted retrospectively. For more information, please refer to the section "Group organization, strategy, and management," pages 9 and 10, and the disclosures under segment reporting in the interim consolidated financial statements, pages 47 and 48.

The Group's headcount decreased by 0.5 percent compared with the end of 2017. In our Germany operating segment, the total number of employees had decreased by 1.4 percent at the end of the first half of 2018 as a result of efficiency enhancement measures, fewer new hires in the operational units, and the take-up of socially responsible instruments. The total number of employees in our United States operating segment decreased by 0.5 percent at June 30, 2018, compared to December 31, 2017, due primarily to a decrease in customer acquisition employees, partially offset by increases in customer support and network employees. In our Europe operating segment, staff levels grew by 1.3 percent compared with the end of the prior year. Our national companies in Croatia and Poland were the main drivers of this trend, for example, as a result of the expansion of customer support in Croatia and the establishment of new branches in Poland. The number of employees in our Systems Solutions operating segment decreased marginally compared with the end of 2017, due mainly to declining staff levels in our IT Division. In our Group Development operating segment, the number of employees declined slightly compared with the end of 2017. The headcount in the Group Headquarters & Group Services segment was down 1.9 percent compared with the end of 2017. The decline in staff levels caused by ongoing restructuring measures at Vivento was partially offset by the addition of employees at the Technology and Innovation unit.

FINANCIAL POSITION OF THE GROUP

Structure of the consolidated statement of financial position
millions of €



Total assets amounted to EUR 139.7 billion, down by EUR 1.6 billion against December 31, 2017.

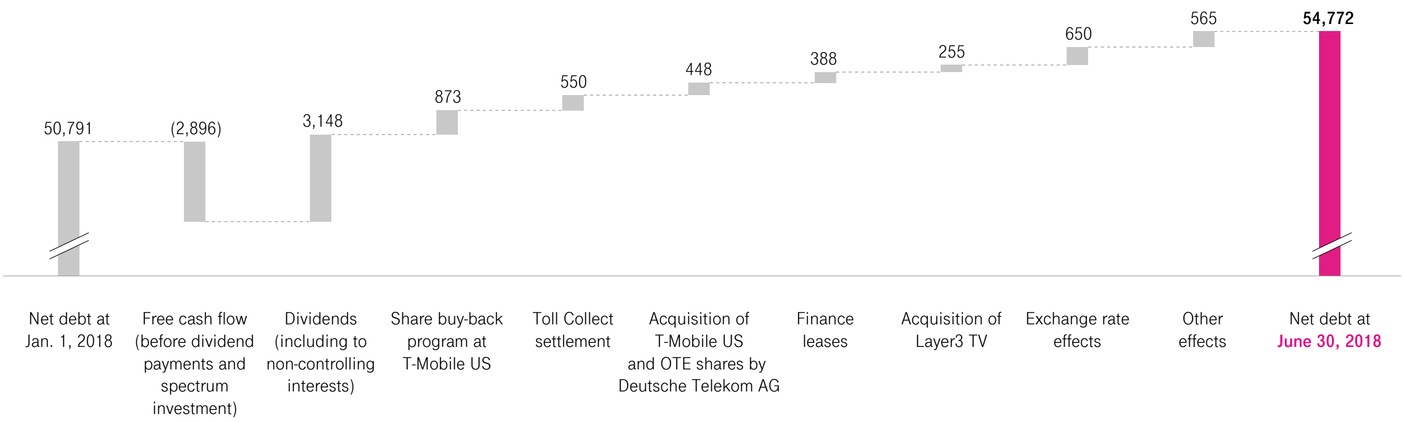
The total carrying amounts of intangible assets and property, plant and equipment were up by EUR 1.7 billion against the prior year. Capital expenditure totaling EUR 6.6 billion – especially to upgrade the network in our United States operating segment and in connection with the broadband/fiber-optic build-out, the IP transformation and mobile infrastructure in the Germany operating segment – increased total assets. Positive exchange rate effects of EUR 1.3 billion, particularly from the translation of U.S. dollars into euros, and effects of changes in the composition of the Group in the amount of EUR 0.6 billion, mainly resulting from the acquisition of the online TV provider Layer3 TV in the United States operating segment, also increased the carrying amount. Depreciation, amortization and impairment losses of EUR 6.3 billion reduced the carrying amount. Compared with December 31, 2017, trade and other receivables decreased by EUR 0.8 billion, primarily due to reclassification and remeasurement effects from the mandatory first-time application of the new accounting standards IFRS 9 and IFRS 15. In addition, the volume of receivables for terminal equipment sold under installment plans in the United States operating segment decreased. Exchange rate effects, primarily from the translation from U.S. dollars into euros, had a slight offsetting effect. Under other assets, current and non-current other financial assets were reduced in particular. On March 23, 2018, we transferred our 12 percent financial stake in BT, which is worth EUR 3.1 billion, to the Group's own trust, Deutsche Telekom Trust e.V., where it will serve as plan assets to cover pension entitlements. The impairment loss on the exchange-traded stake in BT – which was recognized in other comprehensive income for the period from January 1, 2018 until the date of transfer – reduced the carrying amount by EUR 0.7 billion. Capitalized contract assets in the amount of EUR 1.7 billion and capitalized contract costs of EUR 1.4 billion increased other assets. Their recognition relates to the remeasurement and reclassification effects recognized directly in equity following the mandatory application of IFRS 15 as of January 1, 2018.

There was an overall increase of EUR 3.7 billion in current and non-current financial liabilities compared with the end of 2017. This was mainly due to the euro bonds with a total volume of EUR 3.1 billion issued by Deutsche Telekom International Finance B.V. in the first half of 2018 and the U.S. dollar bonds with a total volume of EUR 1.4 billion (USD 1.75 billion), as well as to the bonds issued by T-Mobile US with a volume of EUR 2.0 billion (USD 2.5 billion). The settlement agreed in the Toll Collect arbitration proceedings increased financial liabilities by EUR 0.6 billion. The early repayment of T-Mobile US' debt instruments in the amount of EUR 2.7 billion (USD 3.4 billion) and regular repayments of bond liabilities of EUR 1.1 billion had an offsetting effect. The net change of EUR 0.4 billion in commercial paper also decreased the carrying amount of financial liabilities. Provisions for pensions and other employee benefits decreased by EUR 2.7 billion compared with December 31, 2017, mainly due to the transfer of our stake in BT and the associated netting of these plan assets with the defined benefit obligations. Trade and other payables decreased by EUR 2.0 billion, mainly due to a seasonal reduction in procurement volumes, especially in the United States, Europe, and Germany operating segments. Exchange rate effects, mainly from the translation of U.S. dollars into euros, had a minor offsetting effect. Other liabilities rose due to an increase of EUR 2.4 billion in current and non-current contract liabilities. The contract liabilities relate to the remeasurement and reclassification effects recognized directly in equity following the mandatory application of IFRS 15 as of January 1, 2018. At the same time, current and non-current other liabilities decreased by a comparable amount on first-time application of IFRS 15.

Shareholders' equity decreased from EUR 42.5 billion as of December 31, 2017 to EUR 41.4 billion, mainly due to dividend payments for the 2017 financial year to Deutsche Telekom AG shareholders in the amount of EUR 3.1 billion and to non-controlling interests in the amount of EUR 0.2 billion. Transactions with owners reduced shareholders' equity by a further EUR 1.3 billion. These transactions include EUR 0.9 billion for the share buy-back program launched by T-Mobile US in December 2017, EUR 0.3 billion for the acquisition of another 5 percent stake in the Greek subsidiary OTE, and EUR 0.2 billion for the T-Mobile US shares acquired by Deutsche Telekom in the first quarter of 2018. Furthermore, the subsequent measurement in other comprehensive income of equity instruments held reduced the carrying amount by EUR 0.6 billion; this figure includes the impairment loss of EUR 0.7 billion on the exchange-traded stake in BT that was recognized in other comprehensive income for the period from January 1, 2018 through March 23, 2018. By contrast, profit after taxes of EUR 2.1 billion had an increasing effect. The transition to IFRS 9 and IFRS 15 had a cumulative effect recognized directly in equity as of January 1, 2018, namely an increase of EUR 1.5 billion in retained earnings that included shares attributable to non-controlling interests. Currency translation effects of EUR 0.5 billion recognized directly in equity increased shareholders' equity.

For further information on the statement of financial position, please refer to the interim consolidated financial statements, page 42 et seq.

Changes in net debt
millions of €



Other effects of EUR 0.6 billion include, among other factors, financing options under which the payments for trade payables become due at a later point in time by involving banks in the process, increased liabilities for the acquisition of spectrum licenses, and payments 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," page 63 et seq.

Free cash flow (before dividend payments and spectrum investment)
millions of €

	Q1 2018	Q2 2018	Q2 2017	Change %	H1 2018	H1 2017	Change %	FY 2017
CASH GENERATED FROM OPERATIONS	**4,805**	**4,947**	**4,955**	**(0.2)**	**9,753**	**10,235**	**(4.7)**	**19,706**
Interest received (paid)	(509)	(555)	(752)	26.2	(1,064)	(1,676)	36.5	(2,509)
NET CASH FROM OPERATING ACTIVITIES	**4,297**	**4,392**	**4,204**	**4.5**	**8,689**	**8,559**	**1.5**	**17,196**
Cash outflows for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment **(CASH CAPEX)**	(3,076)	(3,021)	(2,994)	(0.9)	(6,097)	(6,238)	2.3	(12,099)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	161	144	91	58.2	304	209	45.5	400
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)	**1,382**	**1,514**	**1,301**	**16.4**	**2,896**	**2,530**	**14.5**	**5,497**

Free cash flow. Free cash flow in the Group before dividend payments and spectrum investment increased by EUR 0.4 billion year-on-year to EUR 2.9 billion. Net cash from operating activities increased by EUR 0.1 billion. At the same time, cash outflows for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment decreased by EUR 0.1 billion.

Net cash from operating activities increased by EUR 0.1 billion year-on-year to EUR 8.7 billion. Exchange rate effects weighed on the continuing positive business trend in the United States operating segment. In addition, positive effects from factoring agreements – in particular in the Systems Solutions and Germany operating segments – on net cash from operating activities were EUR 0.2 billion lower than in the prior-year period. In addition to a dividend payment of EUR 0.1 billion from BT – which was also included in the prior-year period – the profit distribution of EUR 0.1 billion from Toll Collect GmbH had a positive effect on net cash from operating activities. A EUR 0.6 billion decrease in net interest payments enhanced net cash from operating activities.

The EUR 0.1 billion decrease in cash capex (before spectrum investment) compared with the prior-year period related primarily to a reduction of EUR 0.3 billion in the United States operating segment, whereas cash capex was EUR 0.1 billion higher in the Germany operating segment. Adjusted for exchange rate effects, cash capex was higher than in the prior-year period. In each case, the cash outflows were for investments in network build-out and network modernization.

For further information on the statement of cash flows, please refer to the interim consolidated financial statements, pages 46 and 47.

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS

GERMANY

For information on changes in the organizational structure, please refer to the section "Group organization, strategy, and management," pages 9 and 10, and to the disclosures under segment reporting in the interim consolidated financial statements, pages 47 and 48.

CUSTOMER DEVELOPMENT

thousands

	June 30, 2018	Mar. 31, 2018	Change June 30, 2018/ Mar. 31, 2018 %	Dec. 31, 2017	Change June 30, 2018/ Dec. 31, 2017 %	June 30, 2017	Change June 30, 2018/ June 30, 2017 %
Mobile customers	43,023	42,730	0.7	43,125	(0.2)	42,011	2.4
Contract customers	24,965	25,102	(0.5)	25,887	(3.6)	25,084	(0.5)
Prepay customers	18,058	17,628	2.4	17,238	4.8	16,927	6.7
Fixed-network lines [a]	18,989	19,149	(0.8)	19,239	(1.3)	19,477	(2.5)
Of which: retail IP-based	13,629	12,843	6.1	11,996	13.6	10,351	31.7
Retail broadband lines [b]	13,437	13,357	0.6	13,209	1.7	13,035	3.1
Of which: optical fiber	6,559	6,232	5.2	5,803	13.0	5,033	30.3
Television (IPTV, satellite)	3,240	3,193	1.5	3,139	3.2	3,024	7.1
Unbundled local loop lines (ULLs)	5,587	5,846	(4.4)	6,138	(9.0)	6,723	(16.9)
Wholesale broadband lines	6,277	5,993	4.7	5,638	11.3	4,980	26.0
Of which: optical fiber	4,432	4,135	7.2	3,783	17.2	3,169	39.9

[a] The baseline as of January 1, 2018 increased (by 62 thousand) due to the inclusion of new products launched in the Business Customer portfolio. Prior-year comparatives were not adjusted.
[b] The baseline as of January 1, 2018 increased (by 53 thousand) due to the inclusion of new products launched in the Business Customer portfolio. Prior-year comparatives were not adjusted.

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 and in mobile communications – and with a broad product portfolio. Growing demand for our integrated product MagentaEins drove up the number of new customers by 265 thousand compared with the end of 2017, bringing the total number of customers added in the first half of 2018 since the product was launched to 3.9 million.

Compared with year-end 2017, we lost a total of 102 thousand mobile communications customers in the first half of 2018, primarily due to seasonal business fluctuations at one of our service providers (resellers). 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. We also recorded growth in the number of prepay customers.

By the end of the first half of 2018, we had migrated 19.6 million retail and wholesale lines to IP, which corresponds to an overall migration rate of 77 percent.

We continued to see strong demand for our fiber-optic products. As of the end of the first half of 2018, the number of lines had increased to 11.0 million overall. In other words, we connected another 1.4 million lines to our fiber-optic network in Germany in the first six months of 2018. With the progress in fiber-optic rollout and innovative vectoring technology, we also successfully drove forward the marketing of higher bandwidths.

Mobile communications
Compared with year-end 2017, we won a total of 197 thousand branded contract customers under the Telekom and congstar brands and at Telekom Deutschland Multibrand GmbH. The number of mobile contract customers with service providers decreased, primarily due to seasonal business fluctuations at one of our service providers. The number of prepay customers increased by 820 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, focusing on integrated offers and on TV and fiber-optic lines. For example, if we take into account the new products launched for business customers since the start of 2018, the number of broadband lines in our portfolio rose by 228 thousand between year-end 2017 and the end of the first half of 2018, while the number of TV customers increased by 101 thousand. The number of lines in our traditional fixed-network portfolio decreased by 312 thousand.

Our MagentaZuhause rate plans offer a comprehensive product portfolio for the fixed network based on IP technology and rate plan-specific bandwidths. MagentaZuhause Hybrid bundles fixed-network and mobile technology in a single router. To date, 408 thousand customers, primarily based in rural areas, have selected this innovative product.

Wholesale
At the end of the first half of 2018, fiber-optic lines accounted for 37.4 percent of all lines – 5.3 percentage points higher than at the end of 2017. This accelerated growth was driven largely by high demand for our contingent model. The number of unbundled local loop lines decreased by 551 thousand or 9.0 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. The total number of wholesale lines stood at 11.9 million at the end of the second quarter of 2018.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2018	Q2 2018	Q2 2017	Change %	H1 2018	H1 2017	Change %	FY 2017
TOTAL REVENUE		5,325	5,322	5,371	(0.9)	10,648	10,768	(1.1)	21,931
Consumers		2,813	2,820	2,878	(2.0)	5,633	5,796	(2.8)	11,797
Business Customers [a]		1,491	1,492	1,473	1.3	2,983	2,937	1.6	6,017
Wholesale		932	926	928	(0.2)	1,858	1,854	0.2	3,747
Other [a]		90	84	92	(8.7)	173	181	(4.4)	370
Profit from operations (EBIT)		935	954	1,028	(7.2)	1,889	2,099	(10.0)	4,276
EBIT margin	%	17.6	17.9	19.1		17.7	19.5		19.5
Depreciation, amortization and impairment losses		(980)	(988)	(953)	(3.7)	(1,968)	(1,888)	(4.2)	(3,828)
EBITDA		1,915	1,941	1,981	(2.0)	3,857	3,987	(3.3)	8,104
Special factors affecting EBITDA		(167)	(185)	(105)	(76.2)	(352)	(154)	n. a.	(308)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		2,082	2,126	2,086	1.9	4,209	4,141	1.6	8,412
EBITDA margin (adjusted for special factors)	%	39.1	39.9	38.8		39.5	38.5		38.4
CASH CAPEX		(1,145)	(963)	(1,052)	8.5	(2,108)	(2,057)	(2.5)	(4,214)

[a] As of July 1, 2017, a share of revenue previously recognized under "Other" was assigned to Business Customers on account of a reorganization. Prior-year comparatives were not adjusted.

Total revenue
Total revenue decreased by 1.1 percent compared with the first half of the prior year. Adjusted for the effects of the IFRS 15 accounting standard, the application of which is mandatory from January 1, 2018, total revenue developed on a par with the prior year. In mobile business, revenue declined by 2.7 percent year-on-year; excluding the effects of IFRS 15, revenue increased slightly compared with the prior-year period. Higher IT and broadband revenues had a positive impact on fixed-network revenue. This was sufficient to almost completely offset the decline in fixed-network revenues compared with the first half of 2017.

Revenue from Consumers declined by 2.8 percent year-on-year; adjusted for the effects of IFRS 15, the decline was only marginal. Volume-related revenue decreases continued to affect traditional fixed-network business. By contrast, revenue from broadband business increased by 3.3 percent.

Revenue from Business Customers grew by 1.6 percent; this growth was even stronger once adjusted for the effects of IFRS 15. Mobile revenues increased by 3.6 percent and IT revenues by 21.5 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.

Revenue from **Wholesale** business in the first six months of 2018 remained on a par with the prior-year period. Adjusted for the effects of IFRS 15, revenue would have grown substantially.

EBITDA, adjusted EBITDA

EBITDA amounted to EUR 3.9 billion in the first half of 2018, a year-on-year decrease of 3.3 percent due mainly to higher special factors for expenses in connection with our staff restructuring. EBITDA adjusted for special factors totaled EUR 4.2 billion at the end of the first half of 2018, up 1.6 percent compared with the same period of last year. This year-on-year increase was attributable largely to the lower headcount, lower revenue-dependent costs, and the successful implementation of our efficiency and digitalization initiatives. The adjusted EBITDA margin was up from 38.5 percent in the first half of 2017 to 39.5 percent in the first half of 2018.

EBIT

Profit from operations decreased by 10.0 percent compared with the first half of the prior year to EUR 1.9 billion. Depreciation, amortization and impairment losses increased on account of sustained high investments in our network infrastructure.

Cash capex

Cash capex increased by 2.5 percent compared with the first half of 2017. 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
CUSTOMER DEVELOPMENT

thousands

	June 30, 2018	Mar. 31, 2018	Change June 30, 2018/ Mar. 31, 2018 %	Dec. 31, 2017	Change June 30, 2018/ Dec. 31, 2017 %	June 30, 2017	Change June 30, 2018/ June 30, 2017 %
Mobile customers	75,619	74,040	2.1	72,585	4.2	69,562	8.7
Branded customers [a]	61,049	59,941	1.8	58,715	4.0	56,451	8.1
Branded postpaid [a]	40,082	39,065	2.6	38,047	5.3	36,158	10.9
Branded prepay [a]	20,967	20,876	0.4	20,668	1.4	20,293	3.3
Wholesale customers [b]	14,570	14,099	3.3	13,870	5.0	13,111	11.1

[a] Due to certain acquisitions by T-Mobile US at the beginning of 2018, the number of branded postpaid customers as of the first quarter of 2018 included an adjustment of 13 thousand and the number of branded prepay customers as of the first quarter of 2018 included an adjustment of 9 thousand.

[b] T-Mobile US believes current and future regulatory changes have made the Lifeline program offered by T-Mobile US' wholesale partners uneconomical. T-Mobile US will continue to support its wholesale partners offering the Lifeline program, but has excluded the Lifeline customers from the reported wholesale subscriber base resulting in the removal of 160 thousand and 4,368 thousand reported wholesale customers as of the beginning of the third quarter of 2017 and the beginning of the second quarter of 2017, respectively.

At June 30, 2018, the United States operating segment (T-Mobile US) had 75.6 million customers, compared to 72.6 million customers at December 31, 2017. Net customer additions were 3.0 million for the first half of 2018, compared to 2.5 million net customer additions for the first half of 2017 due to the factors described below.

Branded customers. Branded postpaid net customer additions were 2,022 thousand for the first half of 2018, compared to 1,731 thousand branded postpaid net customer additions for the first half of 2017. The increase in branded postpaid net customer additions was due primarily to continued growth in existing and greenfield markets, the growing success of new customer segments such as T-Mobile for Business, T-Mobile ONE ™ Unlimited 55+ and T-Mobile ONE Military, higher gross customer additions due to higher connected devices, specifically the Apple watch, and lower postpaid churn in the first half of 2018, partially offset by lower gross customer additions as a result of more aggressive promotions and the launch of Un-carrier Next – All Unlimited with taxes and fees in the first quarter of 2017 and higher deactivations from a growing customer base.

Branded prepay net customer additions were 290 thousand for the first half of 2018, compared to 480 thousand branded prepay net customer additions for the first half of 2017. The decrease was due primarily to higher deactivations from a growing customer base of T-Mobile US' MetroPCS brand, partially offset by lower migrations to branded postpaid plans.

Wholesale customers. Wholesale net customer additions were 700 thousand for the first half of 2018, compared to 264 thousand for the first half of 2017. The increase was due primarily to lower deactivations driven by the removal of Lifeline program customers during 2017.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2018	Q2 2018	Q2 2017	Change %	H1 2018	H1 2017	Change %	FY 2017
TOTAL REVENUE		8,455	8,821	9,236	(4.5)	17,277	18,218	(5.2)	35,736
Profit from operations (EBIT)		1,137	1,201	1,328	(9.6)	2,338	2,331	0.3	5,930
EBIT margin	%	13.4	13.6	14.4		13.5	12.8		16.6
Depreciation, amortization and impairment losses		(1,223)	(1,321)	(1,308)	(1.0)	(2,544)	(2,695)	5.6	(5,019)
EBITDA		2,360	2,522	2,635	(4.3)	4,882	5,025	(2.8)	10,949
Special factors affecting EBITDA		28	(32)	(4)	n. a.	(4)	0	n. a.	1,633
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		2,332	2,553	2,640	(3.3)	4,885	5,025	(2.8)	9,316
EBITDA margin (adjusted for special factors)	%	27.6	28.9	28.6		28.3	27.6		26.1
CASH CAPEX		(1,143)	(1,353)	(8,463)	84.0	(2,495)	(9,905)	74.8	(11,932)

Total revenue

Total revenue for the United States operating segment of EUR 17.3 billion in the first half of 2018 decreased by 5.2 percent, compared to EUR 18.2 billion in the first half of 2017. In U.S. dollars, T-Mobile US' total revenues increased by 6.0 percent year-on-year due primarily to growth in service revenue from increases in T-Mobile US' average branded customer base primarily from the continued growth in existing and greenfield markets, the growing success of new customer segments, along with lower postpaid churn in the first half of 2018, and higher connected devices.

EBITDA, adjusted EBITDA

In euros, adjusted EBITDA decreased by 2.8 percent to EUR 4.9 billion in the first half of 2018, compared to EUR 5.0 billion in the first half of 2017. Adjusted EBITDA margin increased to 28.3 percent in the first half of 2018, compared to 27.6 percent in the first half of 2017. In U.S. dollars, adjusted EBITDA increased by 8.6 percent during the same period. Adjusted EBITDA increased due primarily to an increase in branded postpaid and prepay service revenues as discussed above, the positive impact from IFRS 15 and the positive impact of the reimbursements from our insurance carriers, net of costs incurred related to hurricanes, of USD 128 million received in the first half of 2018. T-Mobile US continues to work with its insurance carriers and expects additional reimbursement related to these hurricanes in future periods. These increases were partially offset by higher employee-related costs, costs related to managed services, commissions, costs related to the proposed Sprint transaction, higher costs associated with network expansion, an increase in net losses on equipment sales, and lower gains on disposal of spectrum licenses.

EBITDA decreased by 2.8 percent to EUR 4.9 billion in the first half of 2018, compared to EUR 5.0 billion in the first half of 2017. In U.S. dollars, EBITDA increased to USD 5.9 billion in the first half of 2018, compared to USD 5.4 billion in the first half of 2017, due to the factors described above.

EBIT

EBIT remained consistent at EUR 2.3 billion in the first half of 2018 and in the first half of 2017. In U.S. dollars, EBIT increased by 12 percent during the same period primarily driven by higher EBITDA, partially offset by higher depreciation expense.

Cash capex

Cash capex decreased to EUR 2.5 billion in the first half of 2018, compared to EUR 9.9 billion in the first half of 2017. In U.S. dollars, cash capex decreased to USD 3.0 billion, compared to USD 10.9 billion during the same period, due primarily to a decrease in spectrum licenses acquired in the first half of 2018.

EUROPE
CUSTOMER DEVELOPMENT

thousands

		June 30, 2018	Mar. 31, 2018	Change June 30, 2018/ Mar. 31, 2018 %	Dec. 31, 2017	Change June 30, 2018/ Dec. 31, 2017 %	June 30, 2017	Change June 30, 2018/ June 30, 2017 %
EUROPE, TOTAL	Mobile customers	49,886	49,254	1.3	48,842	2.1	47,688	4.6
	Contract customers	26,022	25,686	1.3	25,483	2.1	24,854	4.7
	Prepay customers	23,865	23,567	1.3	23,359	2.2	22,834	4.5
	Fixed-network lines	8,414	8,409	0.1	8,439	(0.3)	8,464	(0.6)
	Of which: IP-based	6,235	5,947	4.8	5,734	8.7	5,416	15.1
	Broadband customers [a]	5,671	5,598	1.3	5,530	2.5	5,396	5.1
	Television (IPTV, satellite, cable)	4,293	4,271	0.5	4,244	1.2	4,156	3.3
	Unbundled local loop lines (ULLs)/wholesale PSTN	2,275	2,270	0.2	2,265	0.4	2,268	0.3
	Wholesale broadband lines	395	389	1.5	389	1.5	393	0.5
GREECE	Mobile customers	8,163	8,053	1.4	7,981	2.3	7,737	5.5
	Fixed-network lines	2,552	2,551	–	2,547	0.2	2,539	0.5
	Broadband customers [a]	1,830	1,800	1.7	1,757	4.2	1,678	9.1
ROMANIA	Mobile customers	5,282	5,236	0.9	5,258	0.5	5,278	0.1
	Fixed-network lines	1,803	1,823	(1.1)	1,865	(3.3)	1,922	(6.2)
	Broadband customers [a]	1,117	1,124	(0.6)	1,134	(1.5)	1,142	(2.2)
HUNGARY	Mobile customers	5,306	5,298	0.2	5,293	0.2	5,390	(1.6)
	Fixed-network lines	1,640	1,634	0.4	1,632	0.5	1,637	0.2
	Broadband customers [a]	1,104	1,088	1.5	1,073	2.9	1,049	5.2
POLAND	Mobile customers	10,609	10,509	1.0	10,454	1.5	10,251	3.5
	Fixed-network lines	26	27	(3.7)	32	(18.8)	31	(16.1)
	Broadband customers [a]	23	23	–	25	(8.0)	28	(17.9)
CZECH REPUBLIC	Mobile customers	6,174	6,156	0.3	6,176	–	6,155	0.3
	Fixed-network lines	248	220	12.7	197	25.9	146	69.9
	Broadband customers [a]	208	189	10.1	176	18.2	153	35.9
CROATIA	Mobile customers	2,268	2,229	1.7	2,244	1.1	2,237	1.4
	Fixed-network lines	952	959	(0.7)	967	(1.6)	986	(3.4)
	Broadband customers [a]	621	620	0.2	624	(0.5)	624	(0.5)
SLOVAKIA	Mobile customers	2,320	2,282	1.7	2,243	3.4	2,235	3.8
	Fixed-network lines	859	860	(0.1)	858	0.1	855	0.5
	Broadband customers [a]	532	525	1.3	516	3.1	498	6.8
AUSTRIA	Mobile customers	6,441	6,071	6.1	5,702	13.0	4,984	29.2
OTHER [b]	Mobile customers	3,323	3,419	(2.8)	3,490	(4.8)	3,420	(2.8)
	Fixed-network lines	334	334	–	340	(1.8)	348	(4.0)
	Broadband customers [a]	232	225	3.1	225	3.1	225	3.1

[a] Starting Q2 2018, we no longer report the number of retail broadband lines from a technical perspective. Instead we report the number of broadband customers. Prior-year comparatives have been adjusted.
[b] "Other": national companies of Albania, Macedonia, and Montenegro, 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 2018. We rose to the challenge in several ways, for instance by achieving substantial growth of 21.1 percent in the number of FMC customers (fixed-mobile convergence) thanks in part to our convergent product portfolio, MagentaOne. Our TV and broadband operations are becoming consistent revenue drivers, 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). The number of IP lines increased as a result, primarily thanks to the migration from traditional PSTN lines to IP technology. Our mobile operations recorded growth overall, with increases in both the number of high-value contract customers and the number of prepay customers compared with the end of the prior year.

Mobile communications

The number of mobile customers totaled 49.9 million at the end of the first half of 2018, up by a slight 2.1 percent or 1.0 million customers compared with the end of 2017. The number of contract customers continued to grow unabated throughout the second quarter. In other words, by June 30, 2018 we had added a total of 539 thousand new customers (an increase of 2.1 percent) largely as a result of the positive customer trends at our national companies in Poland, Romania, the Czech Republic, and Hungary. The share of our total customer base accounted for by contract customers thus remained largely stable at 52.2 percent. Our customers benefited not only from our innovative services/rate plans, but also from greater coverage with fast mobile broadband – a result of our integrated network strategy. As of June 30, 2018, we already covered 96 percent of the population in the countries of our operating segment with LTE, reaching around 108 million people in total. Customer demand for high data volumes has risen sharply due to the explosion in data traffic driven by video streaming services, for example. Prepaid business also looks set to continue growing, with 506 thousand net additions (a 2.2 percent increase) in the first half of 2018. Our national companies in Austria and Greece made particularly marked contributions to this positive trend.

Fixed network

In the first half of 2018, our TV and entertainment service continued to grow – the customer base was up by 1.2 percent compared with the end of 2017 and by 3.3 percent year-on-year. Of the 137 thousand net additions, the majority were recorded by our national companies in Hungary, the Czech Republic, Slovakia, and Greece. With both telecommunication providers and OTT players offering TV services in the countries of our segment, the TV market there is highly contested.

The number of broadband customers as of June 30, 2018 increased by 2.5 percent to 5.7 million. The better part of this net growth was down to the positive trends seen at our national companies in Greece, the Czech Republic, and Hungary, which are investing more heavily in innovative fiber-optic-based technologies. We continued to extend our fiber-optic coverage and, as of June 30, 2018, had reached 6.8 million households.

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 2018, this share amounted to 74.1 percent. The number of fixed-network lines in our Europe operating segment has remained stable at 8.4 million since the end of 2017.

FMC – fixed-mobile convergence

Our portfolio of convergent products, MagentaOne, remained highly popular across all of our integrated national companies. As of June 30, 2018, we had around 7.2 million FMC customers, this corresponds to significant growth of 21.1 percent compared with year-end 2017. Of these, 229 thousand new customers were added in the second quarter alone. Our national companies in Greece, Romania, and Hungary were the main drivers of this trend. We have also been increasingly successful in marketing our MagentaOne Business product to business customers.

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2018	Q2 2018	Q2 2017	Change %	H1 2018	H1 2017	Change %	FY 2017
TOTAL REVENUE [a]	2,811	2,896	2,860	1.3	5,707	5,641	1.2	11,589
Greece	686	711	693	2.6	1,397	1,383	1.0	2,846
Romania	226	238	236	0.8	464	466	(0.4)	972
Hungary	443	488	454	7.5	931	869	7.1	1,808
Poland [a]	375	368	378	(2.6)	743	742	0.1	1,509
Czech Republic	254	258	248	4.0	512	485	5.6	1,011
Croatia	222	233	231	0.9	456	455	0.2	955
Slovakia	181	185	185	–	366	368	(0.5)	748
Austria	218	214	215	(0.5)	432	443	(2.5)	900
Other [b]	253	250	268	(6.7)	502	528	(4.9)	1,069
Profit from operations **(EBIT)**	345	357	357	–	702	681	3.1	462
EBIT margin %	12.3	12.3	12.5		12.3	12.1		4.0
Depreciation, amortization and impairment losses	(559)	(550)	(557)	1.3	(1,109)	(1,110)	0.1	(3,157)
EBITDA	905	907	913	(0.7)	1,812	1,791	1.2	3,619
Special factors affecting EBITDA	(7)	(46)	(33)	(39.4)	(52)	(45)	(15.6)	(130)
EBITDA (ADJUSTED FOR SPECIAL FACTORS) [a]	911	953	947	0.6	1,864	1,836	1.5	3,749
Greece	280	279	273	2.2	559	539	3.7	1,135
Romania	33	37	39	(5.1)	70	76	(7.9)	166
Hungary	121	143	141	1.4	264	250	5.6	545
Poland [a]	96	101	125	(19.2)	197	224	(12.1)	419
Czech Republic	111	107	100	7.0	219	200	9.5	406
Croatia	85	98	96	2.1	184	180	2.2	386
Slovakia	80	78	81	(3.7)	158	158	–	315
Austria	76	68	69	(1.4)	144	158	(8.9)	266
Other [b]	28	42	23	82.6	69	50	38.0	110
EBITDA margin (adjusted for special factors) %	32.4	32.9	33.1		32.7	32.5		32.3
CASH CAPEX	(438)	(398)	(403)	1.2	(836)	(878)	4.8	(1,874)

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] The business of T-Systems Polska Sp. z o.o., which, in organizational terms, was previously assigned to the Systems Solutions operating segment, is now disclosed under the Europe operating segment as of September 1, 2017. Prior-year comparatives were not adjusted.
[b] "Other": national companies of Albania, Macedonia, and Montenegro, as well as IWS (International Wholesale), consisting of ICSS (International Carrier Sales & Solutions) and its national companies, the GTS Central Europe group in Romania, and the Europe Headquarters.

Total revenue
Our Europe operating segment generated total revenue of EUR 5.7 billion in the first half of 2018, a year-on-year increase of 1.2 percent. In organic terms, i.e., assuming constant exchange rates, revenue increased slightly by 0.8 percent. The mandatory first-time application of the IFRS 15 accounting standard as of January 1, 2018 did not have a material effect on the development of revenues at segment level.

Our Business Customer operations continued on their successful growth course in the second quarter, driven mainly by the positive trend in ICT business in Hungary. Mobile communications revenue was also up slightly year-on-year. Most of the countries in our operating segment contributed to this growth. Fixed-network revenues at segment level decreased overall year-on-year due to the decline in wholesale business offsetting the positive revenue effect – mainly in Hungary – from TV and broadband business. Intense competition on the telecommunications markets as well as lower EU roaming charges had a negative impact on our revenue in some countries of our operating segment.

Revenue from Consumers increased by 2.0 percent compared with the first half of the prior year, driven mainly by mobile business. Revenue from fixed-network business rose, too, on the back of the trend in TV and broadband operations driven by our innovative TV and program management activities. In addition to higher terminal equipment revenues, strong growth in the number of FMC customers had a positive impact on revenue. This offset the negative effects caused by declining revenue mainly from voice telephony.

In Business Customer operations, especially ICT, we recorded year-on-year growth of 3.7 percent in the first half of 2018. This was attributable mainly to strong growth in ICT business in Hungary. Our Smart City projects in particular also supported this trend with their IoT revenue contribution. A slight year-on-year increase in the business customer base in our core mobile business also made a positive contribution to revenue.

Wholesale revenue declined year-on-year due in part to lower revenues in some companies, as well as to declining trends in international wholesale business following the latest changes to EU roaming regulation.

Considering the development by country, our national companies in Hungary and Greece made the largest contributions to the organic development of revenue in the first half of 2018, more than offsetting the decline in revenues in particular in Austria and Poland.

EBITDA, adjusted EBITDA
Our Europe operating segment generated adjusted EBITDA of EUR 1.9 billion in the first half of 2018, an increase of 1.5 percent. In organic terms, i.e., assuming constant exchange rates, adjusted EBITDA increased by 1.2 percent. The mandatory first-time application of the IFRS 15 accounting standard as of January 1, 2018 did not have a material effect on the development of adjusted EBITDA.

The positive trend in adjusted organic EBITDA was driven both by the growth in revenue and by savings made in indirect costs, such as lower personnel costs in Greece. By contrast, in terms of direct costs, market investments and costs relating to the B2B/ICT operations increased. In addition, regulatory effects, including the reduction in EU roaming charges, reduced adjusted EBITDA.

EBITDA continued the positive trend seen in the first quarter of 2018, growing by 1.2 percent to EUR 1.8 billion compared with the prior-year period due primarily to the increase in adjusted EBITDA with special factors having no material effect. In organic terms, EBITDA grew by 0.8 percent.

Considering the development by country, the increase in adjusted EBITDA was largely attributable to the positive trends at our national companies in Greece, the Czech Republic, and Hungary. Offsetting developments were reported mainly at the national companies in Poland, Austria, and Romania. At the latter, adjusted EBITDA decreased by 7.9 percent year-on-year to EUR 70 million as a result of declining fixed-network business, while revenue came to EUR 464 million in the first half of 2018, putting it on a par with the prior-year level.

Development of operations in selected countries
Greece. In Greece, revenue stood at EUR 1.4 billion in the first half of 2018, up slightly year-on-year by 1.0 percent. This was driven mainly by higher mobile revenues and sustained high fixed-network revenues: Broadband and B2B/ICT operations continued to grow, while revenues from TV business declined. The popularity of our FMC portfolio was reflected in growing customer numbers and corresponding revenues.

In the first half of 2018, adjusted EBITDA in Greece increased markedly year-on-year by 3.7 percent to EUR 559 million driven largely by improved cost efficiency, especially with regard to personnel costs.

Hungary. In Hungary, revenue grew substantially in the first half of 2018 by 7.1 percent compared with the prior-year period to EUR 931 million. In organic terms, it increased by 8.8 percent. This growth was driven by rising mobile service revenues and by fixed-network business with sustained clear revenue growth in B2B/ICT business customer operations. Broadband, TV, and terminal equipment operations also made a positive contribution to revenue. Our MagentaOne portfolio of FMC products is enjoying success among consumers and business customers alike, a trend that is underpinned by growing customer numbers and a corresponding rise in revenue. Both service revenues and terminal equipment business performed well, which was attributable to our high-speed, high-reach mobile network.

Adjusted EBITDA increased by 5.6 percent year-on-year to EUR 264 million, driven by revenue growth. This had a positive effect on organic adjusted EBITDA, which grew by 7.4 percent.

Austria. Our national company in Austria generated revenue of EUR 432 million in the first half of 2018, down 2.5 percent year-on-year. This was largely attributable to a high positive non-recurring effect from voice telephony business in the prior-year period. Excluding this effect, revenue would have remained stable. To meet growing demand for broadband internet access, the national company in Austria will transform into an integrated challenger with mobile and fixed-network infrastructure following the take-over of the cable and fixed-network business from UPC Austria. This will soon allow us to offer fixed-network technology in addition to the mobile broadband internet services already being successfully marketed to our customers.

The effects from the decline in revenue also impacted adjusted EBITDA, which decreased by 8.9 percent to EUR 144 million year-on-year. Adjusted for the aforementioned non-recurring effect, adjusted EBITDA decreased only slightly.

Poland. Revenue at our national company in Poland remained largely stable year-on-year at EUR 743 million; in organic terms, revenue declined by 1.0 percent year-on-year. Revenue from B2B/ICT business was higher, while revenue from mobile business was lower.

Adjusted EBITDA stood at EUR 197 million, down 12.1 percent year-on-year. In organic terms, adjusted EBITDA declined by 12.8 percent, mainly due to higher interconnection costs and regulation-induced higher roaming costs.

EBIT
EBIT in our Europe operating segment increased significantly by 3.1 percent in the first half of 2018 to EUR 702 million due to the positive development of EBITDA. At EUR 1.1 billion, depreciation, amortization and impairment losses were at the same level as in the prior-year period.

Cash capex
In the reporting period, our Europe operating segment reported cash capex of EUR 836 million. The decline of 4.8 percent is largely attributable to restrained investment activities in most of our national companies. By contrast, in some countries we invested more heavily in building out broadband and fiber-optic technology as part of our integrated network strategy. As in the prior-year period, we acquired a small number of spectrum licenses in the first quarter of 2018.

SYSTEMS SOLUTIONS
ORDER ENTRY

millions of €

	H1 2018	Q1 2018	FY 2017	H1 2017	Change H1 2018/ H1 2017 %
ORDER ENTRY	3,348	1,506	5,241	2,569	30.3

Development of business
We realigned our strategy for the Systems Solutions operating segment with a focus on returning to sustained growth in this area. Our previous investments in growth areas and innovation fields (such as cloud computing, the Internet of Things, all IP) along with efforts to scale back the number of risk-prone legacy contracts in our traditional IT operations mark important steps on our transformation journey. On this basis, we continue to realign the segment strategy to focus on consistently moving the business into strategic growth areas while simultaneously strengthening our telecommunications business and successfully managing the decline in traditional IT business.

With this goal in mind, we have rolled out a comprehensive transformation program that specifically includes a clear portfolio strategy as part of our performance management activities. According to this portfolio strategy, we are differentiating between the following portfolios: telecommunications operations, traditional IT business, and growth areas (cloud computing, Internet of Things, SAP, security, digital solutions, toll collection systems).

Order entry in our Systems Solutions operating segment was up by 30.3 percent in the first half of 2018, marking a particularly positive development compared with the prior-year period. A major new contract in the traditional IT business segment was a key factor in this growth. Order entry in our growth areas also developed very well in the first half of 2018.

DEVELOPMENT OF OPERATIONS[a]

millions of €

		Q1 2018	Q2 2018	Q2 2017	Change %	H1 2018	H1 2017	Change %	FY 2017
TOTAL REVENUE		1,665	1,674	1,688	(0.8)	3,339	3,392	(1.6)	6,918
External revenue		1,332	1,319	1,349	(2.2)	2,651	2,717	(2.4)	5,504
Profit (loss) from operations (EBIT)		(76)	(28)	0	n. a.	(104)	(37)	n. a.	(1,356)
Special factors affecting EBIT		(38)	(51)	(42)	(21.4)	(89)	(76)	(17.1)	(1,477)
EBIT (adjusted for special factors)		(38)	23	41	(43.9)	(15)	39	n. a.	121
EBIT margin (adjusted for special factors)	%	(2.3)	1.4	2.4		(0.4)	1.1		1.7
Depreciation, amortization and impairment losses		(95)	(99)	(97)	(2.1)	(194)	(195)	0.5	(1,636)
EBITDA		19	71	97	(26.8)	90	158	(43.0)	280
Special factors affecting EBITDA		(38)	(51)	(39)	(30.8)	(89)	(74)	(20.3)	(229)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		57	121	136	(11.0)	179	232	(22.8)	509
EBITDA margin (adjusted for special factors)	%	3.4	7.2	8.1		5.4	6.8		7.4
CASH CAPEX		(83)	(182)	(91)	n. a.	(265)	(177)	(49.7)	(383)

[a] The business of T-Systems Polska Sp. z o.o., which, in organizational terms, was previously assigned to the Systems Solutions operating segment, is now disclosed under the Europe operating segment as of September 1, 2017. Prior-year comparatives were not adjusted.

Total revenue

In the first half of 2018, total revenue in our Systems Solutions operating segment was down slightly year-on-year at EUR 3.3 billion. This was primarily due to declining revenues from our traditional IT portfolio. Compared with the same period last year, there was a noticeable decline in revenue from international corporate customers and also due to the general market contraction in our core market of Western Europe. By contrast, revenue in our growth areas – in particular cloud computing, the Internet of Things, and digital solutions – increased year-on-year.

EBITDA, adjusted EBITDA

In the first half of 2018, adjusted EBITDA at our Systems Solutions operating segment declined by EUR 53 million to EUR 179 million, which was in line with our expectations. The decrease was attributable mainly to the higher costs involved in establishing operations in growth areas and to higher financial burdens in our telecommunications business due to the ongoing migration to all IP. EBITDA decreased by EUR 68 million year-on-year to EUR 90 million, mainly due to the effects described under adjusted EBITDA and to higher special factors.

EBIT, adjusted EBIT

Adjusted EBIT in our Systems Solutions operating segment declined by EUR 54 million compared with the first half of 2017, coming in at EUR -15 million. The effects described under adjusted EBITDA were the main drivers of this decrease. Depreciation, amortization and impairment losses were at the same level as a year earlier. EBIT declined for similar reasons, decreasing by EUR 67 million to EUR -104 million.

Cash capex

Cash capex in the Systems Solutions operating segment stood at EUR 265 million in the reporting period, compared with EUR 177 million in the prior-year period. Capital expenditures remain focused on developing our operations in growth areas, such as cloud computing, the Internet of Things, SAP, security, digital solutions, and toll collection systems. In parallel, we are investing in the upgrade of our in-house IT systems.

GROUP DEVELOPMENT

CUSTOMER DEVELOPMENT

thousands

		June 30, 2018	Mar. 31, 2018	Change June 30, 2018/ Mar. 31, 2018 %	Dec. 31, 2017	Change June 30, 2018/ Dec. 31, 2017 %	June 30, 2017	Change June 30, 2018/ June 30, 2017 %
NETHERLANDS	Mobile customers	3,967	3,905	1.6	3,850	3.0	3,830	3.6
	Fixed-network lines	210	198	6.1	191	9.9	184	14.1
	Broadband lines	210	198	6.1	191	9.9	184	14.1

After successfully repositioning itself in the market, T-Mobile Netherlands posted year-on-year growth of 3.0 percent in the first half of 2018 with its mobile services for consumers and business customers. This increase was mainly due to the new rate plan portfolio introduced in 2017 and to the enhanced market approach it enabled, but also to business customer net additions. The number of customers in the fixed-network consumer portfolio also grew – by 9.9 percent.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2018	Q2 2018	Q2 2017	Change %	H1 2018	H1 2017	Change %	FY 2017
TOTAL REVENUE		528	535	562	(4.8)	1,063	1,157	(8.1)	2,263
Netherlands		309	318	345	(7.8)	627	687	(8.7)	1,355
Profit from operations (EBIT)		148	149	388	(61.6)	297	1,074	(72.3)	1,504
Depreciation, amortization and impairment losses		(78)	(80)	(71)	(12.7)	(158)	(143)	(10.5)	(304)
EBITDA		227	228	460	(50.4)	455	1,217	(62.6)	1,808
Special factors affecting EBITDA		(5)	(5)	223	n. a.	(9)	742	n. a.	893
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		231	233	236	(1.3)	464	475	(2.3)	915
Netherlands		108	109	119	(8.4)	217	229	(5.2)	421
EBITDA margin (adjusted for special factors)	%	43.8	43.6	42.0		43.7	41.1		40.4
CASH CAPEX		(85)	(56)	(57)	1.8	(141)	(138)	(2.2)	(290)

Total revenue

In the first half of 2018, total revenue in our Group Development operating segment decreased by 8.1 percent year-on-year, due to the forgone revenue following the sale of Strato effective March 31, 2017. The mandatory first-time application of the IFRS 15 accounting standard, plus regulatory effects, e.g., lower EU roaming charges and national termination rates, had a negative impact at T-Mobile Netherlands. By contrast, DFMG reported a slight volume-driven increase in revenue year-on-year.

EBITDA, adjusted EBITDA

EBITDA in the first half of 2018 decreased by EUR 0.7 billion year-on-year to EUR 0.5 billion. Regular reviews of our investment portfolio prompted us to sell our stake in Strato and our remaining shares in Scout24 AG last year. The disposals resulted in income of EUR 0.7 billion, which was recognized as special factors in the first half of 2017.

Adjusted EBITDA in our Group Development operating segment was down 2.3 percent year-on-year. Forgone earnings following the deconsolidation of Strato were the main cause of this decline. Adjusted EBITDA at T-Mobile Netherlands decreased by 5.2 percent in the first half of 2018 owing to the first-time application of IFRS 15 and to the effects of regulatory intervention. Adjusted EBITDA at DFMG increased by 4.4 percent year-on-year.

EBIT

EBIT decreased by EUR 0.8 billion year-on-year to EUR 0.3 billion, due primarily to the same factors described under EBITDA. Depreciation, amortization and impairment losses were higher than in the prior-year period, mainly due to higher capital expenditure on network capacity and quality at T-Mobile Netherlands.

Cash capex

Cash capex at our Group Development operating segment rose by 2.2 percent year-on-year in the first half of 2018 due to ongoing investment in network capacity and quality at T-Mobile Netherlands.

GROUP HEADQUARTERS & GROUP SERVICES

For information on changes in the organizational structure, please refer to the section “Group organization, strategy, and management,” pages 9 and 10, and to the disclosures under segment reporting in the interim consolidated financial statements, pages 47 and 48.

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2018	Q2 2018	Q2 2017	Change %	H1 2018	H1 2017	Change %	FY 2017
TOTAL REVENUE	651	767	785	(2.3)	1,418	1,521	(6.8)	2,935
Loss from operations (EBIT)	(324)	(281)	(268)	(4.9)	(605)	(544)	(11.2)	(1,437)
Depreciation, amortization and impairment losses	(162)	(269)	(192)	(40.1)	(431)	(341)	(26.4)	(657)
EBITDA	(162)	(12)	(76)	84.2	(174)	(204)	14.7	(780)
Special factors affecting EBITDA	(92)	(54)	1	n. a.	(146)	(15)	n. a.	(119)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	(70)	41	(76)	n. a.	(29)	(189)	84.7	(661)
CASH CAPEX	(248)	(247)	(239)	(3.3)	(495)	(481)	(2.9)	(1,005)

Total revenue
Total revenue in our Group Headquarters & Group Services segment in the first half of 2018 decreased by 6.8 percent year-on-year. This decline was mainly due to 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. Other reasons for the decrease were forgone revenue from DeTeMedien, which was sold effective June 2017, and lower revenue from land and buildings, essentially due to further optimization of the use of space. Higher intragroup revenue at Deutsche Telekom IT from the licensing of the Group-wide ERP system had a positive effect.

EBITDA, adjusted EBITDA
Adjusted EBITDA in the Group Headquarters & Group Services segment improved by EUR 160 million year-on-year in the reporting period, essentially due to higher revenue at Deutsche Telekom IT from the licensing of the Group-wide ERP system, which do not impact on earnings at Group level. The reduction in headcount brought about by ongoing restructuring of the Vivento workforce also had a positive effect. By contrast, lower revenue from land and buildings had a negative impact on adjusted EBITDA.

Overall, negative net special factors of EUR 146 million affected EBITDA in the first half of 2018. Expenses for staff-related measures were partially offset by the positive effect of the reversal of provisions for legal risks in connection with the Toll Collect arbitration proceedings. In the prior-year period, negative net special factors totaled EUR 15 million and mainly comprised expenses for staff-related measures on the one hand and income from the sale of DeTeMedien on the other.

EBIT
EBIT declined by EUR 61 million year-on-year largely as a result of the same effects described under EBITDA and a EUR 90 million increase in depreciation, amortization and impairment losses. This increase was due, in particular, to higher depreciation and amortization caused by increased levels of capitalization at Deutsche Telekom IT. The latter were attributable to the fact that the costs of newly commissioned intragroup development services in Germany are no longer charged internally. This development was partially offset by lower depreciation, amortization and impairment losses from land and buildings as a result of our continued optimization of the real estate portfolio.

Cash capex
Cash capex grew by EUR 14 million year-on-year. Higher capital expenditure on technology and innovation – essentially for development services – was partially offset by lower expenditure for the purchase of vehicles.

EVENTS AFTER THE REPORTING PERIOD (JUNE 30, 2018)

For information on events after the reporting period, please refer to “Events after the reporting period” in the interim consolidated financial statements, page 60.

FORECAST

The statements in this section reflect the current views of our management. Contrary to the forecasts published in the 2017 combined management report (2017 Annual Report, page 101 et seq.) and in the Interim Group Report as of March 31, 2018 (page 26), we now expect the Group’s adjusted EBITDA for the 2018 financial year to reach around EUR 23.4 billion, up from the previous forecast of around EUR 23.3 billion. This is largely attributable to stronger business performance in the United States operating segment, where we now expect adjusted EBITDA of around USD 11.5 billion, up from around USD 11.4 billion. All other statements made in the 2017 combined management report remain valid. For additional information and recent changes in the economic situation, please refer to the section “The economic environment,” pages 10 and 11, 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 for the 2017 financial year (2017 Annual Report, page 111 et seq.). Readers are also referred to the Disclaimer at the end of this report.

REGULATION

Deregulation of retail products in Germany. The Federal Network Agency had made the draft analysis of retail markets and its plans to abolish additional regulation of product bundles for retail customers accessible to the European Commission. The regulation of telephone lines with no broadband component in the product bundle was to continue for retail customers. On July 13, 2018, the Federal Network Agency withdrew the draft market analysis. Currently, it is not possible to make any specific statements as to the content of the final market analysis. The regulation of wholesale products will remain unaffected.

Changes to regulatory policy and legislation – EU regulatory framework for telecommunications. On September 14, 2016, the European Commission published legislative proposals for a revision of the EU legal framework for telecommunications. These proposals were subsequently the subject of discussions between the European Parliament and the Council. In early June 2018, a political agreement was reached in the form of the European Electronic Communications Code. The aim is to reform central EU regulation of the telecommunications sector, primarily price and access regulation, spectrum policy, sector-specific rules on consumer protection, and the universal service regime. We expect the new rules to enter into force in November 2018. The Member States will then have 24 months to transpose the requirements into national law. Individual rules will enter into force at an earlier date – in particular those governing the regulation of retail customer rate plans for voice calls and text messages within the EU – and take effect as of May 15, 2019 as part of a directly applicable EU Regulation. The agreement provides for less regulation of "very high capacity networks" in cases where competitors invest jointly, as is the case with open co-investment models. In addition to establishing co-ownership and co-financing, co-investment models also include agreements on long-term network access. These agreements comply with specific requirements as regards legal certainty for competitors and opportunities for their participation. Fiber-to-the-building/home (FTTB/FTTH) networks, in particular, could benefit from the new rules. The new legal framework gives the regulatory authorities new powers to establish access obligations to all networks independent of whether a company has significant market power (symmetrical regulation). In terms of spectrum policy, the new EU regulatory framework aims to increase the level of harmonization in certain areas and thus improve legal certainty when awarding mobile spectrum, for example, by including a minimum license term of 15 years with an option to extend for a further five years. As for consumer protection, there are obligations at the European level that are fully harmonized – thus negating the need for additional national regulations – whereas obligations in individual areas are being more stringent. In particular, since May 15, 2019, the charges for international voice calls and sending text messages within the EU have been limited to EUR 0.19/minute and EUR 0.09/SMS (net) for five years.

Planned amendment to the German Telecommunications Act following a Federal Constitutional Court ruling. As the result of a proposed amendment to the Act (TKG), which was approved by the Cabinet of Germany on July 18, 2018, Deutsche Telekom may in future be able to claim the payment of higher rates, in some cases also retroactively – at least from major competitors – in the event of a successful complaint against a Federal Network Agency rate ruling. Until now, this has only been possible under very restrictive circumstances. The change to the law became necessary following a Federal Constitutional Court ruling which judged the previous regulation to be unconstitutional. The draft is yet to be approved by the German Bundestag. The amended Act is expected to enter into force in the second half of 2018.

LITIGATION

Toll Collect arbitration proceedings. On May 16, 2018, Daimler Financial Services AG, Deutsche Telekom AG, and the Federal Republic of Germany reached an agreement to cease the Toll Collect arbitration proceedings. The settlement was notarized in early July 2018 and confirmed by the arbitral tribunal, bringing the arbitration proceedings to an end. The agreed settlement amount of around EUR 3.2 billion includes services previously provided to the Federal Republic of Germany. Daimler Financial Services AG and Deutsche Telekom AG have both agreed to make final payments of EUR 550 million each.

Claims relating to charges for the shared use of cable ducts. Regarding the legal proceedings brought by Unitymedia Hessen GmbH & Co. KG, Unitymedia NRW GmbH, and Kabel BW GmbH, an appeal filed by the plaintiffs was rejected by the Düsseldorf Higher Regional Court in its ruling of March 14, 2018. An appeal was not permitted. The plaintiffs filed a complaint against the non-allowance of appeal with the Federal Court of Justice.

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, 2018	Dec. 31, 2017	Change	Change %	June 30, 2017
ASSETS					
CURRENT ASSETS	**20,213**	**20,392**	**(179)**	**(0.9)**	**17,808**
Cash and cash equivalents	2,943	3,312	(369)	(11.1)	2,441
Trade and other receivables	8,921	9,723	(802)	(8.2)	9,161
Contract assets	1,715	n. a.	n. a.	n. a.	n. a.
Current recoverable income taxes	283	236	47	19.9	181
Other financial assets	2,585	3,329	(744)	(22.3)	2,116
Inventories	1,571	1,985	(414)	(20.9)	1,729
Other assets	2,020	1,646	374	22.7	1,975
Non-current assets and disposal groups held for sale	175	161	14	8.7	204
NON-CURRENT ASSETS	**119,536**	**120,943**	**(1,407)**	**(1.2)**	**123,682**
Intangible assets	63,636	62,865	771	1.2	64,809
Property, plant and equipment	47,844	46,878	966	2.1	46,203
Capitalized contract costs	1,445	n. a.	n. a.	n. a.	n. a.
Investments accounted for using the equity method	568	651	(83)	(12.7)	606
Other financial assets	1,812	5,716	(3,904)	(68.3)	6,417
Deferred tax assets	3,299	4,013	(714)	(17.8)	4,898
Other assets	930	819	111	13.6	748
TOTAL ASSETS	**139,749**	**141,334**	**(1,585)**	**(1.1)**	**141,490**
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES	**23,454**	**27,366**	**(3,912)**	**(14.3)**	**27,200**
Financial liabilities	6,708	8,358	(1,650)	(19.7)	10,351
Trade and other payables	8,924	10,971	(2,047)	(18.7)	8,735
Income tax liabilities	353	224	129	57.6	358
Other provisions	2,784	3,372	(588)	(17.4)	2,796
Other liabilities	2,823	4,440	(1,617)	(36.4)	4,959
Contract liabilities	1,861	n. a.	n. a.	n. a.	n. a.
Liabilities directly associated with non-current assets and disposal groups held for sale	–	–	–	n. a.	0
NON-CURRENT LIABILITIES	**74,892**	**71,498**	**3,394**	**4.7**	**75,696**
Financial liabilities	54,554	49,171	5,383	10.9	50,638
Provisions for pensions and other employee benefits	5,650	8,375	(2,725)	(32.5)	8,113
Other provisions	3,143	3,155	(12)	(0.4)	3,215
Deferred tax liabilities	7,500	6,967	533	7.7	9,582
Other liabilities	3,473	3,831	(358)	(9.3)	4,148
Contract liabilities	573	n. a.	n. a.	n. a.	n. a.
LIABILITIES	**98,346**	**98,864**	**(518)**	**(0.5)**	**102,896**
SHAREHOLDERS' EQUITY	**41,403**	**42,470**	**(1,067)**	**(2.5)**	**38,594**
Issued capital	12,189	12,189	0	n. a.	12,189
Treasury shares	(49)	(49)	0	n. a.	(49)
	12,141	**12,140**	**1**	**0.0**	**12,140**
Capital reserves	54,573	55,010	(437)	(0.8)	54,574
Retained earnings including carryforwards	(37,635)	(38,750)	1,115	2.9	(38,622)
Total other comprehensive income	(944)	(1,127)	183	16.2	(558)
Net profit (loss)	1,487	3,461	(1,974)	(57.0)	1,621
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	**29,621**	**30,734**	**(1,113)**	**(3.6)**	**29,155**
Non-controlling interests	11,782	11,737	45	0.4	9,439
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**139,749**	**141,334**	**(1,585)**	**(1.1)**	**141,490**

The new accounting standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" took effect as of January 1, 2018. Prior-year comparatives were not adjusted. For more information, please refer to the section "Accounting policies," page 35 et seq.

CONSOLIDATED INCOME STATEMENT

millions of €

	Q2 2018	Q2 2017	Change %	H1 2018	H1 2017	Change %	FY 2017
NET REVENUE	**18,367**	**18,890**	**(2.8)**	**36,291**	**37,537**	**(3.3)**	**74,947**
Of which: interest income calculated using the effective interest method	1	n. a.	n. a.	2	n. a.	n. a.	n. a.
Other operating income	339	479	(29.2)	711	1,250	(43.1)	3,819
Changes in inventories	0	(6)	n. a.	1	34	(97.1)	21
Own capitalized costs	582	563	3.4	1,141	1,105	3.3	2,292
Goods and services purchased	(8,964)	(9,281)	3.4	(17,682)	(18,593)	4.9	(38,161)
Personnel costs	(4,162)	(3,824)	(8.8)	(8,219)	(7,788)	(5.5)	(15,504)
Other operating expenses	(605)	(835)	27.5	(1,418)	(1,596)	11.2	(3,444)
Impairment losses on financial assets	(110)	n. a.	n. a.	(216)	n. a.	n. a.	n. a.
Gains (losses) from the write-off of financial assets measured at amortized cost	(10)	n. a.	n. a.	(20)	n. a.	n. a.	n. a.
Other	(485)	(835)	41.9	(1,182)	(1,596)	25.9	(3,444)
Depreciation, amortization and impairment losses	(3,204)	(3,156)	(1.5)	(6,302)	(6,347)	0.7	(14,586)
PROFIT FROM OPERATIONS	**2,352**	**2,830**	**(16.9)**	**4,523**	**5,601**	**(19.2)**	**9,383**
Finance costs	(531)	(511)	(3.9)	(953)	(1,148)	17.0	(2,197)
Interest income	60	94	(36.2)	129	169	(23.7)	320
Interest expense	(591)	(605)	2.3	(1,081)	(1,318)	18.0	(2,517)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(599)	3	n. a.	(529)	7	n. a.	76
Other financial income (expense)	(56)	(445)	87.4	(114)	(1,851)	93.8	(2,269)
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(1,185)**	**(953)**	**(24.3)**	**(1,596)**	**(2,993)**	**46.7**	**(4,390)**
PROFIT (LOSS) BEFORE INCOME TAXES	**1,167**	**1,877**	**(37.8)**	**2,927**	**2,609**	**12.2**	**4,994**
Income taxes	(370)	(686)	46.1	(864)	(608)	(42.1)	558
PROFIT (LOSS)	**797**	**1,192**	**(33.1)**	**2,063**	**2,001**	**3.1**	**5,551**
PROFIT (LOSS) ATTRIBUTABLE TO							
Owners of the parent (net profit (loss))	495	874	(43.4)	1,487	1,621	(8.3)	3,461
Non-controlling interests	302	317	(4.7)	576	380	51.6	2,090

The new accounting standards IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” took effect as of January 1, 2018. Prior-year comparatives were not adjusted. For more information, please refer to the section “Accounting policies,” page 35 et seq.

EARNINGS PER SHARE

		Q2 2018	Q2 2017	Change %	H1 2018	H1 2017	Change %	FY 2017
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	495	874	(43.4)	1,487	1,621	(8.3)	3,461
Weighted average number of ordinary shares (basic/diluted)	millions	4,761	4,669	2.0	4,761	4,669	2.0	4,703
EARNINGS PER SHARE BASIC/DILUTED	€	**0.10**	**0.19**	**(47.4)**	**0.31**	**0.35**	**(11.4)**	**0.74**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	FY 2017
PROFIT (LOSS)	797	1,192	(395)	2,063	2,001	62	5,551
Items not subsequently reclassified to profit or loss (not recycled)							
Gains (losses) from the remeasurement of equity instruments [a]	14	n. a.	n. a.	(647)	n. a.	n. a.	n. a.
Gains (losses) from the remeasurement of defined benefit plans	(142)	207	(349)	(141)	326	(467)	116
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	62	(65)	127	57	(103)	160	(19)
	(66)	142	(208)	(732)	223	(954)	97
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	(1)	0	(1)	(1)	0	(1)	0
Change in other comprehensive income (not recognized in income statement)	1,102	(1,171)	2,273	486	(1,249)	1,735	(2,196)
Gains (losses) from the remeasurement of available-for-sale financial assets [a, b]							
Recognition of other comprehensive income in income statement	n. a.	2	n. a.	n. a.	3	n. a.	7
Change in other comprehensive income (not recognized in income statement)	n. a.	21	n. a.	n. a.	20	n. a.	27
Gains (losses) from the remeasurement of debt instruments [a]							
Recognition of other comprehensive income in income statement	(32)	n. a.	n. a.	(35)	n. a.	n. a.	n. a.
Change in other comprehensive income (not recognized in income statement)	(16)	n. a.	n. a.	3	n. a.	n. a.	n. a.
Gains (losses) from hedging instruments [a, c]							
Recognition of other comprehensive income in income statement	n. a.	205	n. a.	n. a.	266	n. a.	450
Change in other comprehensive income (not recognized in income statement)	n. a.	(149)	n. a.	n. a.	(92)	n. a.	(270)
Gains (losses) from hedging instruments (designated risk components) [a]							
Recognition of other comprehensive income in income statement	(91)	n. a.	n. a.	(46)	n. a.	n. a.	n. a.
Change in other comprehensive income (not recognized in income statement)	59	n. a.	n. a.	(53)	n. a.	n. a.	n. a.
Gains (losses) from hedging instruments (hedging costs) [a, d]							
Recognition of other comprehensive income in income statement	0	n. a.	n. a.	0	n. a.	n. a.	n. a.
Change in other comprehensive income (not recognized in income statement)	29	n. a.	n. a.	63	n. a.	n. a.	n. a.
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	7	(1)	8	0
Income taxes relating to components of other comprehensive income	10	(19)	29	20	(56)	76	(58)
	1,060	(1,111)	2,170	445	(1,109)	1,554	(2,040)
OTHER COMPREHENSIVE INCOME	995	(969)	1,963	(288)	(886)	598	(1,943)
TOTAL COMPREHENSIVE INCOME	1,791	223	1,567	1,776	1,115	661	3,608
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO							
Owners of the parent	1,045	312	733	969	1,212	(243)	2,340
Non-controlling interests	747	(89)	836	807	(97)	904	1,268

[a] For the new items in relation to IFRS 9 to be recognized in accordance with IAS 1, Deutsche Telekom utilizes the option of not showing comparative figures for the prior-year period.
[b] The measurement category "available-for-sale financial assets" as per IAS 39 was to be applied for the last time as of December 31, 2017.
[c] Gains and losses from hedging costs were recognized for the last time as of December 31, 2017 under IAS 39 as part of gains and losses from hedging instruments. Under IFRS 9, gains and losses from hedging costs are recognized separately in equity.
[d] In the 2018 financial year, hedging costs relate entirely to cross currency basis spreads; please refer to the information on financial instruments, page 49 et seq.

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 carryforwards	Net profit (loss)	Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets (IAS 39)
BALANCE AT JANUARY 1, 2017	**11,973**	**(50)**	**53,356**	**(38,727)**	**2,675**	**(371)**	**(60)**	**69**
Changes in the composition of the Group								
Transactions with owners			(47)			(6)		
Unappropriated profit (loss) carried forward				2,675	(2,675)			
Dividends				(2,794)				
Capital increase at Deutsche Telekom AG	216		1,175					
Capital increase from share-based payment			90					
Share buy-back/shares held in a trust deposit		1		3				
Profit (loss)					1,621			
Other comprehensive income				221		(770)		22
TOTAL COMPREHENSIVE INCOME								
Transfer to retained earnings								
BALANCE AT JUNE 30, 2017	**12,189**	**(49)**	**54,574**	**(38,622)**	**1,621**	**(1,147)**	**(60)**	**91**
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				(633)			28	
BALANCE AT JUNE 30, 2018	**12,189**	**(49)**	**54,573**	**(37,635)**	**1,487**	**(1,495)**	**(32)**	**n. a.**

The new accounting standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" took effect as of January 1, 2018. Prior-year comparatives were not adjusted. For more information, please refer to the section "Accounting policies," page 35 et seq.

	Issued capital and reserves attributable to owners of the parent									
	Total other comprehensive income									
	Equity instruments measured 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	Total	Non-controlling interests	Total shareholders' equity
	n. a.	**n. a.**	**609**	**n. a.**	**n. a.**	**27**	**(196)**	**29,305**	**9,540**	**38,845**
								–	–	–
								(53)	70	17
								0	–	0
								(2,794)	(122)	(2,916)
								1,391	–	1,391
								90	48	138
								4	–	4
								1,621	380	2,001
			174			(1)	(55)	(409)	(477)	(886)
								1,212	**(97)**	**1,115**
								–	–	–
	n. a.	**n. a.**	**783**	**n. a.**	**n. a.**	**26**	**(251)**	**29,155**	**9,439**	**38,594**
	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
								–	11	11
	0	2					(1)	(559)	(772)	(1,331)
								0	–	0
								(3,083)	(172)	(3,255)
								–	–	–
								112	67	179
								3	–	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**

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017
PROFIT BEFORE INCOME TAXES	**1,167**	**1,877**	**2,927**	**2,609**	**4,994**
Depreciation, amortization and impairment losses	3,204	3,156	6,302	6,347	14,586
(Profit) loss from financial activities	1,185	953	1,596	2,993	4,390
(Profit) loss on the disposal of fully consolidated subsidiaries	–	(31)	–	(550)	(537)
(Income) loss from the sale of stakes accounted for using the equity method	–	(226)	–	(226)	(226)
Other non-cash transactions	118	67	230	185	(1,447)
(Gains) losses from the disposal of intangible assets and property, plant and equipment	(26)	(2)	(91)	(35)	(103)
Change in assets carried as working capital	(15)	(467)	310	(109)	(1,874)
Change in provisions	(386)	(256)	(667)	(326)	265
Change in other liabilities carried as working capital	(212)	(31)	(806)	(562)	51
Income taxes received (paid)	(98)	(100)	(222)	(180)	(634)
Dividends received	11	13	173	88	241
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	–	–	–	–	–
CASH GENERATED FROM OPERATIONS	**4,947**	**4,955**	**9,753**	**10,235**	**19,706**
Interest paid	(1,020)	(1,141)	(1,843)	(2,311)	(3,783)
Interest received	465	389	779	635	1,274
NET CASH FROM OPERATING ACTIVITIES	**4,392**	**4,204**	**8,689**	**8,559**	**17,196**
Cash outflows for investments in					
Intangible assets	(880)	(7,984)	(1,689)	(8,716)	(10,345)
Property, plant and equipment	(2,215)	(2,256)	(4,545)	(4,804)	(9,149)
Non-current financial assets	(95)	(98)	(203)	(175)	(361)
Payments to acquire control of subsidiaries and associates	(6)	(7)	(282)	(11)	(15)
Proceeds from disposal of					
Intangible assets	–	1	1	15	21
Property, plant and equipment	143	90	304	194	379
Non-current financial assets	275	328	299	347	612
Proceeds from the loss of control of subsidiaries and associates	–	504	(62)	500	528
Net change in short-term investments and marketable securities and receivables	183	2,210	(60)	1,948	1,514
Other	5	–	5	(1)	2
NET CASH USED IN INVESTING ACTIVITIES	**(2,589)**	**(7,212)**	**(6,233)**	**(10,703)**	**(16,814)**
Proceeds from issue of current financial liabilities	20,750	4,806	34,153	6,315	13,516
Repayment of current financial liabilities	(23,700)	(8,952)	(38,868)	(17,347)	(26,537)
Proceeds from issue of non-current financial liabilities	4,442	1,865	6,908	10,013	11,215
Repayment of non-current financial liabilities	–	–	(21)	(10)	(10)
Dividends (including to non-controlling interests)	(3,148)	(1,502)	(3,148)	(1,503)	(1,559)
Repayment of lease liabilities	(197)	(165)	(402)	(361)	(715)
Cash inflows from transactions with non-controlling entities	1	4	2	18	18
Cash outflows from transactions with non-controlling entities	(646)	(5)	(1,417)	(93)	(522)
Other	–	–	–	–	–
NET CASH USED IN FINANCING ACTIVITIES	**(2,499)**	**(3,950)**	**(2,794)**	**(2,970)**	**(4,594)**
Effect of exchange rate changes on cash and cash equivalents	22	(155)	(31)	(194)	(226)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	–	13	–	3	3
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(675)**	**(7,101)**	**(369)**	**(5,306)**	**(4,435)**
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD	**3,618**	**9,542**	**3,312**	**7,747**	**7,747**
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	**2,943**	**2,441**	**2,943**	**2,441**	**3,312**

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 WpHG.

STATEMENT OF COMPLIANCE

The interim consolidated financial statements for the period ended June 30, 2018 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, 2017. 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, 2017 for the accounting policies applied for the Group's financial reporting, 2017 Annual Report, page 153 et seq.

INITIAL APPLICATION OF NEW STANDARDS AND INTERPRETATIONS AS WELL AS AMENDMENTS TO STANDARDS AND INTERPRETATIONS IN THE REPORTING PERIOD RELEVANT FOR THE 2018 FINANCIAL YEAR

Pronouncement	Title	To be applied by Deutsche Telekom from	Changes	Impact on the presentation of Deutsche Telekom's results of operations and financial position
IFRS 9	Financial Instruments	Jan. 1, 2018	IFRS 9 introduces new classification and measurement requirements for financial instruments and replaces, in particular, IAS 39. The new regulations cover the classification of financial assets on the basis of the underlying business models and the cash flow characteristics of the instruments. Under the new provisions on the accounting of impairment losses, expected losses have to be recognized on initial recognition. In addition, the requirements apply not only to debt instruments, but also to contract assets pursuant to IFRS 15. Among other things, the new rules for reporting hedge relationships provide the option of recognizing hedging costs separately in other comprehensive income.	The effects of IFRS 9 are detailed in the explanations following this table.
IFRS 15	Revenue from Contracts with Customers	Jan. 1, 2018	This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaces in particular IAS 18 "Revenue" and IAS 11 "Construction Contracts." When applying IFRS 15 for the first time, an entity shall apply the standard in full for the current period. In respect of prior periods, the transition guidance grants entities an option to either apply IFRS 15 in full to prior periods (with certain limited practical expedients being available) or to retain prior-period figures as reported under the previous standards, recognizing the cumulative effect of applying IFRS 15 to all contracts that had not yet been completed at the beginning of the reporting period as an adjustment to the opening balance of equity at the date of first-time application (beginning of current reporting period).	The standard has a material effect on the presentation of Deutsche Telekom's results of operations and financial position. The effects of IFRS 15 are detailed in the explanations following this table.
Amendments to IFRS 15	Effective Date of IFRS 15	Jan. 1, 2018	Mandatory adoption of IFRS 15 for reporting periods beginning on or after January 1, 2018.	The effects of IFRS 15 are detailed in the explanations following this table.
Amendments to IFRS 15	Clarifications to IFRS 15	Jan. 1, 2018	The clarifications address the following topics relating to IFRS 15: • Identification of performance obligations (when a promised good or service is distinct from other promises in the contract). • Differentiation of principal-agent relationships, application guidance on the concept of the transfer of control in the case of services provided by third parties. • Clarification of the conditions for the timing of recognition of revenue arising from the licensing of intellectual property. Further simplifications for the transition to IFRS 15 were also added.	The effects of IFRS 15 are detailed in the explanations following this table.

Pronouncement	Title	To be applied by Deutsche Telekom from	Changes	Impact on the presentation of Deutsche Telekom's results of operations and financial position
Amendments to IAS 40	Transfers of Investment Property	Jan. 1, 2018	Clarification of transfers into or out of investment property.	No material impact.
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	Jan. 1, 2018	Clarifications of classification and measurement of share-based payment transactions.	No material impact.
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Jan. 1, 2018	Entities falling within the scope of IFRS 4 and whose predominant activity is issuing insurance contracts may, by way of temporary exemption, defer application of IFRS 9 until such time as the new standard for insurance contracts has come into force. In the interim, such entities are thus subject to the provisions of IAS 39. In the case of designated financial assets, other entities falling within the scope of IFRS 4 may incur differences in values depending on whether these assets are to be accounted for in accordance with IFRS 9 or IAS 39; these differences must be presented in other comprehensive income instead of in profit or loss.	No material impact.
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Jan. 1, 2018	IFRIC 22 clarifies what exchange rate is to be applied on initial recognition of a foreign-currency transaction in an entity's functional currency in cases where the entity receives or pays advance consideration before the related asset, expense or income is recognized. The exchange rate for the underlying asset, expense or income is taken as that prevailing on the date of initial recognition of the non-monetary prepayment asset or deferred income liability.	No material impact.
Annual Improvements Project	Annual Improvements to IFRSs 2014 – 2016 Cycle	Jan. 1, 2018 (IFRS 1 and IAS 28)	Clarification of many published standards.	No material impact.

In July 2014, the IASB issued **IFRS 9 "Financial Instruments."** Application of the standard is mandatory for reporting periods beginning on or after January 1, 2018. The standard introduces new classification and measurement requirements for financial instruments and replaces, in particular, IAS 39.

The new provisions and the related changes in the accounting principles applied by Deutsche Telekom mainly comprise the following items of relevance to Deutsche Telekom:

- Depending on the respective underlying business model, the new provisions on the classification of financial assets give rise to changes in measurement and presentation in some cases. The measurement of debt instruments – especially trade receivables held for potential sale – at fair value through other comprehensive income with recycling to profit or loss had minor effects at the transition date. Effects may arise in ongoing application, particularly from changes in the volumes of receivables held for potential sale in the future. Equity instruments held are irrevocably allocated to a measurement category instrument by instrument upon initial recognition. Deutsche Telekom in general measures equity instruments held at fair value through other comprehensive income without recycling to profit or loss (OCI option).
- The new provisions on the accounting of impairment losses will lead to expected losses having to be recognized earlier in some cases. There will be a minor increase in impairment losses due to application of the simplified approach for trade receivables with a significant financing component and for lease assets, and to impairment losses on contract assets recognized for the first time as of January 1, 2018 in accordance with IFRS 15. Effects may arise in ongoing application from a change in business development (for example, changes in volumes or prices) or from changes to business models where these are reflected in the amounts reported for long-term trade receivables and contract assets.
- The hedging relationships are accounted for in accordance with the requirements of IFRS 9. The transition of existing hedging relationships to the new regime has no material effects. Cash flow hedges for hedging interest rate and currency risks have been de-designated and re-designated on the transition to IFRS 9 so that future use can be made of the opportunity to recognize the cost of hedging in other comprehensive income. The other hedging relationships will continue unchanged.

Deutsche Telekom utilizes the option for simplified initial application. The cumulative effect arising from the transition is recognized as an adjustment to the opening balance of equity in the year of initial application. Prior-year comparatives are not adjusted; instead, Deutsche Telekom provides an explanation of the reasons for the changes in items in the statement of financial position and the income statement for the current period.

The transition to IFRS 9 as of January 1, 2018 will result mainly in the following cumulative changes to retained earnings before deferred taxes – including the corresponding shares attributable to non-controlling interests:

millions of €	
Increase in impairment losses on trade receivables	123
Impairment losses on contract assets recognized for the first time in accordance with IFRS 15	27
	150

For further information on the first-time application of IFRS 9, please refer to the statements made under the disclosures on financial instruments, page 49 et seq.

In May 2014, the IASB issued **IFRS 15 "Revenue from Contracts with Customers."** Application of the standard is mandatory for reporting periods beginning on or after January 1, 2018. This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaces, in particular, IAS 18 "Revenue" and IAS 11 "Construction Contracts" and has a material effect on the presentation of Deutsche Telekom's results of operations and financial position. Depending on the business model applied, the new provisions and the related changes in the accounting principles applied by Deutsche Telekom affect the following issues in particular:

- In the case of multiple-element arrangements (e.g., mobile contract plus handset), the total transaction price of the bundled contract is allocated among the individual, separate performance obligations based on their relative standalone selling prices, i.e., based on a ratio of the standalone selling price of each element to the aggregated standalone selling prices of the contractual performance obligations. In contrast to the previous accounting treatment, the relative standalone selling price of an individual element and thus the revenue recognized for this unit of accounting is no longer limited to that proportion of the total arrangement consideration to be provided by the customer, the payment of which does not depend on the delivery of additional elements (contingent revenue cap). As a result, the revenue to be recognized for products delivered in advance (e.g., mobile handsets) that are sold at a subsidized price in combination with a long-term service contract was ultimately limited by this subsidized price. Under IFRS 15, this limitation no longer applies, i.e., in the case of subsidized products delivered in advance, a larger portion of the total remuneration is attributable to the element delivered in advance (mobile handset), requiring earlier recognition of revenue under the new regulations. This leads to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the statement of financial position. The contract asset is deferred over the remaining contract period, reducing revenue from the other performance obligations (in this case: mobile service revenues) compared with the amounts billed.
- At the same time, it results in higher revenue from the sale of goods and merchandise and lower revenue from the provision of services.
- The extent of the changes resulting from the first-time application of IFRS 15 that are described above therefore largely depends on the business models used by the subsidiary in question. Whereas the sale of subsidized handsets in connection with the conclusion of service contracts in retail business is still common in the Germany segment, handsets are not sold at a discount at all, or only to a limited extent, in the United States and to some extent in the Europe operating segments; payment-by-installment models or leased models are offered to customers instead.
- Customer activation fees and other advance one-time payments by the customer that do not constitute consideration for a separate performance obligation are classed as contract liabilities, and are deferred and recognized as revenue over the (remaining) term of the contract.
- Expenses for sales commissions (costs of obtaining a customer contract (contract costs)) must be capitalized and recognized over the estimated customer retention period. The expenses are disclosed in Deutsche Telekom's income statement, not under depreciation and amortization but – depending on the sales channel – as goods and services purchased or personnel costs.
- In the indirect sales channel, reimbursements for handset subsidies granted by third-party retailers that are explicitly or implicitly included in commission payments to these retailers are recognized not as an expense but as a reduction of the service revenues over the contract term. This ensures that the amount of the service revenues generated with retail customers for identical rate plans does not depend on the type of sales channel.
- On first-time application of the standard, both total assets and shareholders' equity increased due to the capitalization of contract assets and contract costs for contracts not yet fully completed.
- In cases where "material rights" are granted – such as offering additional discounts for future purchases of further products – a portion of the transaction price must be deferred as a contract liability and is not recognized as revenue until this additional performance obligation has been satisfied or has lapsed.
- Contract liabilities (which, as deferred revenue, were already recognized as liabilities in the past) must be netted against the contract assets for each customer contract.
- For the purposes of determining whether Deutsche Telekom sells products for its own account (principal = gross revenue) or for the account of others (agent = net revenue), there are no material changes for the existing agreements.

As regards IFRS 15, Deutsche Telekom utilizes the following accounting options:

- Deutsche Telekom applies the option for simplified initial application, limiting the retroactive application of IFRS 15 to contracts that have not yet been completely fulfilled at the date of initial application. The contracts that have not yet been completely fulfilled as of January 1, 2018 are accounted for as if they had been recognized in accordance with IFRS 15 from the very beginning. The cumulative effect arising from the transition is recognized as an adjustment to the opening balance of equity in the year of initial application. Prior-year comparatives are not adjusted; instead, Deutsche Telekom provides an explanation of the reasons for the changes in items in the statement of financial position and the income statement for the current period as a result of applying IFRS 15 for the first time.
- A significant financing component is not considered for the amount and timing of revenue recognition if the period between when a promised good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.
- In general, contract costs whose amortization period would not be more than one year are immediately recognized as an expense.

The adjustments made to items in the statement of financial position as of January 1, 2018 and attributable to IFRS 15 are as follows[a]:

millions of €

	Carrying amount in accordance with IAS 18/IAS 11 Dec. 31, 2017	Remeasure-ments	Reclassification	Carrying amount in accordance with IFRS 15 Jan. 1, 2018
ASSETS				
CURRENT ASSETS				
Trade and other receivables[b]	9,723	(163)	(150)	9,410
Contract assets[b]	–	1,622	150	1,772
Current recoverable income taxes	236	(1)	–	235
Other assets	1,646	(43)	–	1,603
NON-CURRENT ASSETS				
Capitalized contract costs	–	1,128	48	1,176
Deferred tax assets	4,013	27	–	4,040
Other assets	819	(78)	(48)	693
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Financial liabilities	8,358	9	(1)	8,366
Trade and other payables	10,971	0	(38)	10,933
Income tax liabilities	224	29	–	253
Other provisions	3,372	(19)	(48)	3,305
Other liabilities	4,440	(209)	(1,612)	2,619
Contract liabilities	–	212	1,699	1,911
NON-CURRENT LIABILITIES				
Deferred tax liabilities	6,967	663	–	7,630
Other liabilities	3,831	(322)	(212)	3,297
Contract liabilities	–	351	212	563
SHAREHOLDERS' EQUITY				
Retained earnings incl. carryforwards plus shares attributable to non-controlling interests[c]	(27,013)	1,778	0	(25,235)

[a] The overview above contains only those items of the statement of financial position that are affected by the first-time application of IFRS 15.
[b] Carrying amounts as of January 1, 2018 are shown before impairment losses on contract assets recognized in accordance with IFRS 9. Please refer to the explanations in regard to the initial application of IFRS 9 in this section.
[c] For reasons of simplification, the figure is combined to show the cumulative effect of the transition to IFRS 15 to be recognized directly in equity.

The remeasurement effects are mainly attributable to the first-time recognition of

- contract assets in the amount of EUR 1.6 billion that, under IFRS 15, would have resulted in the earlier recognition of revenue, in particular from the sale of goods and merchandise;
- deferred contract costs of EUR 1.1 billion that, under IFRS 15, would have resulted in the later recognition of selling expenses; and
- contract liabilities totaling EUR 0.6 billion that, under IFRS 15, would have resulted in the later recognition of revenue.

After deferred tax liabilities totaling EUR 0.6 billion (net) and other minor effects were taken into account, the transition to the new standard as of January 1, 2018 resulted in a cumulative effect that increased retained earnings by EUR 1.8 billion and included the shares attributable to non-controlling interests.

The reclassifications mainly concern the following items:

- The receivables from long-term construction contracts (EUR 0.2 billion) that, under IAS 11, were recognized under trade and other receivables as of December 31, 2017 are classified as contract assets under IFRS 15.

- The deferred revenue of EUR 1.8 billion recognized under other liabilities as of December 31, 2017 is recognized as contract liabilities in accordance with IFRS 15.

Due to the remeasurements described above, the carrying amounts of the cash-generating units that must be tested for impairment in accordance with IAS 36 increased when IFRS 15 was applied for the first time on January 1, 2018. As a result, the carrying amounts of the cash-generating units Romania and Poland in the Europe operating segment and of the cash-generating unit Netherlands in the Group Development operating segment exceeded in each case the recoverable amounts for these units. Consequently, the goodwill recognized directly in equity in each case had to be impaired as of January 1, 2018 for an aggregate amount of EUR 0.1 billion. Please refer to the explanations given in the notes on intangible assets and property, plant and equipment, page 43.

Comparative figures for the items of the financial statements affected by the first-time application of IFRS 15

The following tables contain relevant items from the financial statements as of June 30, 2018 in accordance with IFRS 15 as well as the previous accounting treatment in accordance with IAS 18/IAS 11 and related interpretations:

millions of €

	IFRS 15 June 30, 2018	IAS 18/IAS 11 June 30, 2018	Change
ASSETS			
CURRENT ASSETS			
Trade and other receivables	8,921	9,269	(348)
Contract assets	1,715	0	1,715
Current recoverable income taxes	283	284	(1)
Other assets	2,020	2,093	(73)
NON-CURRENT ASSETS			
Capitalized contract costs	1,445	0	1,445
Deferred tax assets	3,299	3,952	(653)
Other assets	930	1,049	(119)
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Financial liabilities	6,708	6,728	(20)
Trade and other payables	8,924	8,930	(6)
Income tax liabilities	353	347	6
Other provisions	2,784	2,855	(71)
Other liabilities	2,823	4,593	(1,770)
Contract liabilities	1,861	0	1,861
NON-CURRENT LIABILITIES			
Deferred tax liabilities	7,500	7,440	60
Other liabilities	3,473	4,047	(574)
Contract liabilities	573	0	573
SHAREHOLDERS' EQUITY			
Retained earnings including carryforwards and net profit plus non-controlling interests	(24,366)	(26,261)	1,895

Under IAS 18/IAS 11, trade and other receivables would have included receivables from long-term construction contracts, which are recognized as contract assets under IFRS 15.

Due to the transition to IFRS 15, contract assets are recognized for the first time and amortized, and capitalized contract costs are recognized as assets for the first time and amortized.

Under IAS 18/IAS 11, other liabilities would have included deferred revenue, which, under IFRS 15, is either recognized as contract liabilities or netted with contract assets.

The differences in the amounts recognized under deferred tax assets and deferred tax liabilities are due to remeasurement effects in connection with the first-time and continuing application of IFRS 15 in the first half of 2018.

millions of €

	IFRS 15 H1 2018	IAS 18/IAS 11 H1 2018	Change
NET REVENUE	**36,291**	**36,362**	**(71)**
Other operating income	711	711	0
Changes in inventories	1	1	0
Own capitalized costs	1,141	1,141	0
Goods and services purchased	(17,682)	(17,870)	188
Personnel costs	(8,219)	(8,280)	61
Other operating expenses	(1,418)	(1,411)	(7)
Depreciation, amortization and impairment losses	(6,302)	(6,302)	0
PROFIT (LOSS) FROM OPERATIONS	**4,523**	**4,352**	**171**
Finance costs	(953)	(945)	(8)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(529)	(529)	0
Other financial income (expense)	(114)	(114)	0
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(1,596)**	**(1,588)**	**(8)**
PROFIT (LOSS) BEFORE INCOME TAXES	**2,927**	**2,764**	**163**
Income taxes	(864)	(818)	(46)
PROFIT (LOSS)	**2,063**	**1,946**	**117**

Without the effect of IFRS 15, revenue would have amounted to EUR 36.4 billion, EUR 0.1 billion higher than reported. This effect is attributable mainly to amortization of the contract assets/liabilities recognized in the statement of financial position over the (remaining) period of contract in the first half of 2018. This amortization is recognized as a reduction or an increase in revenue. It also includes, in the indirect sales channel, reimbursements for handset subsidies granted by third-party retailers that are included in commission payments to these retailers and that are no longer recognized as an expense, but as a reduction of the service revenues over the contract term.

Adjusted for the effects of IFRS 15, goods and services purchased and personnel costs would have come in at EUR 17.9 billion and EUR 8.3 billion, respectively, and would thus have been a total of EUR 0.2 billion higher. This effect is attributable to the capitalization of expenses for sales commissions, which, under IAS 18/IAS 11, would have been recognized immediately in profit or loss either under goods and services purchased (dealer commissions) or personnel costs (employee commissions). It was only partially offset by the amortization of capitalized expenses for sales commissions in the first half of 2018.

STANDARDS, INTERPRETATIONS, AND AMENDMENTS ISSUED, BUT NOT YET TO BE APPLIED

In January 2016, the IASB issued **IFRS 16 "Leases."** The standard will be effective for the first time for financial years beginning on or after January 1, 2019. From the date of first-time application, the new lease standard will have a material effect on Deutsche Telekom's consolidated financial statements, particularly on the results of operations, net cash from operating activities, total assets, and the presentation of the financial position.

Deutsche Telekom will not apply the new lease standard retrospectively in full, but will make use of the corresponding exemption provisions for lessees, also known as the modified retrospective method. On transition to the new regulations, payment obligations from existing operating leases (please also refer to the 2017 Annual Report, Note 33 "Leases" in the notes to the consolidated financial statements, pages 226 and 227) will be discounted using the relevant incremental borrowing rate. The resulting present value will be recognized as a lease liability. The right-of-use assets will be carried in the amount of the lease liability, adjusted by the amount of the prepaid or accrued lease payments.

As regards the options and exemptions permitted under IFRS 16, Deutsche Telekom is likely to take the following approach:

- Right-of-use assets and lease liabilities will be reported separately in the statement of financial position.
- The recognition, measurement and disclosure requirements of IFRS 16 will also be applied in full to short-term leases and leases of low-value assets.
- A distinction will not be made in leases that contain both lease components and non-lease components. Each lease component will be accounted for – as a lease – in conjunction with other related performance components.
- IFRS 16 will not be applied to the majority of leases for intangible assets.

Depending on whether Deutsche Telekom is the supplier or the customer in an arrangement or on how the contractual facts have been designed in the various business models in our operating segments, the application of IFRS 16 will have the following material effects:

- The lease payments largely relate to leases of cell sites (land, space in cell towers or rooftop surface areas), network infrastructure, and buildings used for administrative or technical purposes.
- In the future, payment obligations for operating leases – which, in accordance with the existing regulations, must be disclosed in the notes to the consolidated financial statements – will be reported as right-of-use assets and lease liabilities.

- Deutsche Telekom anticipates a significant increase in total assets and liabilities on first-time adoption due to the capitalization of right-of-use assets and the recognition of lease liabilities. The increase in lease liabilities will lead to a corresponding increase in net debt. 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 capitalized right-of-use assets under IFRS 16 will be lower than the lease liabilities under IFRS 16 by the amount of those straight-line lease liabilities (Note 14 “Other liabilities” in the notes to the consolidated financial statements in the 2017 Annual Report, page 206).

- Going forward, depreciation charges and interest expense – rather than lease expense – will be reported in the income statement. This will give rise to a significant improvement in EBITDA.

- In the statement of cash flows, the 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. Only the interest payments will remain in net cash from operating activities, the total of which will rise.

- For Deutsche Telekom as a lessor, the number of identified leases will change. This does not affect the contracts for routers or similar hardware provided to customers as part of data and network solutions or contracts for handsets and SmartHome network solutions provided to customers. It is expected that these will continue to be defined as leases. In fact, the number of contracts for modems/routers for the latest generation of devices provided to consumers as part of fixed-network mass-market contracts is expected to decrease. Deutsche Telekom is still analyzing whether contracts related to services provided in data centers and in connection with wholesale fixed-network customers contain lease components or not.

The full effects of IFRS 16 will be analyzed as part of a Group-wide project for implementing the new standard. Given the complexity and the large number of different business models as well as the relevant transaction volumes, it is not currently possible to provide a firm estimate of the quantitative effects.

Readers are also referred to the Disclaimer at the end of this report as regards the forward-looking statements contained in this section; the latter reflect the current views of the management of Deutsche Telekom with regard to future events.

For more information on standards, interpretations, and amendments that have been issued but not yet applied, as well as disclosures on the recognition and measurement of items in the statement of financial position and discretionary decisions and estimation uncertainties, please refer to the section “Summary of accounting policies” in the notes to the consolidated financial statements in the 2017 Annual Report, page 153 et seq.

CHANGES IN ACCOUNTING POLICIES AND CHANGES IN THE REPORTING STRUCTURE

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

Vivento Customer Services GmbH, a provider of call center services, has been assigned to the Germany operating segment since January 1, 2018; previously it was part of the Group Headquarters & Group Services segment. Comparative figures have been adjusted retrospectively.

CHANGES IN THE COMPOSITION OF THE GROUP, TRANSACTIONS WITH OWNERS, AND OTHER TRANSACTIONS

In the first half of 2018, 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 Layer3 TV, Inc.

The agreement signed by T-Mobile US on November 9, 2017 to acquire 100 percent of the shares in online TV provider Layer3 TV, Inc. was consummated on January 22, 2018. T-Mobile US expects the acquisition to further strengthen its TV and video portfolio, and its plans include rolling out its own TV service in 2018. The consideration paid at the acquisition date amounts to EUR 0.3 billion in cash.

The fair values of the acquired assets and liabilities recognized at the acquisition date mainly relate to an identifiable intangible asset of EUR 0.1 billion in connection with technology developed by Layer3 TV. This asset will be amortized over an expected useful life of five years. Goodwill of EUR 0.2 billion was recognized for the difference between the consideration paid and the balance of the identifiable assets acquired and the liabilities assumed at the acquisition date, measured at fair value. This item is mainly based on the industry expertise of the acquired management team as well as the other non-separable intangible assets identified. Under local tax law, this goodwill is not recognized and is thus not tax-deductible.

The following transaction is 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. This distribution of the T-Mobile US shares, along with clear corporate governance rules, means that Deutsche Telekom will continue to be able to include T-Mobile US as a subsidiary in its consolidated financial statements. The larger T-Mobile US is expected to achieve cost and capital expenditure synergies with a net present value of around USD 43 billion (after integration costs). Around USD 15 billion has been budgeted for integration costs. The agreement is subject to the necessary approvals by the responsible authorities, by T-Mobile US' and Sprint's shareholders, and other closing conditions.

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

T-Mobile US share buy-back program

Under the share buy-back program launched in December 2017, T-Mobile US acquired further common stock for an amount of USD 1.1 billion (EUR 0.9 billion) in the first half of 2018. Including the common stock acquired prior to that date, the total volume of shares repurchased under the share buy-back program amounts to USD 1.5 billion (EUR 1.3 billion). In addition, in the first quarter of 2018, Deutsche Telekom purchased shares in T-Mobile US on the capital market for a total amount of USD 0.2 billion (EUR 0.2 billion). As a result, Deutsche Telekom holds around 63 percent of the shares in T-Mobile US.

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.

Acquisition of OTE shares

In March 2018, Deutsche Telekom exercised its right of first refusal as invited by the Greek privatization authority Hellenic Republic Asset Development Fund (HRADF) and acquired a 5 percent stake in its Greek subsidiary OTE. The transaction was completed in May 2018 through the acquisition of additional shares in the amount of EUR 0.3 billion. As a result, Deutsche Telekom AG holds around 45 percent of the company's shares.

Toll Collect

On May 16, 2018, Daimler Financial Services AG, Deutsche Telekom AG, and the Federal Republic of Germany reached an agreement to end the Toll Collect arbitration proceedings. The settlement was notarized in early July 2018 and confirmed by the arbitral tribunal, bringing the arbitration proceedings to an end. The agreed settlement amount of around EUR 3.2 billion includes services previously provided to the Federal Republic of Germany. Daimler Financial Services AG and Deutsche Telekom AG have both agreed to make final payments of EUR 550 million each. These payments to the Federal Republic of Germany will be made on behalf of Toll Collect GbR in three tranches over the period until 2020.

The Federal Republic of Germany has announced that, on expiration of the operating agreement on August 31, 2018, it will exercise its option to purchase 100 percent of the shares in the operating company, Toll Collect GmbH. Even after the Federal Republic of Germany has acquired Toll Collect GmbH, the consortium Toll Collect GbR – comprising Deutsche Telekom AG, Daimler Financial Services AG and Compagnie Financière et Industrielle des Autoroutes S.A. (Cofiroute) – will continue to exist with an unchanged ownership structure.

The bank guarantees for third parties for a maximum amount of EUR 100 million that were issued during the term of the operating contract will remain in place until their scheduled expiration on October 15, 2018. In addition, the equity maintenance undertaking entered into by the aforementioned consortium members under the operating agreement will remain in place until the Federal Republic of Germany assumes full control of Toll Collect GmbH, but will be replaced as of August 31, 2018 by a guaranteed equity base of at least EUR 50 million for Toll Collect GmbH.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TRADE AND OTHER RECEIVABLES

Trade and other receivables decreased by EUR 0.8 billion to EUR 8.9 billion, mainly due to reclassification and remeasurement effects from the mandatory first-time application of the new accounting standards IFRS 9 and IFRS 15. For example, receivables from long-term construction contracts in the amount of EUR 0.2 billion accounted for in accordance with IAS 11 were reclassified as contract assets as of January 1, 2018. In addition, the volume of receivables for terminal equipment sold under installment plans in the United States operating segment decreased. Exchange rate effects, primarily from the translation from U.S. dollars into euros, had a slight offsetting effect.

CONTRACT ASSETS

Following the transition to IFRS 15, a remeasurement effect of EUR 1.6 billion was recognized directly in equity as of January 1, 2018 in relation to the initial recognition of contract assets. In prior periods, under IFRS 15, these would have led to the earlier recognition of revenue, in particular from the sale of goods and merchandise. Further, as a result of the transition, receivables from long-term construction contracts in the amount of EUR 0.2 billion, which were previously recognized as trade and other receivables, were reclassified as contract assets. For more information, please refer to the section "Accounting policies," page 35 et seq.

INVENTORIES

At EUR 1.6 billion, inventories were down EUR 0.4 billion compared with December 31, 2017, mainly due to lower inventories of terminal equipment (especially higher-priced smartphones) at T-Mobile US.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

At the reporting date, the carrying amount of non-current assets and disposal groups held for sale was unchanged at EUR 0.2 billion. During the reporting period, sales of real estate took place in the Group Headquarters & Group Services segment, while a portfolio of shareholdings of a comparable volume in the Group Development operating segment was classified as non-current assets and disposal groups held for sale.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets increased from EUR 62.9 billion to EUR 63.6 billion. Additions totaling EUR 1.7 billion increased the carrying amount and mainly related to capital expenditures in the United States and Germany operating segments. Changes in the composition of the Group in the amount of EUR 0.4 billion – mainly from the acquisition of online TV provider Layer3 TV in the United States operating segment – also increased the carrying amount. On the acquisition date, an identifiable intangible asset of EUR 0.1 billion in connection with technology developed by Layer3 TV, and goodwill of EUR 0.2 billion were recognized. Positive exchange rate effects, primarily from the translation of U.S. dollars into euros, increased the carrying amount by EUR 1.0 billion. Depreciation, amortization and impairment losses decreased the carrying amount by EUR 2.1 billion.

The first-time application of IFRS 15 as of January 1, 2018 produced effects that reduced the carrying amount of intangible assets by EUR 0.1 billion. Under the new accounting standard, contract assets must be capitalized for the first time. For detailed information on the requirements and the effects of the first-time application of the standard, please refer to the section "Accounting policies," page 35 et seq. An initial consequence was that the carrying amounts of the cash-generating units that must be tested for impairment in accordance with IAS 36 increased when IFRS 15 was applied for the first time on January 1, 2018. As a result, the carrying amounts of the cash-generating units Romania and Poland in the Europe operating segment and of the cash-generating unit Netherlands in the Group Development operating segment exceeded in each case the recoverable amounts for these units. Consequently, the goodwill recognized for these units then had to be impaired as of January 1, 2018. The recoverable amounts of these three units, along with the relevant valuation methods and the assumptions and parameters on which they are based, are described in the 2017 Annual Report, Note 5 "Intangible assets," page 180 et seq. The recoverable amount for the cash-generating unit Romania was EUR 10 million below its carrying amount as of January 1, 2018; the corresponding figure for the Poland unit was EUR 19 million below the carrying amount, and for the Netherlands unit EUR 68 million below the carrying amount. The corresponding goodwill impairments for these units were recognized directly in equity by reducing retained earnings as of January 1, 2018.

Compared with December 31, 2017, property, plant and equipment increased by EUR 1.0 billion to EUR 47.8 billion. Additions of EUR 5.0 billion, primarily in the United States and Germany operating segments, increased the carrying amount. They included, in particular, capital expenditure in connection with the modernization of the T-Mobile US network as well as for broadband and fiber-optic build-out, the IP transformation, and mobile infrastructure in the Germany operating segment. A further EUR 0.5 billion was attributable to the capitalization of higher-priced mobile handsets in connection with the JUMP! On Demand business model introduced at T-Mobile US, under which customers do not purchase the device but lease it. Positive exchange rate effects, primarily from the translation of U.S. dollars into euros, decreased the carrying amount by EUR 0.3 billion. Depreciation, amortization and impairment losses in the amount of EUR 4.2 billion and disposals of EUR 0.3 billion – EUR 0.2 billion of which was accounted for by terminal equipment returned by customers under the JUMP! On Demand program – reduced the carrying amount.

CAPITALIZED CONTRACT COSTS

Following the transition to IFRS 15, a remeasurement and reclassification effect of EUR 1.2 billion was recognized directly in equity as of January 1, 2018 in relation to the initial recognition of capitalized contract costs. Under IFRS 15, these costs would have resulted in the later recognition of selling expenses in earlier reporting periods. The carrying amount had changed to EUR 1.4 billion as of June 30, 2018. For more information, please refer to the section "Accounting policies," page 35 et seq.

OTHER FINANCIAL ASSETS

Other financial assets decreased from EUR 9.0 billion (as of December 31, 2017) to EUR 4.4 billion. On March 23, 2018, the 12 percent stake in BT, which is worth EUR 3.1 billion, was transferred to the Group's own trust, Deutsche Telekom Trust e.V., where it will serve as plan assets to cover pension entitlements. The impairment loss on the exchange-traded stake in BT – which was recognized in other comprehensive income for the period from January 1, 2018 until the date of transfer – reduced the carrying amount by EUR 0.7 billion.

TRADE AND OTHER PAYABLES

Trade and other payables decreased by EUR 2.0 billion to EUR 8.9 billion, mainly due to a seasonal reduction in procurement volumes, especially in the United States, Europe, and Germany operating segments. Exchange rate effects, mainly from the translation of U.S. dollars into euros, had a minor offsetting effect.

OTHER LIABILITIES

Current and non-current other liabilities decreased by EUR 2.0 billion to EUR 6.3 billion. The main reason for this decline were the reclassification effects triggered by the transition to IFRS 15: Deferred revenue of EUR 1.8 billion, previously recognized under other liabilities, was reclassified as contract liabilities. For further information on application of the new accounting standard, please refer to the section "Accounting policies," page 35 et seq.

FINANCIAL LIABILITIES

Current and non-current financial liabilities increased by EUR 3.7 billion to EUR 61.3 billion compared with the end of 2017.

In the first half of 2018, T-Mobile US placed fixed-interest U.S. dollar bonds with a volume of USD 2.5 billion (EUR 2.0 billion) with institutional investors: an 8-year bond with a volume of USD 1.0 billion and a coupon of 4.500 percent and a 10-year bond with a volume of USD 1.5 billion and a coupon of 4.750 percent. In addition, Deutsche Telekom International Finance B.V. issued euro bonds with a total volume of EUR 3.1 billion and U.S. dollar bonds with a total volume of USD 1.75 billion (EUR 1.4 billion).

A contrary effect in the reporting period was generated by T-Mobile US' premature repayment of senior notes in the amount of USD 1.0 billion (EUR 0.8 billion) with an interest rate of 6.125 percent, in the amount of USD 1.75 billion (EUR 1.4 billion) with an interest rate of 6.625 percent, and in the amount of USD 0.6 billion (EUR 0.5 billion) with an interest rate of 6.838 percent.

In addition, euro bonds for a total amount of EUR 1.1 billion were repaid by the Group in the reporting period. The net change of EUR 0.4 billion in commercial paper also decreased the carrying amount of the financial liabilities.

The total increase of EUR 0.1 billion in liabilities to banks compared with the end of 2017 was mainly due to a loan originated by the European Investment Bank in January 2018 for an amount of EUR 0.2 billion and a term of 7 years. Repayments in the reporting period had an offsetting effect.

The settlement agreed in the Toll Collect arbitration proceedings increased financial liabilities by EUR 0.6 billion. For more information, please refer to the section "Other transactions that had no effect on the composition of the Group," page 42.

A year-on-year increase in the carrying amount of the financial liabilities of around EUR 0.4 billion relates to exchange rate effects in the United States operating segment.

The following table shows the composition and maturity structure of financial liabilities as of June 30, 2018:

millions of €

	June 30, 2018	Due within 1 year	Due >1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	48,286	1,459	19,293	27,534
Liabilities to banks	5,082	1,327	3,084	671
Finance lease liabilities	2,646	864	1,233	549
Liabilities to non-banks from promissory notes	514	179	53	283
Other interest-bearing liabilities	2,234	1,323	778	133
Other non-interest-bearing liabilities	1,551	1,440	106	5
Derivative financial liabilities	950	117	109	724
FINANCIAL LIABILITIES	**61,263**	**6,708**	**24,656**	**29,899**

CONTRACT LIABILITIES

Following the transition to IFRS 15, a remeasurement effect of EUR 0.6 billion was recognized directly in equity as of January 1, 2018 in relation to the initial recognition of contract liabilities, which would have resulted in the later recognition of revenue in earlier reporting periods under IFRS 15. In addition, a total of EUR 1.9 billion was reclassified as contract liabilities in accordance with IFRS 15. These reclassifications mainly comprise deferred revenue that was recognized under other liabilities as of December 31, 2017. The carrying amount for current and non-current contract liabilities was remeasured at EUR 2.4 billion as of the end of the first half of 2018. For more information, please refer to the section "Accounting policies," page 35 et seq.

PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

Provisions for pensions and other employee benefits decreased from EUR 8.4 billion as of December 31, 2017 to EUR 5.7 billion. The main reason for this decline was the transfer, on March 23, 2018, of the 12 percent stake in BT (valued at EUR 3.1 billion) to the Group's own trust, Deutsche Telekom Trust e.V., where it will serve as plan assets. Due to the netting of the present value of the pension obligations with the plan assets, the increase in external cover led to a reduction in provisions for pensions and other employee benefits. For more information on the Global Pension Policy and a description of the plan, please refer to page 200 et seq. of the 2017 Annual Report.

On July 20, 2018, the new life expectancy tables (Heubeck-Richttafeln 2018 G) were published. They take account of the latest statistics of Germany's statutory pension scheme and Federal Statistical Office. For the first time, the tables include socioeconomic factors. Overall, Deutsche Telekom expects the first-time application of the new tables to result in a moderate increase in its defined benefit obligations, which will be recognized under other comprehensive income. At present, the financial impact of this cannot be assessed with sufficient certainty.

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

NET REVENUE

Net revenue breaks down into the following revenue categories:

millions of €

	H1 2018	H1 2017
Revenue from the rendering of services	**30,088**	**31,406**
Germany	8,751	9,130
United States	13,299	13,919
Europe	4,802	4,881
Systems Solutions	2,588	2,681
Group Development	619	717
Group Headquarters & Group Services	29	78
Revenue from the sale of goods and merchandise	**5,571**	**5,312**
Germany	987	765
United States	3,684	3,781
Europe	712	563
Systems Solutions	48	44
Group Development	141	141
Group Headquarters & Group Services	0	17
Revenue from the use of entity assets by others	**633**	**818**
Germany	238	210
United States	294	518
Europe	25	22
Systems Solutions	15	(8)
Group Development	–	–
Group Headquarters & Group Services	61	76
NET REVENUE	**36,291**	**37,537**

For details of changes in net revenue, please refer to the section "Development of business in the Group" in the interim Group management report, page 11 et seq.

OTHER OPERATING INCOME

millions of €

	H1 2018	H1 2017
Income from the reversal of impairment losses on non-current assets	2	–
Of which: IFRS 5	–	–
Income from the disposal of non-current assets	165	105
Income from reimbursements	81	100
Income from insurance compensation	169	32
Income from ancillary services	14	16
Miscellaneous other operating income	281	997
Of which: income from divestitures and from the sale of stakes accounted for using the equity method	–	776
	711	**1,250**

Income from the disposal of non-current assets was primarily attributable to the disposal of real estate previously recognized as non-current assets and disposal groups held for sale. Income from insurance compensation 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 decreased by EUR 0.7 billion year-on-year. The main components of this item in the prior-year period were income of EUR 0.5 billion from the divestiture of Strato AG and income of EUR 0.2 billion from the sale of the remaining shares in Scout24 AG, which had been accounted for using the equity method.

OTHER OPERATING EXPENSES

millions of €

	H1 2018	H1 2017
Impairment losses on financial assets [a]	(216)	n. a.
Gains (losses) from the write-off of financial assets measured at amortized cost	(20)	n. a.
Other	(1,182)	(1,596)
Legal and audit fees	(146)	(101)
Losses from asset disposals	(74)	(70)
Income (losses) from the measurement of factoring receivables	(62)	(62)
Income (losses) from measurement of receivables [a]	n. a.	(278)
Other taxes	(259)	(234)
Cash and guarantee transaction costs	(166)	(162)
Insurance expenses	(44)	(46)
Miscellaneous other operating expenses	(431)	(643)
	(1,418)	**(1,596)**

[a] Due to the transition to IFRS 9, changes were made both to the method of measuring impairment losses on receivables and to their disclosure in the financial statements. A comparison with the prior period is possible to a limited extent only.

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

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

At EUR 6.3 billion, depreciation, amortization and impairment losses were on a par with the prior-year period. Neither reporting period included any major impairment losses on intangible assets or on property, plant and equipment.

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

In the first half of 2018, the loss from financial activities decreased by EUR 1.4 billion year-on-year to EUR 1.6 billion. This was attributable in particular to the decrease of EUR 1.7 billion in other financial expense to EUR 0.1 billion. The figure for the prior-year period was mainly impacted by the EUR 1.1 billion impairment of the financial stake in BT recognized in profit or loss. In March 2018, the financial stake in BT was transferred to Deutsche Telekom Trust e.V., where it will be used as plan assets to cover existing pension obligations. As a consequence of the transition to IFRS 9 as of January 1, 2018, changes in the value of the financial stake prior to the transfer date were no longer recognized in the income statement as profit/loss from financial activities, but in other comprehensive income. For more information, please refer to the disclosures on financial instruments, page 49 et seq. In the first half of 2018, negative effects from the exercise and remeasurement of embedded derivatives at T-Mobile US increased the loss from financial activities by EUR 0.2 billion. In the prior-year period, this negative effect on the loss from financial activities totaled EUR 0.4 billion.

Finance costs of EUR 1.0 billion, which were EUR 0.2 billion lower than a year earlier, also had a positive effect on the loss from financial activities. This was essentially due to the fact that T-Mobile US has increasingly been financed internally since 2017. The Consent Fee of EUR 0.1 billion paid (or still payable) to lending banks in connection with the probable increase in the admissible amount of collateralized financing instruments at T-Mobile US as a consequence of the agreed business combination with Sprint had an increasing effect on finance costs.

The share of profit/loss of associates and joint ventures accounted for using the equity method decreased to EUR -0.5 billion. This was mainly attributable to the settlement agreement reached to end the Toll Collect arbitration proceedings, which had a negative effect of EUR 0.6 billion. The associated payments to the Federal Republic of Germany will be made on behalf of Toll Collect GbR in three tranches over the period until 2020. For further information, please refer to the section “Other transactions that had no effect on the composition of the Group,” page 42. The decision to distribute a dividend that was taken in March 2018 by the shareholders of the joint venture Toll Collect GmbH had a positive impact for Deutsche Telekom of EUR 0.1 billion.

INCOME TAXES

A tax expense of EUR 0.9 billion was recognized in the first half of 2018. The effective tax rate of 29.5 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, a tax expense of just EUR 0.6 billion was recognized on pre-tax income that was only marginally lower. The comparatively low tax rate in the prior-year period was attributable, in particular, to the recognition of deferred tax assets of EUR 0.2 billion on federal loss carryforwards in the United States and to tax reductions for a comparable amount for previous years in Germany.

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash from operating activities

Net cash from operating activities increased by EUR 0.1 billion year-on-year to EUR 8.7 billion. Exchange rate effects weighed on the continuing positive business trend in the United States operating segment. Factoring agreements – especially in the Systems Solutions and Germany operating segments – 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 totaled EUR 0.5 billion. In addition to a dividend payment of EUR 0.1 billion from BT – which was also included in the prior-year period – the profit distribution of EUR 0.1 billion from Toll Collect GmbH had a positive effect on net cash from operating activities. A EUR 0.6 billion decrease in net interest payments enhanced net cash from operating activities.

Net cash used in investing activities

millions of €

	H1 2018	H1 2017
Cash capex		
Germany operating segment	(2,108)	(2,057)
United States operating segment	(2,495)	(9,905)
Europe operating segment	(836)	(878)
Systems Solutions operating segment	(265)	(177)
Group Development operating segment	(141)	(138)
Group Headquarters & Group Services	(495)	(481)
Reconciliation	106	116
	(6,234)	**(13,520)**
Net cash flows for collateral deposited and hedging transactions	(81)	1,799
Cash inflows from the sale of the shares in Scout24 AG	–	319
Cash outflows for the acquisition of shares in Layer3 TV [a]	(258)	–
Proceeds from the disposal of property, plant and equipment, and intangible assets	304	209
Cash flows from the loss of control of subsidiaries and associates [b]	(61)	500
Reverse allocation under contractual trust agreement (CTA) on pension commitments	225	–
Other	(128)	(10)
	(6,233)	**(10,703)**

[a] Includes, in addition to the purchase price of EUR 260 million, inflows of cash and cash equivalents in the amount of EUR 2 million.
[b] Relates 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 decreased by EUR 7.3 billion to EUR 6.2 billion. The prior-year figure included a total of EUR 7.3 billion for the acquisition of mobile spectrum licenses, predominantly for the United States operating segment. In the reporting period, on the other hand, mobile spectrum licenses were acquired for total cash of EUR 0.1 billion, primarily in the United States operating segment. Whereas cash capex in the Germany operating segment was up EUR 0.1 billion year-on-year due to the broadband/fiber-optic network build-out, cash capex in the United States operating segment – not including investments in mobile spectrum licenses – was EUR 0.3 billion lower, primarily due to exchange rate effects. Adjusted for exchange rate effects, cash capex was higher than in the prior-year period.

Net cash used in financing activities

millions of €

	H1 2018	H1 2017
Repayment of bonds	(3,813)	(10,952)
Dividends (including to non-controlling interests)	(3,148)	(1,503)
Repayment of financial liabilities from financed capex and opex	–	(260)
Repayment of EIB loans	(80)	(79)
Net cash flows for collateral deposited and hedging transactions	147	30
Repayment of lease liabilities	(402)	(361)
Repayment of financial liabilities for media broadcasting rights	(262)	(143)
Cash flows from continuing involvement factoring, net	35	(14)
Loans taken out with the EIB	150	675
Promissory notes, net	24	–
Secured loans	–	(1,863)
Issuance of bonds	6,708	9,338
Commercial paper, net	(412)	2,358
Overnight borrowings from banks	(61)	–
Cash inflows from transactions with non-controlling entities		
T-Mobile US stock options	2	18
	2	**18**
Cash outflows from transactions with non-controlling entities		
T-Mobile US share buy-backs	(942)	(92)
Acquisition of T-Mobile US shares	(164)	–
Acquisition of OTE shares	(284)	–
Other	(26)	(1)
	(1,416)	**(93)**
Other	(266)	(121)
	(2,794)	**(2,970)**

Non-cash transactions in the consolidated statement of cash flows

In the first half of 2018, Deutsche Telekom chose financing options totaling EUR 0.2 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 2017: EUR 0.3 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 2018, Deutsche Telekom leased network equipment (classified as a finance lease) for a total of EUR 0.4 billion (H1 2017: EUR 0.6 billion). The finance lease is subsequently also shown under financial liabilities in the statement of financial position. Future repayments of the liabilities will be recognized in net cash used in/from financing activities.

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 2018 for future consideration for acquired broadcasting rights (H1 2017: 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 0.5 billion was recognized for mobile devices under property, plant and equipment in the reporting period (H1 2017: EUR 0.5 billion). These relate to the JUMP! On Demand business model at T-Mobile US, under which customers do not purchase the device but lease it. The payments are presented under net cash from operating activities.

Following the transfer of the financial stake in the BT Group to Deutsche Telekom Trust e.V. in the first quarter of 2018, a non-cash transfer of EUR 3.0 billion to plan assets was made in order to increase external capital funding; this reduced the provisions for pensions recognized in the statement of financial position.

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 2018 and the first half of 2017.

Vivento Customer Services GmbH, a provider of call center services, has been assigned to the Germany operating segment since January 1, 2018; previously it was part of the Group Headquarters & Group Services segment. Comparative figures have been adjusted retrospectively.

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, page 17 et seq.

Segment information in the first half of the year
millions of €

		Comparative period						Reporting date		
		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets	Segment liabilities	Investments accounted for using the equity method
Germany	H1 2018	9,976	672	10,648	1,889	(1,968)	–	35,337	26,594	12
	H1 2017	10,105	663	10,768	2,099	(1,882)	(6)	33,739	26,641	12
United States	H1 2018	17,276	1	17,277	2,338	(2,544)	–	65,777	41,494	155
	H1 2017	18,218	–	18,218	2,331	(2,690)	(5)	64,931	42,003	189
Europe	H1 2018	5,538	169	5,707	702	(1,109)	(1)	24,953	9,475	59
	H1 2017	5,467	174	5,641	681	(1,109)	(1)	25,746	10,206	62
Systems Solutions	H1 2018	2,651	688	3,339	(104)	(194)	–	5,730	5,146	22
	H1 2017	2,717	675	3,392	(37)	(195)	–	6,408	5,061	31
Group Development	H1 2018	760	303	1,063	297	(158)	–	6,572	5,829	310
	H1 2017	858	299	1,157	1,074	(143)	–	9,997	5,549	346
Group Headquarters & Group Services	H1 2018	91	1,327	1,418	(605)	(427)	(4)	48,824	57,339	11
	H1 2017	171	1,350	1,521	(544)	(319)	(22)	46,957	55,863	11
TOTAL	**H1 2018**	**36,291**	**3,161**	**39,452**	**4,517**	**(6,400)**	**(5)**	**187,193**	**145,877**	**569**
	H1 2017	**37,537**	**3,161**	**40,697**	**5,604**	**(6,338)**	**(34)**	**187,778**	**145,323**	**651**
Reconciliation	H1 2018	–	(3,161)	(3,161)	6	103	1	(47,444)	(47,531)	(1)
	H1 2017	–	(3,161)	(3,161)	(3)	22	3	(46,444)	(46,459)	–
GROUP	**H1 2018**	**36,291**	**–**	**36,291**	**4,523**	**(6,297)**	**(4)**	**139,749**	**98,346**	**568**
	H1 2017	**37,537**	**–**	**37,537**	**5,601**	**(6,316)**	**(31)**	**141,334**	**98,864**	**651**

CONTINGENT LIABILITIES

This section provides additional information and explains recent changes in the contingent liabilities as described in the consolidated financial statements for the 2017 financial year.

Toll Collect arbitration proceedings. On May 16, 2018, Daimler Financial Services AG, Deutsche Telekom AG, and the Federal Republic of Germany reached an agreement to end the Toll Collect arbitration proceedings. The settlement was notarized in early July 2018 and confirmed by the arbitral tribunal, bringing the arbitration proceedings to an end. The agreed settlement amount of around EUR 3.2 billion includes services previously provided to the Federal Republic of Germany. Daimler Financial Services AG and Deutsche Telekom AG have both agreed to make final payments of EUR 550 million each. For more information, please refer to the section "Other transactions that had no effect on the composition of the Group," page 42.

Claims relating to charges for the shared use of cable ducts. In connection with legal proceedings brought by Unitymedia Hessen GmbH & Co. KG, Unitymedia NRW GmbH, and Kabel BW GmbH, an appeal filed by the plaintiffs was rejected by the Düsseldorf Higher Regional Court in its ruling of March 14, 2018. An appeal was not permitted. The plaintiffs filed a complaint against the non-allowance of appeal with the Federal Court of Justice.

Consent Fee Sprint. In connection with the agreed business combination of T-Mobile US and Sprint, T-Mobile US may be required to reimburse Sprint for 67 percent of the upfront consent and related bank fees it paid to lending banks, or USD 161 million, if the business combination agreement is terminated.

FUTURE OBLIGATIONS FROM OPERATING LEASES AND OTHER FINANCIAL OBLIGATIONS

The following table provides an overview of Deutsche Telekom's obligations from operating leases and other financial obligations as of June 30, 2018:

millions of €

	June 30, 2018
Future obligations from operating leases	16,165
Purchase commitments regarding property, plant and equipment	4,173
Purchase commitments regarding intangible assets	437
Firm purchase commitments for inventories	4,310
Other purchase commitments and similar obligations	14,004
Payment obligations to the Civil Service Pension Fund	2,648
Obigations from the acquisition for interests in other companies	24,832
Miscellaneous other obligations	–
	66,569

Obligations from the acquisition of interests in other companies include the following items: The agreed business combination of T-Mobile US and Sprint results in obligations amounting to USD 26.5 billion (around EUR 22.7 billion), while the agreed acquisition of UPC Austria GmbH results in obligations of EUR 1.9 billion. Furthermore, the agreed acquisition of Tele2 Netherlands Holding N.V. results in a commitment of EUR 190 million for the cash component to be paid. For additional information on the agreed corporate transactions, please refer to the section "Changes in the composition of the Group, transactions with owners and other transactions," pages 41 and 42 of this Interim Report, and to the section "Summary of accounting policies – Changes in the composition of the Group and other transactions" of the 2017 Annual Report, page 171 et seq.

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					
	Category in accordance with IFRS 9	Carrying amount June 30, 2018	Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through other comprehensive income with recycling 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 June 30, 2018[a]
ASSETS								
Cash and cash equivalents	AC	2,943	2,943					–
Trade receivables								
At amortized cost	AC	3,943	3,943					–
At fair value through other comprehensive income	FVOCI	4,968			4,968			4,968
At fair value through profit or loss	FVTPL	11				11		11
Other financial assets								
Originated loans and other receivables								
At amortized cost	AC	2,681	2,681					2,712
Of which: collateral paid	AC	509	509					–
At fair value through other comprehensive income	FVOCI	–						–
At fair value through profit or loss	FVTPL	104				104		104
Equity instruments								
At fair value through other comprehensive income	FVOCI	284		284				284
Derivative financial assets								
Derivatives without a hedging relationship	FVTPL	997				997		997
Of which: termination rights embedded in bonds issued	FVTPL	189				189		189
Of which: energy forward agreements embedded in contracts	FVTPL							
Derivatives with a hedging relationship	n. a.	175			14	161		175
Lease assets	n. a.	148					148	–
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	103		103				103
LIABILITIES								
Trade payables	AC	8,924	8,924					–
Bonds and other securitized liabilities	AC	48,286	48,286					51,774
Liabilities to banks	AC	5,082	5,082					5,139
Liabilities to non-banks from promissory notes	AC	514	514					604
Other interest-bearing liabilities	AC	2,234	2,234					2,285
Of which: collateral received	AC	546	546					–
Other non-interest-bearing liabilities	AC	1,551	1,551					–
Finance lease liabilities	n. a.	2,646					2,646	2,904
Derivative financial liabilities								
Derivatives without a hedging relationship	FVTPL	314				314		314
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	65				65		65
Derivatives with a hedging relationship	n. a.	636			101	535		636
Of which: aggregated by category in accordance with IFRS 9								
ASSETS								
Financial assets at amortized cost	AC	9,567	9,567					2,712
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	4,968			4,968			4,968
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	387		387				387
Financial assets at fair value through profit or loss	FVTPL	1,112				1,112		1,112
LIABILITIES								
Financial liabilities at amortized cost	AC	66,591	66,591					59,802
Financial liabilities at fair value through profit or loss	FVTPL	314				314		314

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

Trade receivables include receivables amounting to EUR 1.5 billion (December 31, 2017: EUR 1.6 billion) due in more than one year. The fair value generally equals the carrying amount.

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 IAS 39					
	Category in accordance with IAS 39	Carrying amount Dec. 31, 2017	Amortized cost	Cost	Fair value recognized directly in equity	Fair value through profit or loss	Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2017 [a]
ASSETS								
Cash and cash equivalents	LaR	3,312	3,312					–
Trade receivables	LaR	9,553	9,553					–
Originated loans and receivables	LaR/n. a.	3,507	3,354				153	3,539
Of which: collateral paid	LaR	504	504					–
Other non-derivative financial assets								
Held-to-maturity investments	HtM	5	5					–
Available-for-sale financial assets	AfS	4,216		187	4,029			4,029
Derivative financial assets								
Derivatives without a hedging relationship	FAHfT	1,103				1,103		1,103
Of which: termination rights embedded in bonds issued	FAHfT	351				351		351
Of which: energy forward agreements embedded in contracts	FAHfT	–						–
Derivatives with a hedging relationship	n. a.	214			42	172		214
Non-current assets and disposal groups held for sale	AfS							
LIABILITIES								
Trade payables	FLAC	10,934	10,934					
Bonds and other securitized liabilities	FLAC	45,453	45,453					50,472
Liabilities to banks	FLAC	4,974	4,974					5,062
Liabilities to non-banks from promissory notes	FLAC	480	480					582
Liabilities with the right of creditors to priority repayment in the event of default	FLAC	–	–					–
Other interest-bearing liabilities	FLAC	1,598	1,598					1,629
Of which: collateral received	FLAC	569	569					–
Other non-interest-bearing liabilities	FLAC	1,443	1,443					–
Finance lease liabilities	n. a.	2,635	2,635				2,635	2,893
Derivative financial liabilities								
Derivatives without a hedging relationship	FLHfT	337				337		337
Of which: conversion rights embedded in Mandatory Convertible Preferred Stock	FLHfT	–				–		–
Of which: options granted to third parties for the purchase of shares in subsidiaries	FLHfT	10				10		10
Of which: energy forward agreements embedded in contracts	FLHfT	46				46		46
Derivatives with a hedging relationship	n. a.	609			168	441		609
Derivative financial liabilities directly associated with non-current assets and disposal groups held for sale	FLHfT	–				–		–
Of which: aggregated by category in accordance with IAS 39								
Loans and receivables	LaR	16,219	16,219					3,386
Held-to-maturity investments	HtM	5	5					–
Available-for-sale financial assets	AfS	4,216		187	4,029			4,029
Financial assets held for trading	FAHfT	1,103				1,103		1,103
Financial liabilities measured at amortized cost	FLAC	64,882	64,882					57,745
Financial liabilities held for trading	FLHfT	337				337		337

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

The portfolio of financial assets by measurement category in accordance with IAS 39 is reconciled to the IFRS 9 measurement categories as follows:

Reconciliation of financial assets from IAS 39 to IFRS 9
millions of €

	Carrying amount Dec. 31, 2017 (IAS 39)	Reclassification [a]	Reclassification to other comprehensive income	Remeasurements [b]	Carrying amount Jan. 1, 2018 (IFRS 9) [c]	Effect to be recognized in retained earnings Jan. 1, 2018 [d]
AT FAIR VALUE THROUGH PROFIT OR LOSS						
Ending balance in accordance with IAS 39	1,103				1,103	
Additions to IFRS 9 – At fair value through profit or loss from						
IAS 39 – Loans and receivables or held-to-maturity investments		8			8	
IAS 39 – Available-for-sale financial assets		12			12	
	1,103	**20**			**1,123**	
AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME						
Ending balance in accordance with IAS 39	4,216				4,216	
Additions to IFRS 9 – At fair value through other comprehensive income with recycling to profit or loss from						
IAS 39 – Loans and receivables or held-to-maturity investments		5,035	(101)	(2)	4,931	(97)
Disposals from IAS 39 – Available-for-sale financial assets to						
IFRS 9 – At amortized cost		(185)			(185)	
IFRS 9 – At fair value through other comprehensive income with recycling to profit or loss				(1)	(1)	(1)
IFRS 9 – At fair value through profit or loss		(12)			(12)	
	4,216	**4,838**	**(101)**	**(3)**	**8,950**	**(99)**
AT AMORTIZED COST						
Ending balance in accordance with IAS 39	16,226				16,226	
Additions to IFRS 9 – At amortized cost from						
IAS 39 – Available-for-sale financial assets		185			185	
Disposals from IAS 39 – Loans and receivables or held-to-maturity investments to						
IFRS 9 – At amortized cost		(312)		(38)	(350)	(38)
IFRS 9 – At fair value through other comprehensive income with recycling to profit or loss		(5,035)			(5,035)	
IFRS 9 – At fair value through profit or loss		(8)			(8)	
	16,226	**(5,170)**		**(38)**	**11,017**	**(38)**
TOTAL CHANGE	**21,544**	**(312)**	**(101)**	**(41)**	**21,090**	**(137)**

[a] Carrying amount under IAS 39 that must be reclassified from an IAS 39 category to a new IFRS 9 category.
[b] Resulting difference from the revaluation of an IAS 39 instrument under the new IFRS 9 category.
[c] The allowances posted under trade receivables recognized at fair value through other comprehensive income were offset with the receivables. On initial presentation of the transition to IFRS 9 in the Interim Group Report for the period January 1 to March 31, 2018, these allowances were presented gross in other comprehensive income.
[d] Effects include shares attributable to non-controlling interests.

The main reclassifications from the old IAS 39 measurement categories to the new IFRS 9 measurement categories relate to portfolios of trade receivables that are to be sold under a factoring agreement. Previously assigned to the category "Loans and receivables" and measured at amortized cost, these receivables are now measured – depending on the underlying business model – either at fair value through other comprehensive income with recycling to profit or loss, or at fair value through profit or loss. Trade receivables with a carrying amount of EUR 135 million were reclassified as contract assets in accordance with IFRS 15.

In addition, Deutsche Telekom reclassified all equity instruments previously recognized as available-for-sale financial assets to the IFRS 9 category "At fair value through other comprehensive income without recycling to profit or loss."

Under IFRS 9, debt instruments previously assigned to the categories "Available-for-sale financial assets," "Held-to-maturity investments," and "Loans and receivables" are reclassified – depending on the underlying business model and the cash flow characteristics of each instrument – to the new categories "At amortized cost," "At fair value through other comprehensive income with recycling to profit or loss," or "At fair value through profit or loss."

The allocation of financial liabilities to IFRS 9 measurement categories does not result in any changes. The names of the measurement categories were updated to reflect the wording of the new standard.

Subsidiaries that are not included in the consolidated financial statements due to their subordinate significance, and which were previously recognized under IAS 39 at amortized cost as available-for-sale financial assets, are recognized under other assets as of the 2018 financial year and were reclassified as of January 1, 2018 with a carrying amount of EUR 177 million.

The following table shows the classes of financial assets and liabilities under IFRS 9 along with their previous and current measurement categories and carrying amounts:

Classes of financial instruments in accordance with IFRS 9

	Measurement categories		Carrying amounts Dec. 31, 2017/Jan. 1, 2018		
	IAS 39	IFRS 9	IAS 39	IFRS 9	Difference
ASSETS					
Cash and cash equivalents	Loans and receivables (LaR)	Amortized cost (AC)	3,312	3,312	0
Trade receivables					
At amortized cost		Amortized cost (AC)		4,344	(5,056)
At fair value through other comprehensive income	Loans and receivables (LaR)	Fair value through other comprehensive income (FVOCI)	9,400	4,919	4,919
At fair value through profit or loss		Fair value through profit or loss (FVTPL)		6	6
Other financial assets					
Originated loans and other receivables					
At amortized cost	Loans and receivables (LaR) or held-to-maturity investments (HtM) or available-for-sale financial assets (AfS)	Amortized cost (AC)	3,512	3,361	(151)
Of which: collateral paid	Loans and receivables (LaR)	Amortized cost (AC)	504	504	–
At fair value through profit or loss	Available-for-sale financial assets (AfS)	Fair value through profit or loss (FVTPL)	14	14	–
Equity instruments					
At fair value through other comprehensive income	Available-for-sale financial assets (AfS)	Fair value through other comprehensive income (FVOCI)	4,202	4,029	(173)
At fair value through profit or loss	Available-for-sale financial assets (AfS)	Fair value through profit or loss (FVTPL)	–	–	–
Derivative financial assets					
Derivatives without a hedging relationship	Financial assets held for trading (FAHfT)	Fair value through profit or loss (FVTPL)	1,103	1,103	–
Of which: termination rights embedded in bonds issued	Financial assets held for trading (FAHfT)	Fair value through profit or loss (FVTPL)	351	351	–
Derivatives with a hedging relationship	n. a.	n. a.	214	214	–
Lease assets [a]	n. a.	n. a.	153	153	–
LIABILITIES					
Trade payables	Financial liabilities measured at amortized cost (FLAC)	Amortized cost (AC)	10,934	10,934	–
Bonds and other securitized liabilities	Financial liabilities measured at amortized cost (FLAC)	Amortized cost (AC)	45,453	45,453	–
Liabilities to banks	Financial liabilities measured at amortized cost (FLAC)	Amortized cost (AC)	4,974	4,974	–
Liabilities to non-banks from promissory notes	Financial liabilities measured at amortized cost (FLAC)	Amortized cost (AC)	480	480	–
Other interest-bearing liabilities	Financial liabilities measured at amortized cost (FLAC)	Amortized cost (AC)	1,598	1,598	–
Of which: collateral received	Financial liabilities measured at amortized cost (FLAC)	Amortized cost (AC)	569	569	–
Other non-interest-bearing liabilities	Financial liabilities measured at amortized cost (FLAC)	Amortized cost (AC)	1,443	1,443	–
Finance lease liabilities	n. a.	n. a.	2,635	2,635	–
Derivative financial liabilities					
Derivatives without a hedging relationship	Financial liabilities held for trading (FLHfT)	Fair value through profit or loss (FVTPL)	337	337	–
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	Financial liabilities held for trading (FLHfT)	Fair value through profit or loss (FVTPL)	10	10	–
Of which: energy forward agreements embedded in contracts	Financial liabilities held for trading (FLHfT)	Fair value through profit or loss (FVTPL)	46	46	–
Derivatives with a hedging relationship	n. a.	n. a.	609	609	–

[a] Carrying amount in accordance with IAS 17.

The allowances on financial assets in accordance with IAS 39 are being reconciled to the IFRS 9 requirements as follows:

Allowances on financial assets
millions of €

		Trade receivables	Contract assets	Originated loans and other receivables	Total
Measurement categories					
in accordance with IAS 39	LaR	LaR	n. a.	LaR	
in accordance with IFRS 9	AC	FVOCI	n. a.	AC	
Allowances					
Amount in accordance with IAS 39 (Dec. 31, 2017)	1,303	334	0	19	1,657
Additions resulting from change in measurement category	24	99	27		150
Disposals resulting from change in measurement category				(13)	(13)
Amount in accordance with IFRS 9 (Jan. 1, 2018)	1,327	433	27	6	1,794
DIFFERENCE IN RETAINED EARNINGS (DEBIT (CREDIT))	**24**	**99**	**27**	**(13)**	**137**

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, 2018			
	Level 1	Level 2	Level 3	Total
ASSETS				
Trade receivables				
At fair value through other comprehensive income			4,968	**4,968**
At fair value through profit or loss			11	**11**
Other financial assets – originated loans and other receivables				
At fair value through other comprehensive income				**–**
At fair value through profit or loss	94		10	**104**
Equity instruments				
At fair value through other comprehensive income	10		377	**387**
Derivative financial assets				
Derivatives without a hedging relationship		808	189	**997**
Derivatives with a hedging relationship		175		**175**
LIABILITIES				
Derivative financial liabilities				
Derivatives without a hedging relationship		239	75	**314**
Derivatives with a hedging relationship		636		**636**

Financial instruments measured at fair value
millions of €

	Dec. 31, 2017			
	Level 1	Level 2	Level 3	Total
ASSETS				
Available-for-sale financial assets (AfS)	3,752		277	**4,029**
Financial assets held for trading (FAHfT)		752	351	**1,103**
Derivative financial assets with a hedging relationship		214		**214**
LIABILITIES				
Financial liabilities held for trading (FLHfT)		281	56	**337**
Derivative financial liabilities with a hedging relationship		609		**609**

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 total volume of instruments recognized as Level 1 amounted to EUR 10 million (December 31, 2017: EUR 3,752 million). The figure for the prior-year period included a strategic financial stake of 12 percent in BT with a carrying amount equivalent to around EUR 3.7 billion. In the reporting period, this stake was transferred to plan assets.

The listed bonds and other securitized liabilities are assigned to Level 1 or Level 2 depending on the market liquidity of the relevant instrument. As a rule, 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, other interest-bearing liabilities, and finance lease liabilities are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and Deutsche Telekom's credit spread curve for specific currencies.

Since there are no market prices available for the derivative financial instruments 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 value that Deutsche Telekom would receive or have to pay if the financial instrument were transferred at the reporting date. Interest rates of contractual partners relevant as of the reporting date are used in this respect. The middle rates applicable as of the reporting date are used as exchange rates. 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.

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 liabilities at fair value through profit or loss: energy forward agreements embedded in contracts
Carrying amount as of January 1, 2018	277	351	(46)
Additions (including first-time categorization as Level 3)	111	11	0
Value decreases recognized in profit/loss (including losses on disposal)	–	(119)	(19)
Value increases recognized in profit/loss (including gains on disposal)	–	60	2
Value decreases recognized directly in equity	(25)	–	–
Value increases recognized directly in equity	31	–	–
Disposals	(17)	(118)	–
Currency translation effects recognized directly in equity	–	4	(2)
CARRYING AMOUNT AS OF JUNE 30, 2018	**377**	**189**	**(65)**

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 368 million measured using the best information available at the reporting date. As a rule, Deutsche Telekom considers executed transactions involving shares in those companies to have the greatest relevance. Transactions involving shares in comparable companies are also considered. The closeness of the transaction in question to the reporting date and the question of whether the transaction was at arm's length are relevant for the decision on which information will ultimately be 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 on the previous page for the development of the carrying amounts in the reporting period. No plans existed as of the reporting date to sell these investments. In the case of investments with a carrying amount of EUR 283 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, 2018. In the case of investments with a carrying amount of EUR 85 million, although the last at arm's length transactions relating to shares in these companies took place some time ago, based on the analysis of operational development (in particular revenue, EBIT, and liquidity), the previous carrying amount nevertheless corresponds to the fair value and, due to limited comparability, is preferable to measurement on the basis of transactions executed more recently relating to shares in comparable companies. As of the reporting date, there were no investments for which the latest at arm's length transactions relating to shares in these companies took place some time ago and where a measurement executed more recently via shares in comparable companies provides a better representation of the fair values. In addition, non-material individual items with a carrying amount of EUR 9 million are included with differences in value of minor relevance.

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 189 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 routinely 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 2.3 percent. The significant decline in this value compared with the prior year is mainly attributable to the improvement in the rating of T-Mobile US in the reporting period. 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 2.5 and 3.4 percent for the remaining maturities of the bonds and between 1.5 and 2.3 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, a net expense of EUR 15 million when translated into euros was recognized under the Level 3 measurement in other financial income/expense for unrealized losses for the options in the portfolio at the reporting date. In the reporting period, several options were exercised and the relevant bonds canceled prematurely. At the time of termination, the options and their total carrying amount of EUR 118 million when translated into euros were expensed and derecognized. For the development of the carrying amounts in the reporting period, please refer to the corresponding table on the previous page. 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 €

	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial liabilities at fair value through profit or loss: energy forward agreements embedded in contracts
Interest rate volatility[b] +1 %	24	–
Interest rate volatility[b] –1 %	(23)	–
Spread curve[c] +1%	(84)	–
Spread curve[c] –1 %	129	–
Mean reversion[d] +1 %	(4)	–
Mean reversion[d] –1 %	6	–
Future energy prices +10 %	–	35
Future energy prices –10 %	–	(35)
Future energy output +5 %	–	7
Future energy output –5 %	–	(7)
Future prices for renewable energy credits[e] +100 %	–	14
Future prices for renewable energy credits[e] from zero	–	(13)

[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. 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 65 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. These agreements consist of two components: the energy forward agreement and the acquisition of renewable energy credits by T-Mobile US. The agreements were entered into with energy producers in 2017 and 2018, and will run for terms of between 12 and 15 years from the commencement of commercial operations. 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 in 2019. 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 derivative is materially influenced by the facility's future energy output, for which T-Mobile US estimated a value of 1,781 gigawatt hours per year at the reporting date. The value of the derivatives is also materially 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 22.49/MWh and EUR 39.57/MWh when translated into euros and off-peak prices of between EUR 15.09/MWh and EUR 28.80/MWh when translated into euros. An average on-peak/off-peak ratio of 56 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 19 million (when translated into euros) was recognized under the Level 3 measurement in other operating income/expense for unrealized losses for the derivatives. For the development of the carrying amounts in the reporting period, please refer to the corresponding table, page 55. 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. Measurement of the derivatives on initial recognition resulted in a positive value from T-Mobile US' perspective of EUR 135 million when translated into euros. 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 10 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 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: development of the not-yet-amortized measurement amounts on initial recognition
millions of €

Measurement amount on initial recognition (carrying amount as of January 1, 2018)	**112**
Measurement amount on initial recognition (additions during the reporting period)	23
Measurement amounts amortized in profit or loss in prior periods	–
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, 2018	**132**

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 10 million resulting from an option granted to third parties in the prior-year period 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 546 million (December 31, 2017: EUR 569 million). The credit risk was thus reduced by EUR 546 million (December 31, 2017: EUR 566 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 983 million as of the reporting date (December 31, 2017: EUR 966 million) had a maximum credit risk of EUR 67 million as of June 30, 2018 (December 31, 2017: EUR 28 million). There is no default risk on embedded derivatives held. For information on the amount not yet amortized from initial measurement of the energy forward agreement, please refer to the explanation above. 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 509 million (December 31, 2017: EUR 504 million) to counterparties pursuant to collateral contracts. The net amounts are normally recalculated every bank working day and offset against each other. The cash collateral paid is offset by corresponding net derivative positions of EUR 487 million at the reporting date (December 31, 2017: EUR 889 million), which is why it was not exposed to any credit risks in this amount. The collateral paid is reported under originated loans and receivables within other financial assets. On account of its close connection to the corresponding derivatives, the collateral paid constitutes a separate class of financial assets. Likewise, the collateral received, which is reported under financial liabilities, constitutes a separate class of financial liabilities on account of its connection to the corresponding derivatives. No other significant agreements reducing the maximum exposure to the credit risks of financial assets existed. The maximum exposure to credit risk of the other financial assets thus corresponds to their carrying amounts.

RELATED-PARTY DISCLOSURES

With the exception of the matters described in the following, there were no significant changes as of June 30, 2018 to the related-party disclosures reported in the consolidated financial statements as of December 31, 2017.

Joint ventures. In March 2018, the shareholders of the equity-accounted joint venture Toll Collect GmbH resolved to distribute a dividend, Deutsche Telekom's share of which is EUR 0.1 billion. On May 16, 2018, Daimler Financial Services AG, Deutsche Telekom AG, and the Federal Republic of Germany reached an agreement to end the Toll Collect arbitration proceedings. For more information, please refer to the section "Other transactions that had no effect on the composition of the Group," page 42.

Deutsche Telekom Trust e.V. On March 23, 2018, the 12 percent stake in BT, which was worth EUR 3.1 billion at the time, was transferred to the Group's own trust, Deutsche Telekom Trust e.V., where it will serve as plan assets to cover pension entitlements.

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 our Board of Management by five years. Timotheus Höttges will be 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. The current CFO, Thomas Dannenfeldt, will leave Deutsche Telekom AG for personal reasons when his contract expires at the end of 2018. 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 will succeed Dr. Christian P. Illek in this position.

Changes in the composition of the Supervisory Board

Shareholder representatives. Dr. Ulrich Schröder resigned from his position as a member of the Supervisory Board of Deutsche Telekom AG effective February 6, 2018. Dr. Günther Bräunig was initially court-appointed to the Supervisory Board of Deutsche Telekom AG on March 15, 2018 and subsequently elected to this position by resolution of the shareholders' meeting on May 17, 2018.

Sari Baldauf's term of office expired at the end of the shareholders' meeting of May 17, 2018. Harald Krüger was elected to the Supervisory Board of Deutsche Telekom AG by the shareholders' meeting of May 17, 2018.

Prof. Ulrich Lehner was elected for a further term of office on the Supervisory Board of Deutsche Telekom AG by the shareholders' meeting of May 17, 2018. The members of the Supervisory Board once again elected Prof. Lehner to the position of chairman.

Johannes Geismann resigned from his position on the Supervisory Board of Deutsche Telekom AG as of the end of the shareholders' meeting of May 17, 2018. Dr. Rolf Bösinger was court-appointed to the Supervisory Board of Deutsche Telekom AG effective June 1, 2018.

Employee representatives. Hans-Jürgen Kallmeier resigned from his position as a member of the Supervisory Board of Deutsche Telekom AG effective midnight, December 31, 2017. Odysseus Chatzidis was court-appointed to the Supervisory Board of Deutsche Telekom AG effective January 3, 2018.

Monika Brandl resigned from her position on the Supervisory Board of Deutsche Telekom AG effective July 1, 2018. Nicole Seelemann-Wandtke was court-appointed to the Supervisory Board of Deutsche Telekom AG effective July 5, 2018.

EVENTS AFTER THE REPORTING PERIOD (JUNE 30, 2018)

Toll Collect arbitration proceedings. On May 16, 2018, Daimler Financial Services AG, Deutsche Telekom AG, and the Federal Republic of Germany reached an agreement to end the Toll Collect arbitration proceedings. The settlement was notarized in early July 2018 and confirmed by the arbitral tribunal. For more information, please refer to the section "Other transactions that had no effect on the composition of the Group," page 42.

Acquisition of UPC Austria GmbH. On December 22, 2017, T-Mobile Austria Holding GmbH agreed to acquire Austria's leading cable operator, UPC Austria GmbH, from Liberty Global HoldCo 2 B.V. The agreed purchase price was around EUR 1.9 billion in cash less net debt. On July 9, 2018, the European Commission approved, without conditions, T-Mobile Austria's acquisition of a 100 percent stake in UPC Austria under competition law. The transaction was closed on July 31, 2018.

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 9, 2018

Deutsche Telekom AG
Board of Management

Timotheus Höttges

Adel Al-Saleh

Thomas Dannenfeldt

Srini Gopalan

Dr. Christian P. Illek

Dr. Thomas Kremer

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, 2018, 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 9, 2018

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, 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 2017 financial year:

millions of €

	EBITDA H1 2018	EBIT H1 2018	EBITDA H1 2017	EBIT H1 2017	EBITDA FY 2017	EBIT FY 2017
EBITDA/EBIT	**10,825**	**4,523**	**11,949**	**5,601**	**23,969**	**9,383**
GERMANY	**(352)**	**(352)**	**(154)**	**(154)**	**(308)**	**(308)**
Staff-related measures	(340)	(340)	(91)	(91)	(221)	(221)
Non-staff-related restructuring	(14)	(14)	(10)	(10)	(26)	(26)
Effects of deconsolidations, disposals and acquisitions	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–
Other	2	2	(53)	(53)	(61)	(61)
UNITED STATES	**(4)**	**(4)**	**–**	**–**	**1,633**	**1,633**
Staff-related measures	(4)	(4)	–	–	(7)	(7)
Non-staff-related restructuring	–	–	–	–	–	–
Effects of deconsolidations, disposals and acquisitions	1	1	–	–	(11)	(11)
Impairment losses	–	–	–	–	1,651	1,651
Other	–	–	–	–	–	–
EUROPE	**(52)**	**(52)**	**(45)**	**(45)**	**(130)**	**(995)**
Staff-related measures	(48)	(48)	(24)	(24)	(92)	(92)
Non-staff-related restructuring	–	–	–	–	(3)	(3)
Effects of deconsolidations, disposals and acquisitions	(1)	(1)	–	–	18	18
Impairment losses	–	–	–	–	–	(866)
Other	(3)	(3)	(21)	(21)	(53)	(52)
SYSTEMS SOLUTIONS	**(89)**	**(89)**	**(74)**	**(76)**	**(229)**	**(1,477)**
Staff-related measures	(52)	(52)	(32)	(32)	(132)	(132)
Non-staff-related restructuring	(1)	(1)	(1)	(1)	(2)	(2)
Effects of deconsolidations, disposals and acquisitions	–	–	–	–	–	–
Impairment losses	–	–	–	(2)	–	(1,242)
Other	(37)	(37)	(41)	(41)	(94)	(100)
GROUP DEVELOPMENT	**(9)**	**(9)**	**742**	**742**	**893**	**893**
Staff-related measures	(3)	(3)	5	5	1	1
Non-staff-related restructuring	–	–	(3)	(3)	(5)	(5)
Effects of deconsolidations, disposals and acquisitions	(5)	(5)	741	741	708	708
Impairment losses	–	–	–	–	–	–
Other	(1)	(1)	–	–	189	189
GROUP HEADQUARTERS & GROUP SERVICES	**(146)**	**(146)**	**(15)**	**(15)**	**(119)**	**(119)**
Staff-related measures	(182)	(182)	(44)	(44)	(107)	(107)
Non-staff-related restructuring	(40)	(40)	(8)	(8)	(49)	(49)
Effects of deconsolidations, disposals and acquisitions	(4)	(4)	44	44	63	63
Impairment losses	–	–	–	–	–	–
Other	80	80	(7)	(7)	(26)	(26)
GROUP	**(652)**	**(652)**	**454**	**452**	**1,740**	**(374)**
Staff-related measures	(630)	(630)	(187)	(187)	(559)	(559)
Non-staff-related restructuring	(55)	(55)	(22)	(22)	(85)	(85)
Effects of deconsolidations, disposals and acquisitions	(9)	(9)	785	785	778	778
Impairment losses	–	–	–	(2)	1,651	(463)
Other	42	42	(122)	(122)	(45)	(45)
EBITDA/EBIT (ADJUSTED FOR SPECIAL FACTORS)	**11,477**	**5,175**	**11,495**	**5,150**	**22,230**	**9,757**
Profit (loss) from financial activities (adjusted for special factors)		(893)		(1,870)		(2,895)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		**4,282**		**3,279**		**6,863**
Income taxes (adjusted for special factors)		(1,230)		(753)		949
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		**3,053**		**2,527**		**7,812**
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		2,428		2,138		6,039
Non-controlling interests (adjusted for special factors)		625		389		1,773

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, 2018	Dec. 31, 2017	Change	Change %	June 30, 2017
Financial liabilities (current)	6,708	8,358	(1,650)	(19.7)	10,351
Financial liabilities (non-current)	54,554	49,171	5,383	10.9	50,638
FINANCIAL LIABILITIES	**61,262**	**57,529**	**3,733**	**6.5**	**60,989**
Accrued interest	(678)	(692)	14	2.0	(655)
Other	(570)	(781)	211	27.0	(886)
GROSS DEBT	**60,014**	**56,056**	**3,958**	**7.1**	**59,448**
Cash and cash equivalents	2,943	3,312	(369)	(11.1)	2,441
Available-for-sale financial assets/ financial assets held for trading	–	7	(7)	n. a.	7
Derivative financial assets	1,172	1,317	(145)	(11.0)	1,515
Other financial assets	1,127	629	498	79.2	236
NET DEBT	**54,772**	**50,791**	**3,981**	**7.8**	**55,249**

RECONCILIATION FOR THE CHANGE IN DISCLOSURE OF KEY FIGURES FOR THE COMPARATIVE PERIOD IN THE FIRST HALF OF 2018

millions of €

	Comparative period						Dec. 31, 2017	
	Total revenue	Profit (loss) from operations (EBIT)	EBITDA	Adjusted EBITDA	Depreciation and amortization	Impairment losses	Segment assets	Segment liabilities
H1 2017/ JUNE 30, 2017 PRESENTATION AS OF JUNE 30, 2017 – AS REPORTED								
Germany	10,768	2,129	4,016	4,170	(1,882)	(6)	33,667	26,566
United States	18,218	2,331	5,025	5,025	(2,690)	(5)	64,931	42,003
Europe	5,641	681	1,791	1,836	(1,109)	(1)	25,746	10,206
Systems Solutions	3,392	(37)	158	232	(195)	0	6,408	5,061
Group Development	1,157	1,074	1,217	475	(143)	0	9,997	5,549
Group Headquarters & Group Services	1,525	(574)	(233)	(218)	(319)	(22)	46,956	55,867
TOTAL	**40,701**	**5,604**	**11,974**	**11,520**	**(6,338)**	**(34)**	**187,705**	**145,252**
Reconciliation	(3,164)	(3)	(25)	(25)	22	3	(46,371)	(46,388)
GROUP	**37,537**	**5,601**	**11,949**	**11,495**	**(6,316)**	**(31)**	**141,334**	**98,864**
H1 2017/ JUNE 30, 2017 +/– CHANGE IN DISCLOSURE: VIVENTO CUSTOMER SERVICES								
Germany	–	(30)	(29)	(29)	–	–	71	76
United States	–	–	–	–	–	–	–	–
Europe	–	–	–	–	–	–	–	–
Systems Solutions	–	–	–	–	–	–	–	–
Group Development	–	–	–	–	–	–	–	–
Group Headquarters & Group Services	(3)	30	29	29	–	–	–	(4)
TOTAL	**(3)**	**–**	**–**	**–**	**–**	**–**	**71**	**72**
Reconciliation	3	–	–	–	–	–	(71)	(72)
GROUP	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
H1 2017/ JUNE 30, 2017 = PRESENTATION AS OF JUNE 30, 2018								
Germany	10,768	2,099	3,987	4,141	(1,882)	(5)	33,739	26,641
United States	18,218	2,331	5,025	5,025	(2,691)	(4)	64,931	42,003
Europe	5,641	681	1,791	1,836	(1,108)	(1)	25,746	10,206
Systems Solutions	3,392	(37)	158	232	(195)	–	6,408	5,061
Group Development	1,157	1,074	1,217	475	(143)	–	9,997	5,549
Group Headquarters & Group Services	1,521	(544)	(204)	(189)	(320)	(21)	46,957	55,863
TOTAL	**40,697**	**5,603**	**11,974**	**11,520**	**(6,339)**	**(31)**	**187,778**	**145,323**
Reconciliation	(3,161)	(2)	(25)	(25)	23	(1)	(46,444)	(46,459)
GROUP	**37,537**	**5,601**	**11,949**	**11,495**	**(6,316)**	**(32)**	**141,334**	**98,864**

GLOSSARY

For definitions, please refer to the 2017 Annual Report and the glossary therein, page 260 et seq.

DISCLAIMER

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

Forward-looking statements are based on current plans, estimates, and projections. You should consider them with caution. 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 IFRS, Deutsche Telekom presents alternative performance measures, e.g., EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted EBIT margin, adjusted net profit/loss, free cash flow, gross debt, and net debt. These measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Alternative performance measures are not subject to IFRS 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 2017 Annual Report, section "Management of the Group," page 38 et seq., or to Deutsche Telekom's Investor Relations website at www.telekom.com/alternative-performance-measures.

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.

FINANCIAL CALENDAR

August 9, 2018	November 8, 2018	February 21, 2019
Publication of the Interim Group Report as of June 30, 2018	Publication of the Interim Group Report as of September 30, 2018	Press conference on the 2018 financial statements and publication of the 2018 Annual Report
March 28, 2019	**May 9, 2019**	**August 8, 2019**
2019 shareholders' meeting	Publication of the Interim Group Report as of March 31, 2019	Publication of the Interim Group Report as of June 30, 2019

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, 2018 is a translation of the German version of the Interim Group Report. The German version is legally binding.

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

You can access our Investor Relations website directly by scanning this QR code.

MEDIA INFORMATION

Bonn, August 9, 2018

Deutsche Telekom continues to grow organically and again raises its full-year guidance

- Adjusted EBITDA expected to reach around 23.4 billion euros in 2018
- Revenue grows 1.3 percent in organic terms in the second quarter to 18.4 billion euros
- Adjusted EBITDA up 3.9 percent in organic terms to 5.9 billion euros
- At 1.5 billion euros, free cash flow 16.4 percent higher than prior-year figure
- Company defends top position in German mobile communications market
- Unbroken customer growth in the United States
- Growth trends in Europe confirmed

In the second quarter of 2018, Deutsche Telekom continued its positive trend from the start of the year. In Germany, the systematic build-out of fiber-optic infrastructure continues to pay off; in the United States, T-Mobile remains on a successful trajectory after announcing its plans to merge with its competitor Sprint; and, in Europe, the company continues to post growth, especially in convergent products. In the second quarter, net revenue rose 1.3 percent year-on-year in organic terms – i.e., adjusted for exchange rate effects and changes in the composition of the Group – reaching 18.4 billion euros. Adjusted EBITDA rose 3.9 percent in organic terms to 5.9 billion euros. As the U.S. dollar was about 10 percent weaker year-on-year, reported revenue was down slightly, by 2.8 percent, while reported adjusted EBITDA was down 0.3 percent.

For the second time this financial year, Deutsche Telekom revised upward its full-year guidance for adjusted EBITDA: Due to the positive earnings trend in the United States, the Group now expects to post a figure of around 23.4 billion euros (at constant exchange rates). At the start of the financial year, the Group had forecast around 23.2 billion euros. The guidance for free cash flow remains unchanged at around 6.2 billion euros.

“We remain firmly on track,” said Thomas Dannenfeldt, CFO of Deutsche Telekom. “The trends in Germany and the United States are positive. At our European subsidiaries, we are again posting sustained growth.”

Free cash flow in the second quarter came in at 1.5 billion euros, up around 16.4 percent year-on-year. Cash capex remained stable at a high level, amounting to 3.0 billion euros before expenses for mobile spectrum. That was a year-on-year increase of 0.9 percent.

Adjusted net profit increased 3.3 percent year-on-year to 1.2 billion euros, whereas unadjusted net profit declined 43.4 percent to 0.5 billion euros. This decline was mainly due to the accounting effects of the settlement reached in the Toll Collect arbitration proceedings, which had a negative impact of 0.6 billion euros on net profit.

Germany – strong performance in mobile and fixed-line communications

Deutsche Telekom successfully defended its leading position in the German mobile communications market with another strong quarter. Mobile service revenues – the key benchmark in this business area – rose 2.9 percent year-on-year in the second quarter, reaching 1.7 billion euros. 45 percent of mobile contract customers (consumers) under the Telekom brand name already use a product bundle from the MagentaEINS portfolio, compared with 38 percent a year earlier. At the end of the second quarter, there were 3.9 million MagentaEINS customers, about half a million more than in the second quarter of 2017.

Infrastructure build-out remained at the top of the agenda. Over the last twelve months, Telekom has put 1,000 new mobile sites into operation in order to close remaining gaps in coverage. 74 percent of households in Germany with a fixed line now have access to fiber-optic-based products (FTTH, VDSL/vectoring), compared with 67 percent a year ago.

At the same time, key steps for further infrastructure build-out were taken in recent weeks. On July 2, Telekom signed an agreement with the City of Stuttgart and five neighboring municipalities to provide 90 percent of households in this region with direct fiber-optic lines by 2030. Starting August 1, super-vectoring technology will grant 6 million households in Germany broadband access at speeds of up to 250 Mbit/s. By year-end 2019, around two-thirds of households in Germany should have access to this high-speed technology.

With 624,000 additional customers opting for fiber-optic-based products, and the overall number rising to almost 11 million, the success of this strategy was once again evident. Deutsche Telekom added another 80,000 customers overall in the broadband market.

In the second quarter of 2018, the Germany operating segment posted a year-on-year increase of 1.9 percent in adjusted EBITDA to 2.1 billion euros. One factor in this growth was a reduced cost base, which fell 2.1 percent to 3.3 billion euros. Revenue decreased slightly, declining 0.9 percent to 5.3 billion euros.

United States – business is continuing at full speed

T-Mobile US maintained its top position in the U.S. mobile communications market, especially as regards key financial indicators like growth in service revenues and net customer additions. Business continued to boom after the announcement in early May of the planned merger with competitor Sprint.

Specifically, second-quarter service revenues rose 6.1 percent year-on-year to reach 7.8 billion U.S. dollars. At the same time, adjusted EBITDA increased by 5.1 percent to 3.0 billion U.S. dollars.

The number of branded postpaid customers rose by more than one million in the second quarter. Overall, T-Mobile US reported 1.6 million new customers in the second quarter – its 21st consecutive quarter of million-plus growth. As of June 30, the customer base was 75.6 million.

Europe – unbroken positive trend in all areas

Business in Europe remained on a growth trajectory in the April-through-June quarter. All key financial indicators as well as customer figures were higher compared with the prior-year period.

Revenue in the Europe operating segment rose 1.3 percent to 2.9 billion euros. The year-on-year increase of 1.8 percent in mobile service revenues – calculated on a comparable basis – was particularly gratifying. Magyar Telekom (Hungary) delivered the strongest growth in mobile business. Adjusted EBITDA benefited from lower costs, adding 0.9 percent in organic terms despite the negative effects of roaming regulation.

Unbroken growth in customer numbers created the strong underpinnings for this increase. The upward trend in new mobile contract customers (plus 336,000) and new broadband customers (plus 73,000) continued to hold in the second quarter. In both these business areas, the customer base increased around 5 percent year-on-year.

Convergent products bundling fixed-network and mobile communications continue to be a real success story. Within the space of one year, the number of customers opting for these convergent products rose 48.3 percent to

2.7 million. Key initiatives were taken after the second quarter in two further countries to encourage the growth of convergent products in line with Deutsche Telekom's strategy. On July 9, the European Commission approved the acquisition in Austria of cable network operator UPC Austria. On July 23, T-Mobile Polska signed an agreement with its competitor Orange that will grant it access to more than 4 million households via the latter's fiber-optic network. In addition, T-Mobile Czech Republic plans to invest more in its fiber-optic network in order to enhance its business with product bundles.

Systems Solutions – strong order entry in second quarter

Along with various other deals, a major order from Sparda group had a positive impact on order entry at T-Systems. Under this contract, T-Systems will assume responsibility for the IT infrastructure and operations for the Sparda group's banks, including all network and security services, and will provide them with a future-proof digitalization platform. At 1.8 billion euros, order entry was up 42.2 percent on the prior-year quarter.

Systems Solutions' total revenue decreased 0.8 percent to 1.7 billion euros. The decline in earnings indicators was accentuated by capital expenditure in areas promising future growth, with adjusted EBITDA falling 11 percent to 121 million euros compared with the prior-year quarter. T-Systems is thus on track for the full-year guidance for 2018.

At the end of June, T-Systems launched a transformation program under the motto Investing while Saving to get the company back on the path to growth. The plan is to reduce the cost base by a gross amount of 600 million euros by 2021 and simultaneously invest a portion of these savings in growth areas. Negotiations are already underway with the employee representatives in order to implement the program.

The Deutsche Telekom Group at a glance:

	Q2 2018 millions of €	Q2 2017 millions of €	Change %	H1 2018 millions of €	H1 2017 millions of €	Change %	FY 2017 millions of €
Revenue	18,367	18,890	-2.8	36,291	37,537	-3.3	74,947
Proportion generated internationally in %	67.6	68.1	-0.5 p	67.1	67.7	-0.6 p	67.2
EBITDA	5,556	5,986	-7.2	10,825	11,949	-9.4	23,969
Adjusted EBITDA	5,928	5,944	-0.3	11,477	11,495	-0.2	22,230
Net profit	495	874	-43.4	1,487	1,621	-8.3	3,461
Adjusted net profit	1,238	1,199	3.3	2,428	2,138	13.6	6,039
Free cash flow[a]	1,514	1,301	16.4	2,896	2,530	14.5	5,497
Cash capex[b]	3,094	10,240	-69.8	6,234	13,520	-53.9	19,494
Cash capex[b] (before spectrum)	3,021	2,994	0.9	6,097	6,238	-2.3	12,099
Net debt	54,772	55,249	-0.9	54,772	55,249	-0.9	50,791
Number of employees[c]	217,207	216,135	0.5	217,207	216,135	0.5	217,349

Comments on the table:

The new accounting standards IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” took effect as of January 1, 2018. Prior-year comparatives were not adjusted. Application of these standards did not have any material effect on the Group’s results of operations.

a Before dividend payments and spectrum investment.

b Cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill).

c At the reporting date.

Operating segments:

	Q2 2018 millions of €	Q2 2017 millions of €	Change %	H1 2018 millions of €	H1 2017 millions of €	Change %	FY 2017 millions of €
Germany							
Total revenue	5,322	5,371	-0.9	10,648	10,768	-1.1	21,931
EBITDA	1,941	1,981	-2.0	3,857	3,987	-3.3	8,104
Adjusted EBITDA	2,126	2,086	1.9	4,209	4,141	1.6	8,412
Number of employees[a]	63,872	64,560	-1.1	63,872	64,560	-1.1	64,798
United States							
Total revenue	8,821	9,236	-4.5	17,277	18,218	-5.2	35,736
US-$	*10,510*	*10,152*	*3.5*	*20,904*	*19,714*	*6.0*	*40,316*
EBITDA	2,522	2,635	-4.3	4,882	5,025	-2.8	10,949
Adjusted EBITDA	2,553	2,640	-3.3	4,885	5,025	-2.8	9,316
US-$	*3,046*	*2,899*	*5.1*	*5,912*	*5,439*	*8.7*	*10,479*
Europe							
Total revenue	2,896	2,860	1.3	5,707	5,641	1.2	11,589
EBITDA	907	913	-0.7	1,812	1,791	1.2	3,619
Adjusted EBITDA	953	947	0.6	1,864	1,836	1.5	3,749
Systems Solutions							
Order entry	1,842	1,295	42.2	3,348	2,569	30.3	5,241
Total revenue	1,674	1,688	-0.8	3,339	3,392	-1.6	6,918
Adjusted EBIT margin (%)	1.4	2.4	-1.0 p	-0.4	1.1	-1.5p	1.7
EBITDA	71	97	-26.8	90	158	-43.0	280
Adjusted EBITDA	121	136	-11.0	179	232	-22.8	509

Comments on the table:

The new accounting standards IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” took effect as of January 1, 2018. Prior-year comparatives were not adjusted. Application of these standards did not have any material effect on the Group’s results of operations.

a At the reporting date.

Development of customer numbers

Operating segments: development of customer numbers in the second quarter of 2018

	June 30, 2018 thousands	Mar. 31, 2018 thousands	Change thousands	Change %
Germany				
Mobile customers	43,023	42,730	293	0.7
Of which contract customers	24,965	25,102	-137	-0.5
Fixed-network lines	18,989	19,149	-160	-0.8
Of which retail IP-based	13,629	12,843	786	6.1
Broadband lines	13,437	13,357	80	0.6
Of which optical fiber[a]	6,559	6,232	327	5.2
Television (IPTV, satellite)	3,240	3,193	47	1.5
Unbundled local loop lines (ULLs)	5,587	5,846	-259	-4.4
United States				
Mobile customers	75,619	74,040	1,579	2.1
Of which branded postpaid customers	40,082	39,065	1,017	2.6
Of which branded prepay customers	20,967	20,876	91	0.4
Europe				
Mobile customers	49,886	49,254	632	1.3
Of which contract customers	26,022	25,686	336	1.3
Fixed-network lines	8,414	8,409	5	0.1
Of which IP-based	6,235	5,947	288	4.8
Broadband customers[b]	5,671	5,598	73	1.3
Television (IPTV, satellite, cable)	4,293	4,271	22	0.5

Comments on the table:

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

b Starting in Q2/2018, we no longer report the number of retail broadband lines from a technical perspective. Instead, we report the number of broadband customers. Prior-year comparatives have been adjusted.

Operating segments: development of customer numbers in year-on-year comparison

	June 30, 2018 thousands	June 30, 2017 thousands	Change thousands	Change %
Germany				
Mobile customers	43,023	42,011	1,012	2.4
Of which contract customers	24,965	25,084	-119	-0.5
Fixed-network lines	18,989	19,477	-488	-2.5
Of which retail IP-based	13,629	10,351	3,278	31.7
Broadband lines	13,437	13,035	402	3.1
Of which optical fiber[a]	6,559	5,033	1,526	30.3
Television (IPTV, satellite)	3,240	3,024	216	7.1
Unbundled local loop lines (ULLs)	5,587	6,723	-1,136	-16.9
United States				
Mobile customers	75,619	69,562	6,057	8.7
Of which branded postpaid customers	40,082	36,158	3,924	10.9
Of which branded prepay customers	20,967	20,293	674	3.3
Europe				
Mobile customers	49,886	47,688	2,198	4.6
Of which contract customers	26,022	24,854	1,168	4.7
Fixed-network lines	8,414	8,464	-50	-0.6
Of which IP-based	6,235	5,416	819	15.1
Broadband customers[b]	5,671	5,396	275	5.1
Television (IPTV, satellite, cable)	4,293	4,156	137	3.3

Comments on the table:

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

b Starting in Q2/2018, we no longer report the number of retail broadband lines from a technical perspective. Instead, we report the number of broadband customers. Prior-year comparatives have been adjusted.

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DEUTSCHE TELEKOM

Q2/2018 RESULTS

LIFE IS FOR SHARING.

DISCLAIMER

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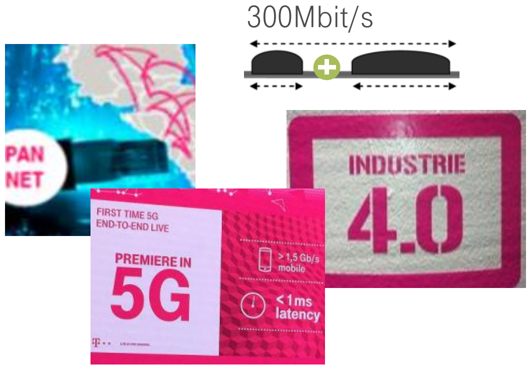
REVIEW H1/2018

2018 H1 HIGHLIGHTS: GROWTH ON BOTH SIDES OF THE ATLANTIC

Growth: investments and innovations

- Cash capex at €6.1 bn (ex. spectrum)
- IP-Migration continues in GER (77%) and EU (74%). +5.5 mn households LTM
- Fiber roll-out: 5.5 mn new homes in GER and EU with access to Fiber yoy
- Continued LTE pop coverage expansion in GER (95%) and EU (96%)



Growth: customers

- 11 mn German fiber homes (+34% yoy)
- 1 mn converged net adds LTM
- 1.7 mn mobile contract net adds in Germany and EU LTM
- 6.1mn net adds LTM in the US
- T-Systems order book up 30% in H1

Growth: financials

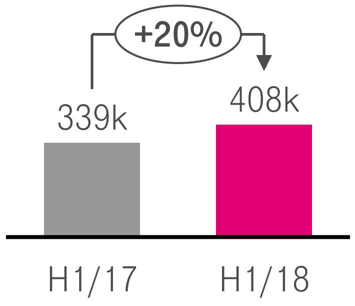
- Strong organic[1] growth continues
  - Revenue up 2.2% yoy
  - Adj. EBITDA up 5.2% yoy
  - Adj. EBITDA ex. US up 2.4%
  - FCF up 14.5% yoy
  - Adj. EPS up 10.9%
- Net debt/Adj. EBITDA at 2.5x

1) Revenue and adj. EBITDA growth rates on organic base: adjusted for currency fluctuations and changes in the scope of consolidation. FCF and adj. EPS calculated on reported results.

H1/2018 INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

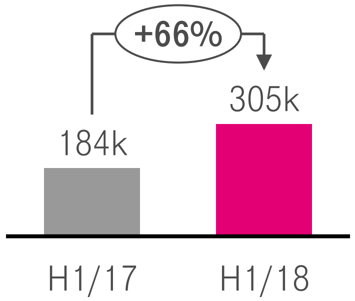
Hybrid Access[1]

subs



Smart Home[2]

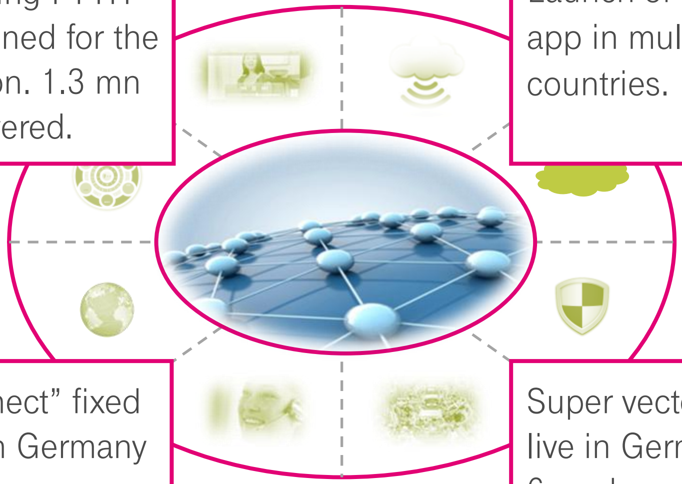
subs



Innovation/Network

Ground breaking FTTH agreement signed for the Stuttgart region. 1.3 mn HHs to be covered.

Launch of new customer app in multiple European countries.

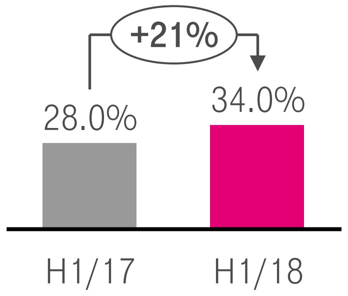


DT wins “connect” fixed network test in Germany again .

Super vectoring going live in Germany with 6 mn homes at start and 15 mn until year end.

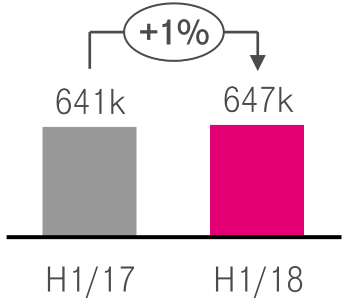
E-service share of interactions

in %



IT-Support[3]

subs



1) +5€ per customer/month 2) +5€ per customer/month 3) +8€ per customer/month

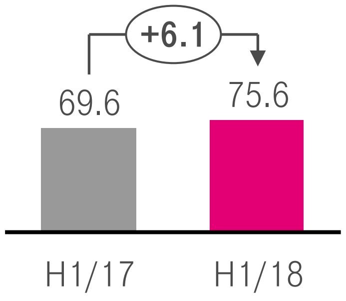
H1/2018 CUSTOMERS: ONGOING STRONG MOMENTUM

MagentaEINS (Germany + EU)[1]

mn

US Mobile

mn

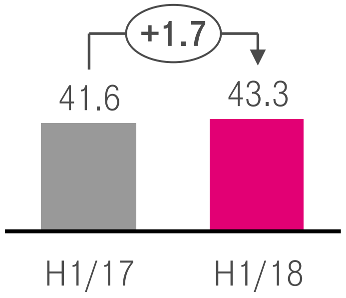


Fiber in Germany

mn

Mobile contract customers GER (own brand) + EU

mn



1) FMC RGUs may also appear under other brand name outside of Germany

GUIDANCE 2018: EBITDA OUTLOOK RAISED AGAIN BY €0.1 BN

€ bn	Revenue	Adj. EBITDA	FCF
2014 – 2018 CAGR	+1 – 2%	+2 – 4%	≈+10%
Achievements H1/18	+2.2%[1]	+5.2%[1]	+14.5%
2018 Guidance ($/€: 1.13)	Slight increase	Old: around 23.2 Q1 Update: 23.3 **New: around 23.4**	Around 6.2
thereof group excl. US		Around 13.2	
thereof TM US (US$ bn)		Old: around 11.3[2] Q1 Update: 11.4[2] **New: around 11.5**[2]	
impact of new revenue standard (US$ bn)		Around 0.35	
handset lease (US$ bn)		0.6 – 0.7	

1) Growth rates on organic base: adjusted for currency fluctuations and changes in the scope of consolidation 2) Equals mid-Point TMUS guidance ($11.7 bn US GAAP (previously 11.6 resp. 11.5)) + mid-point revenue recognition guidance (+$0.35 bn) and -$0.5 bn IFRS bridge

REVIEW Q2/18

Q2 2018: FINANCIAL HIGHLIGHTS

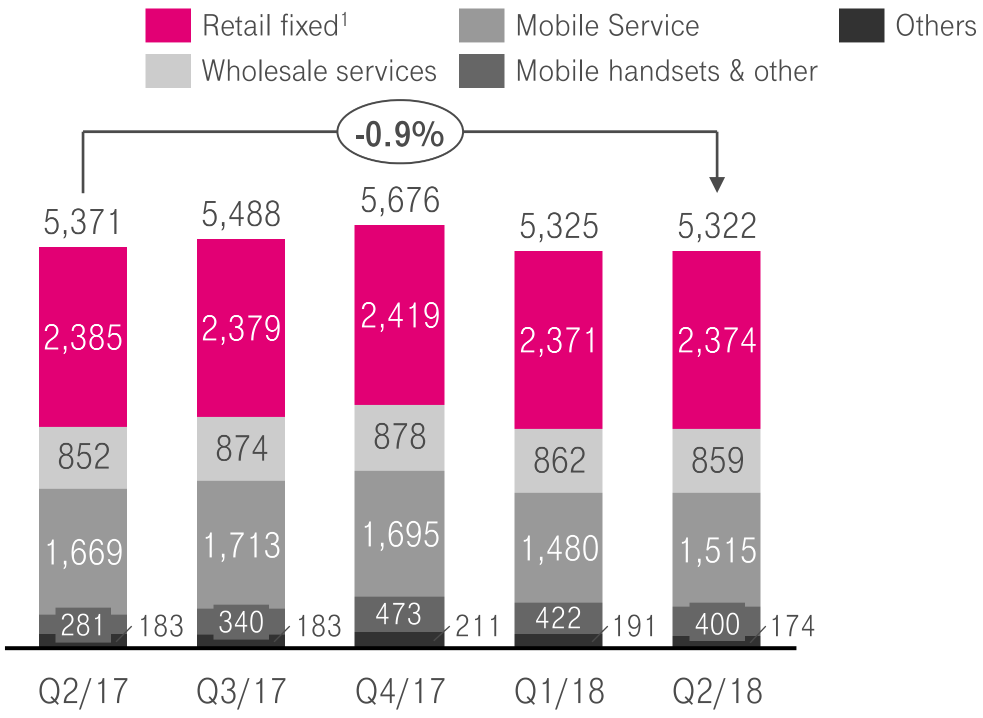
€ mn	Q2 2017	Q2 2018	Q2 Change	HY 2017	HY 2018	HY Change
Revenue	18,890	18,367	-2.8%	37.537	36.291	-3.3%
Adj. EBITDA	5,944	5,928	-0.3%	11,495	11,477	-0.2%
Adj. Net profit	1,199	1,238	+3.3%	2,138	2,428	+13.6%
Net profit	874	495[3]	-43.4%	1,621	1,487	-8.3%
Adj. EPS (in €)	0.26	0.26	+0.0%	0.46	0.51	+10.9%
Free cash flow[1]	1,301	1,514	+16.4%	2,530	2,896	+14.5%
Cash capex[2]	2,994	3,021	+0.9%	6,238	6,097	-2.3%
Net debt	55,249	54,772	-0.9%	55,249	54,772	-0.9%

1) Free cash flow before dividend payments and spectrum investment 2) Excl. Spectrum: Q2/17: €7,246 mn; Q2/18: €73 mn. HY/17: €7,282 mn; HY/18: €137 mn 3) Net income in Q2 impacted by Toll Collect settlement of €550 mn

GERMANY: REVENUE IMPACTED BY IFRS, ADJ. EBITDA ON TRACK

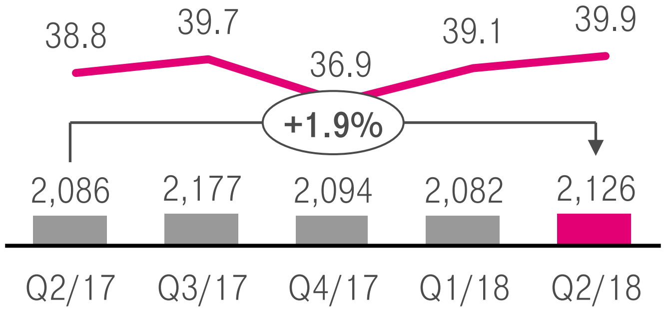
Revenue (as reported)

€ mn



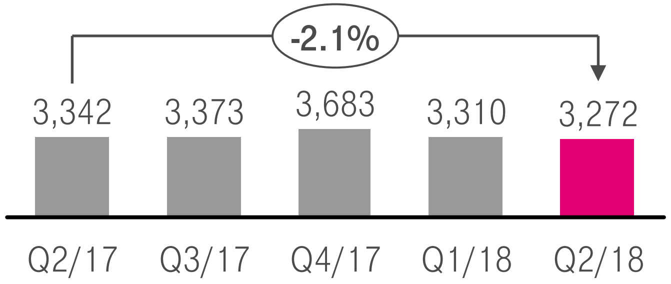
Adj. EBITDA and margin (in % as reported)

€ mn



Adj. OPEX (as reported)

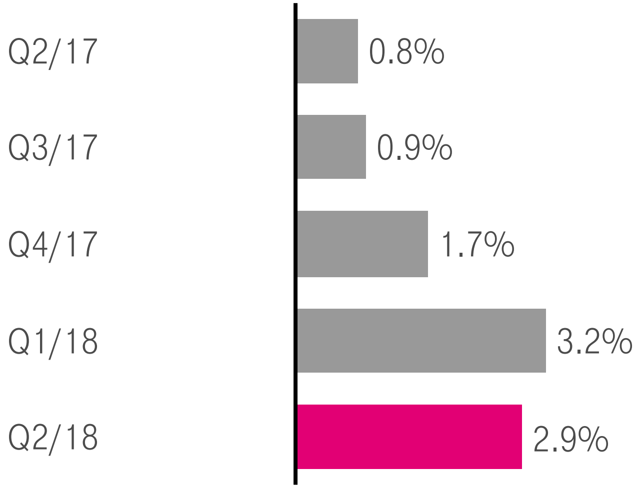
€ mn



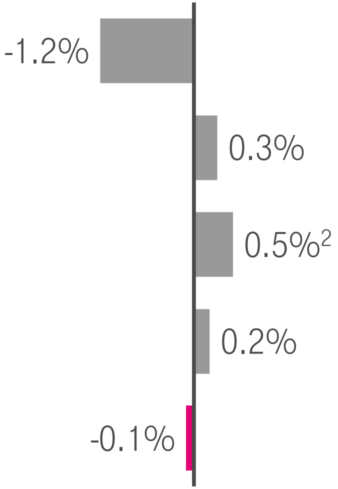
1) Fixed network core business

GERMANY: SUSTAINED GROWTH IN SERVICE REVENUES (EXCL. IFRS 15)

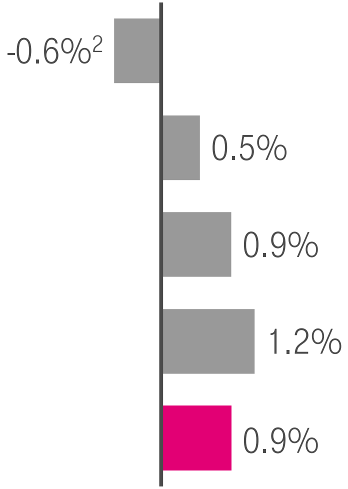
Mobile service revenue



Fixed line service revenue[1]



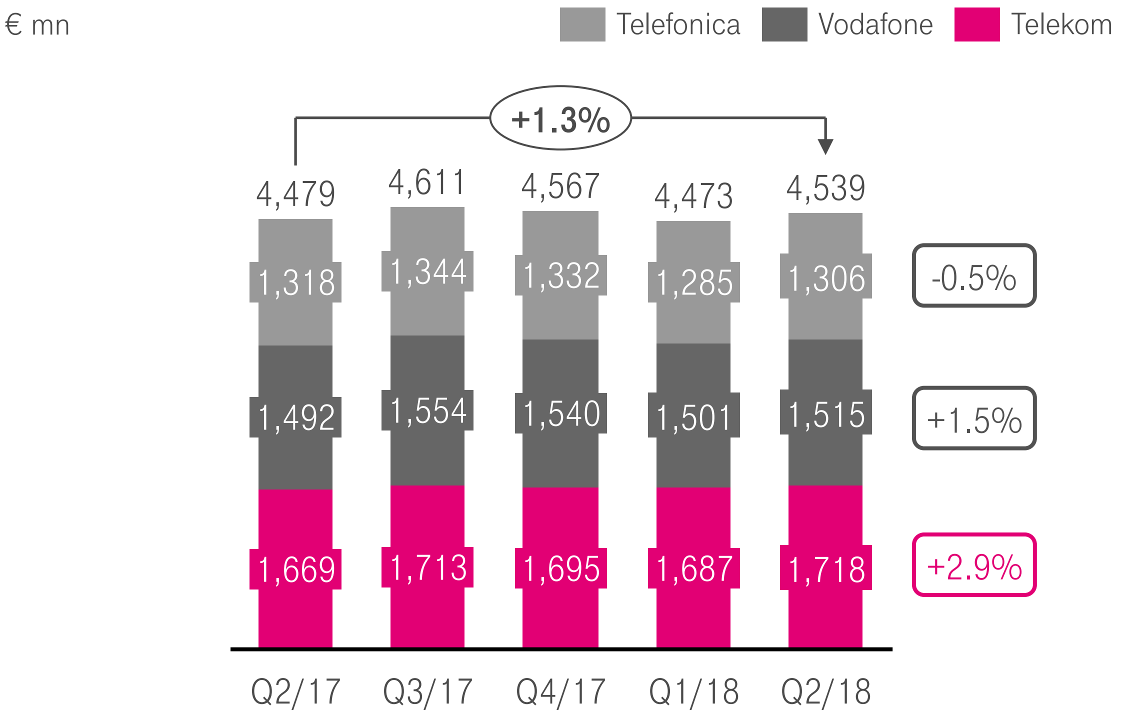
Total service revenue[1]



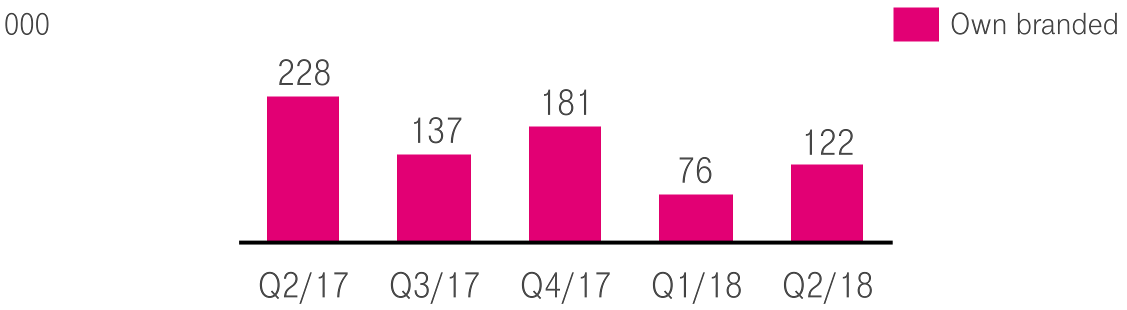
1) Total service revenue is a sum of fixed line and mobile service revenue. We define fixed line service revenue as fixed network core business revenue less fixed hardware revenue plus wholesale services fixed network revenue. From Q2/16 onwards we classify CPEs recurring rent revenue as fixed service revenue, and thus also part of total service revenue. Without this reclassification fixed line service revenue growth rate would be -0.5% in Q2/18, whereas TSR growth rate would be +0.7% in Q2/18.
Old growth rates have not been restated 2) Revenue in Q2/16 impacted by a negative special factor related to a settlement agreement. Adjusted growth rate at -1.5% for fixed service revenue, resp. -0.8% for total service revenue

GERMANY MOBILE: HEALTHY GROWTH CONTINUES

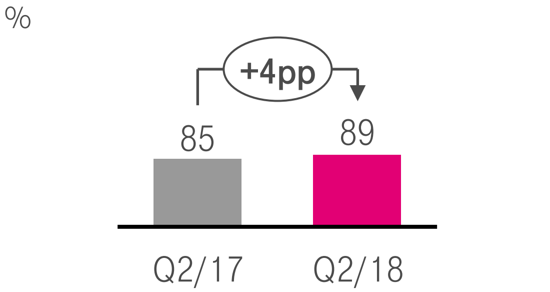
German mobile market service revenue (excl. IFRS 15)



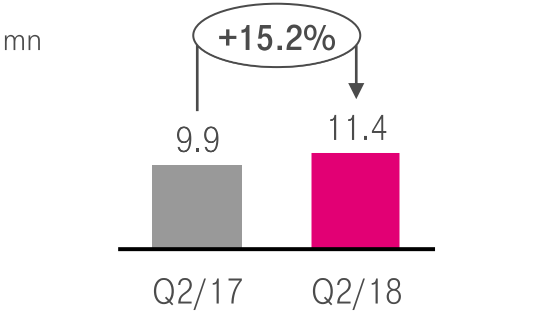
Contract net adds[1]



Smartphone penetration[2]



LTE customers[3]

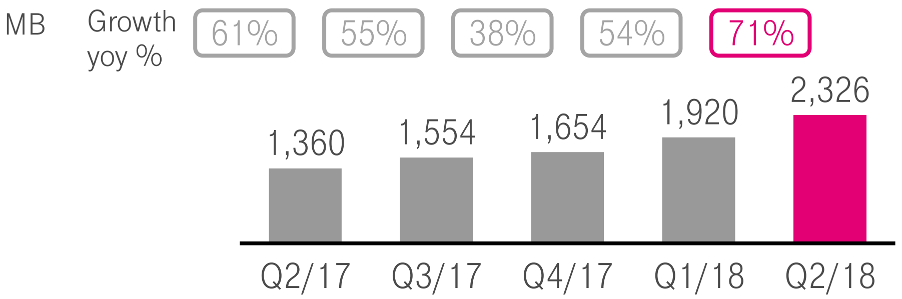


1) Figures may not add up due to rounding 2) Of own branded retail customers 3) Own customers using a LTE-device and tariff plan including LTE

GERMANY: GOOD PROGRESS WITH CONVERGENCE AND DATA

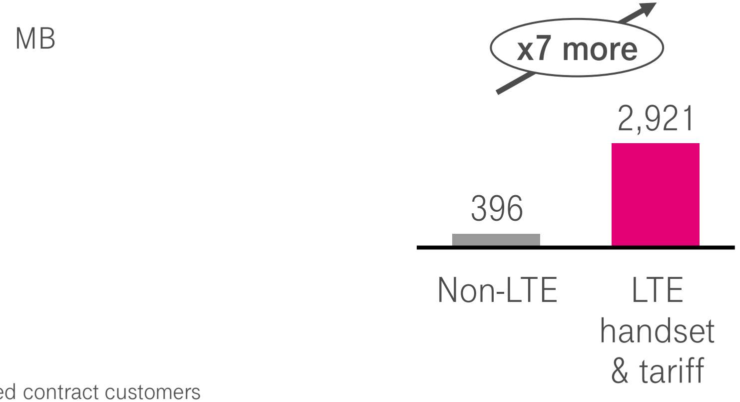
Mobile contract customers in MagentaEINS bundles[1]

Average Consumer Data Usage[3]



Households in MagentaEINS bundles[2]

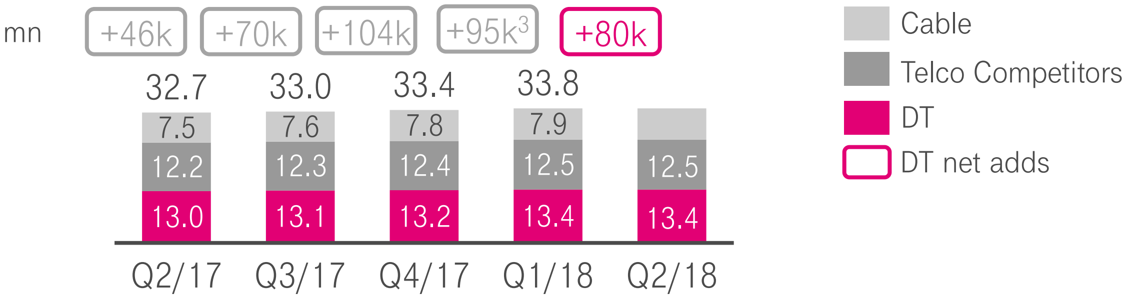
Average data usage uplift[3]



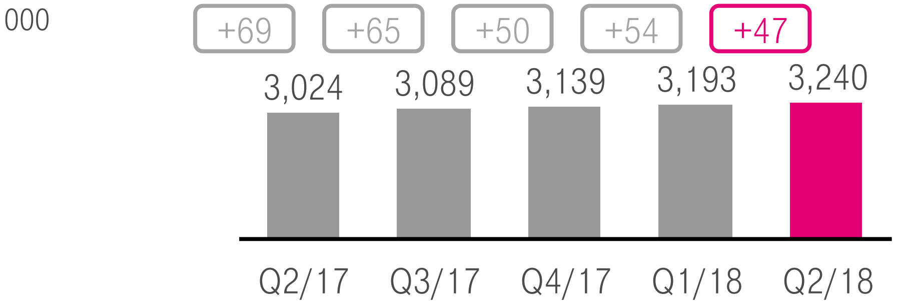
1) as % of B2C T-branded contract customers 2) as % of B2C broadband access lines 3) per month of B2C T-branded contract customers

GERMANY FIXED: STRONG BROADBAND CUSTOMER GROWTH

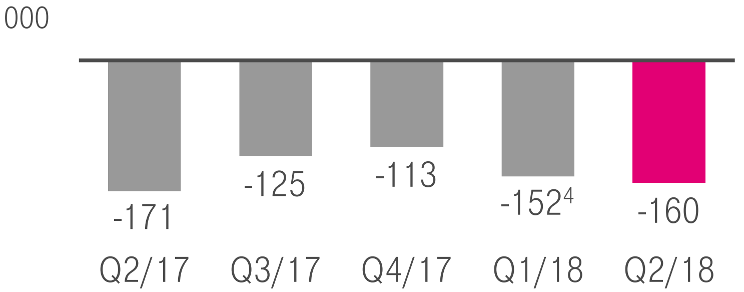
German broadband market[1]



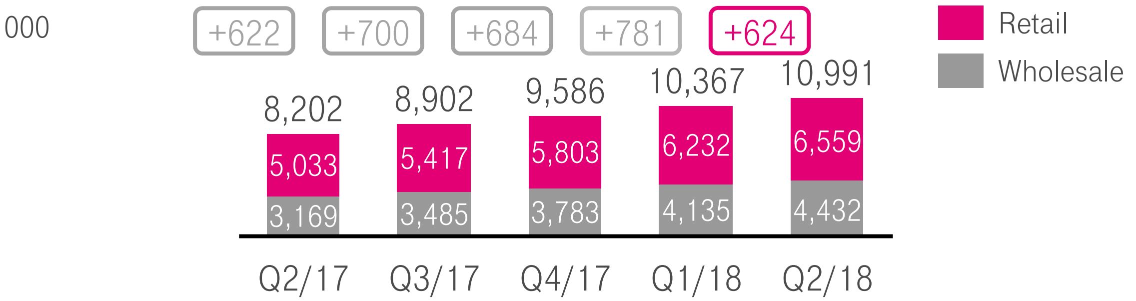
Entertain customers



Line losses



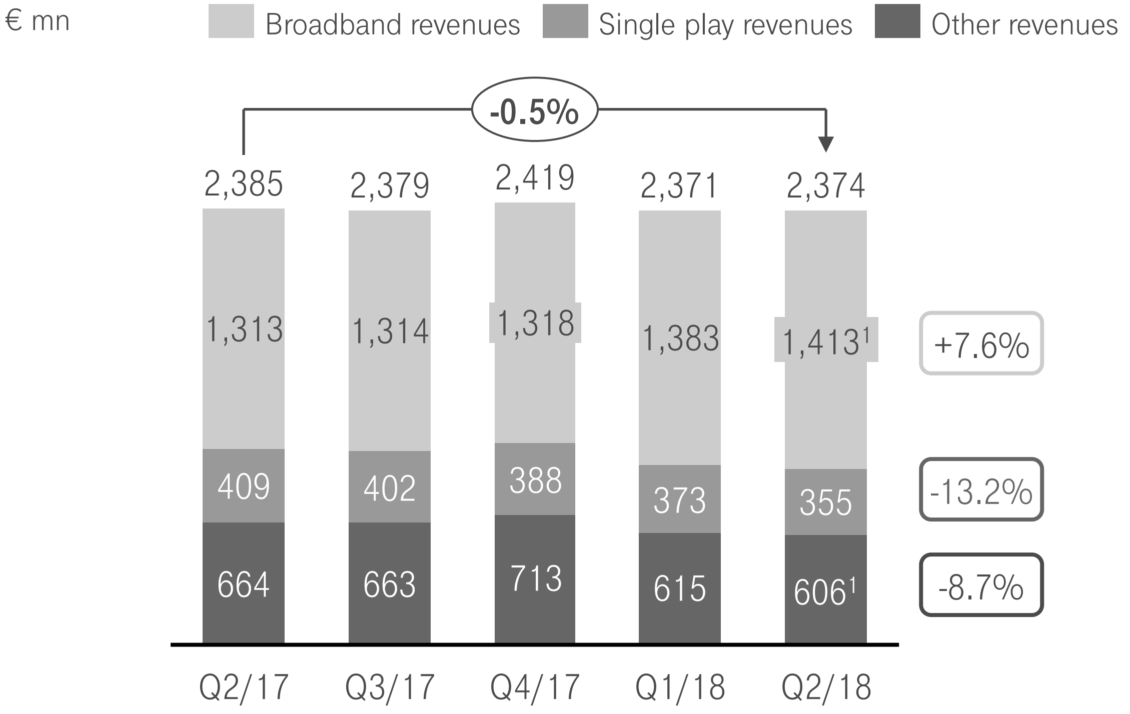
Fiber customers[2]



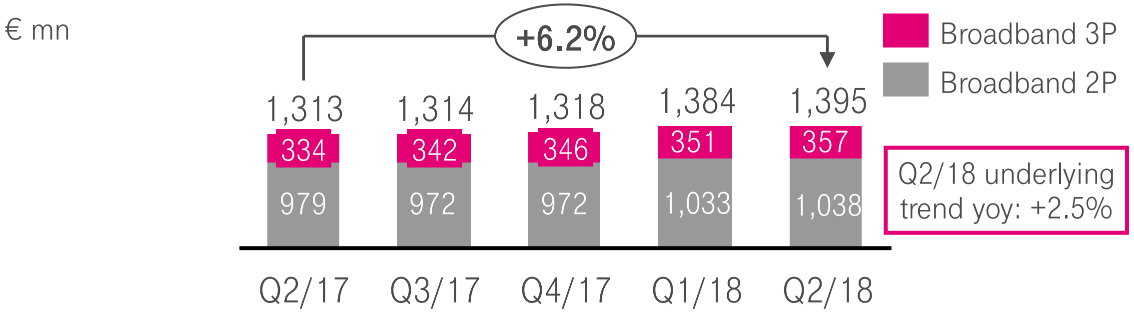
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH) 3) organic view: change in base was +148k 4) Organic view: Change in base was -90k

GERMANY FIXED: SOLID UNDERLYING TREND IN FIXED

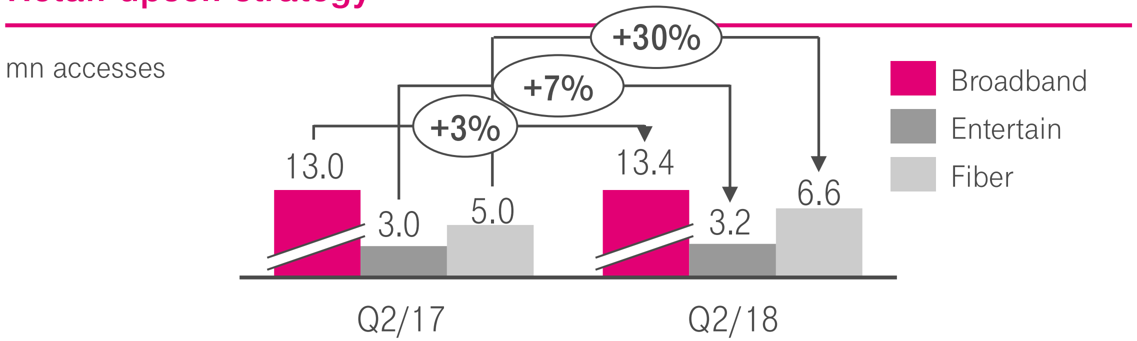
Fixed network revenue retail (as reported)



Broadband revenue[1] (excl. IFRS 15)



Retail upsell strategy[2]

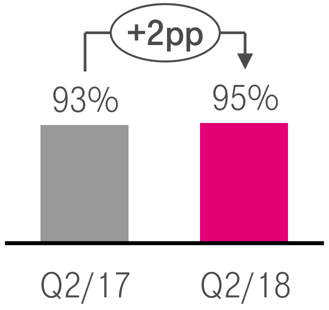


1) change in definition – no restatement for 2017. Effect in Q2/18: Shift of €47 mn from "Other revenues " to "BB revenues" .related to B2B broadband customers 2) Percentages calculated on exact figures

GERMANY: NETWORK ROLL-OUT AND IP-MIGRATION ON TRACK

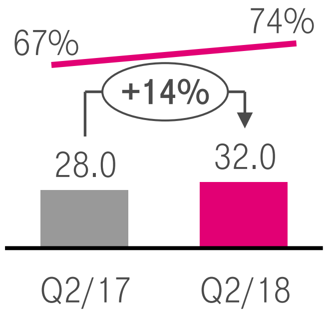
INS – Status LTE rollout

POP
Coverage in %[1]



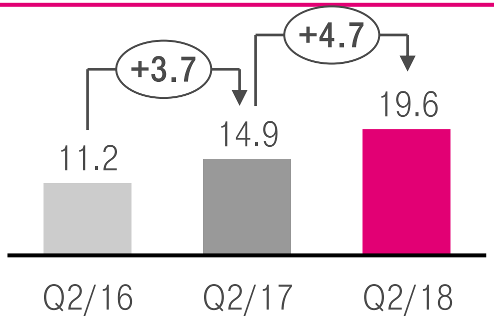
INS – Status fiber rollout[2]

Coverage in % and
millions of households



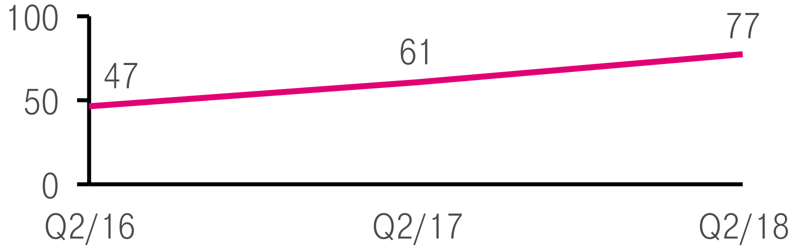
Status IP accesses (retail & wholesale)

mn



Status IP accesses (retail & wholesale)

% of lines

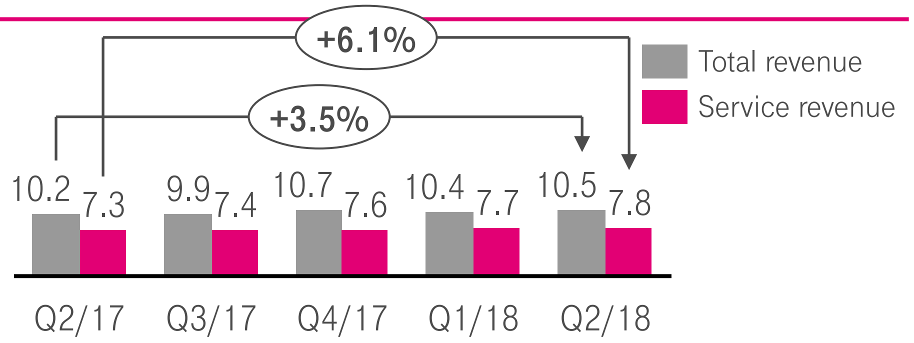


1) Outdoor coverage 2) In % of households within fixed network coverage in Germany

TMUS: CONTINUED INDUSTRY LEADING GROWTH

Revenue and service revenue

US-$ bn



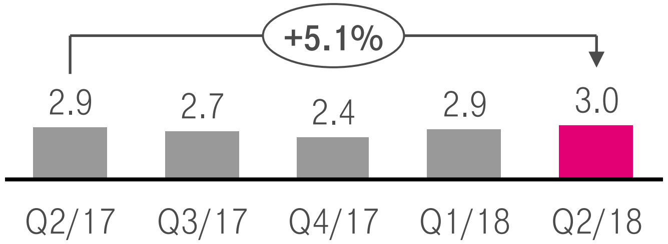
Net adds

000

	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Total net adds	1,333	1,329	1,854	1,433	1,579
Branded:					
▪ Postpaid	817	817	1,072	1,005	1,017
▪ Prepay	94	226	149	199	91
Wholesale[1]	422	286	633	229	471

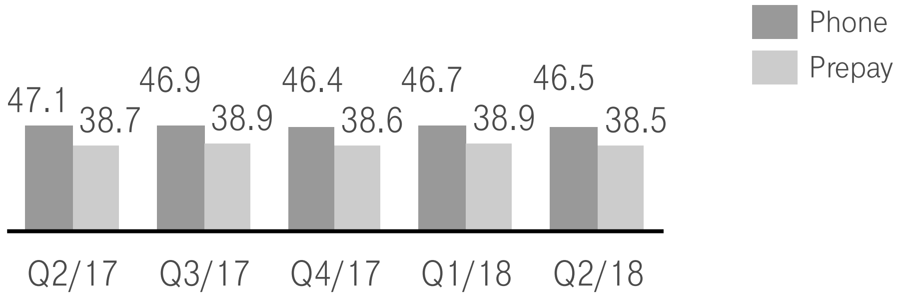
Adj. EBITDA

US-$ bn



Branded customers: Postpaid phone and prepay ARPU

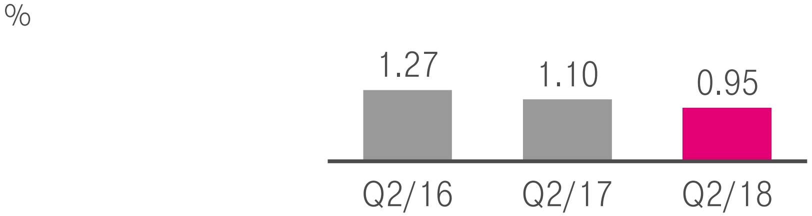
US-$ (US GAAP)



1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.

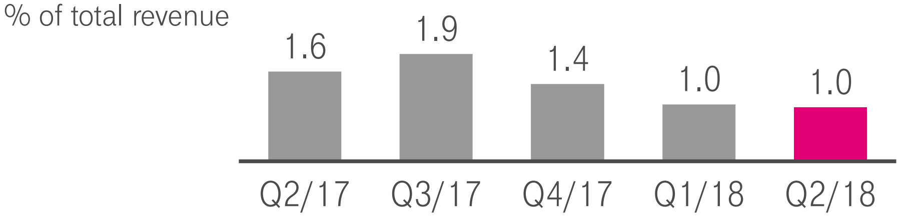
TMUS: EXECUTING ON KEY DRIVERS

Branded postpaid phone churn



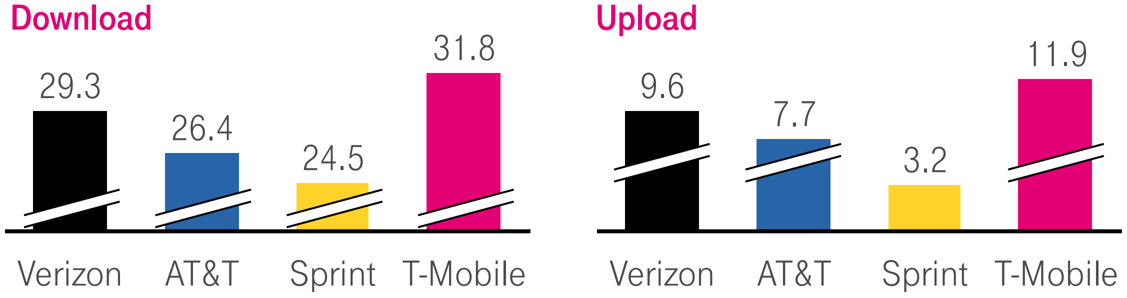
- Branded postpaid phone churn on record low level

Bad debt expenses & losses from sale of receivables



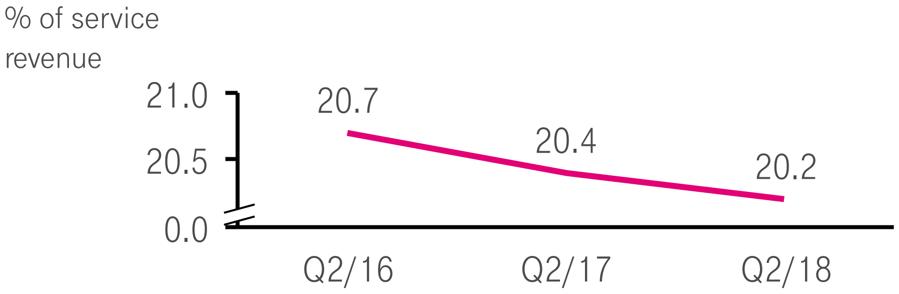
- Decrease reflects ongoing focus on managing customer quality

Average 4G LTE speeds (in Mbps) Q2/18



- Based on T-Mobile’s analysis of national LTE results from Ookla® Speed test data

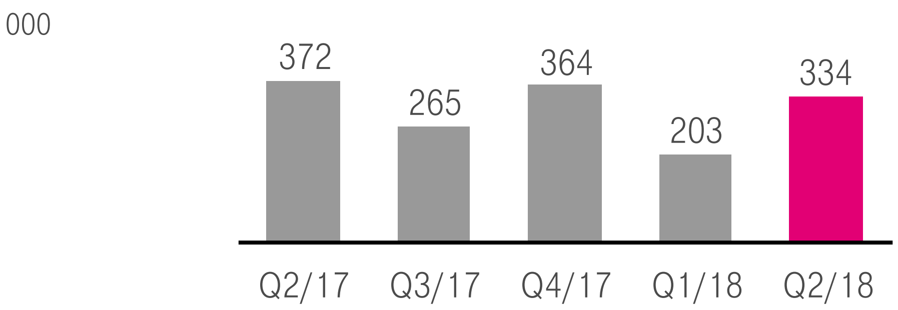
Cost of service



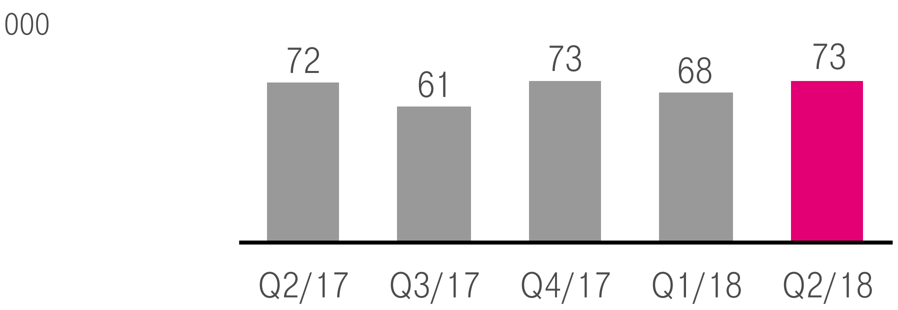
- Cost of services as a percentage of service revenues (excluding the impact of hurricanes) slightly down despite low band build-out.

EUROPE: STRONG GROWTH IN CUSTOMER BASE

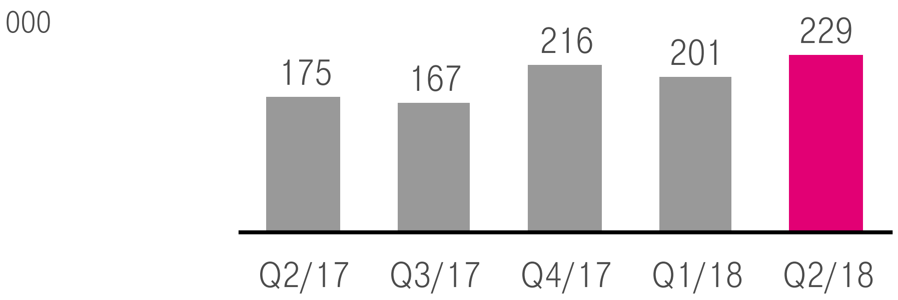
Contract Net Adds



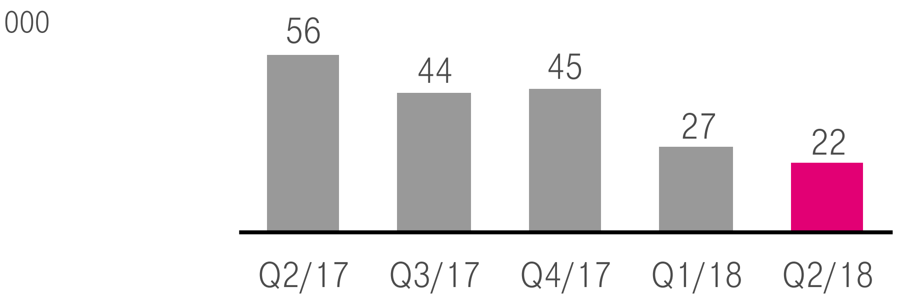
BB Net Adds[1]



FMC Net Adds



TV Net Adds

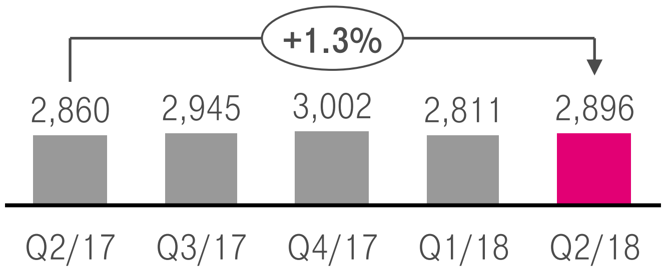


1) based on subscribers

EUROPE: GROWING REVENUE AND EBITDA

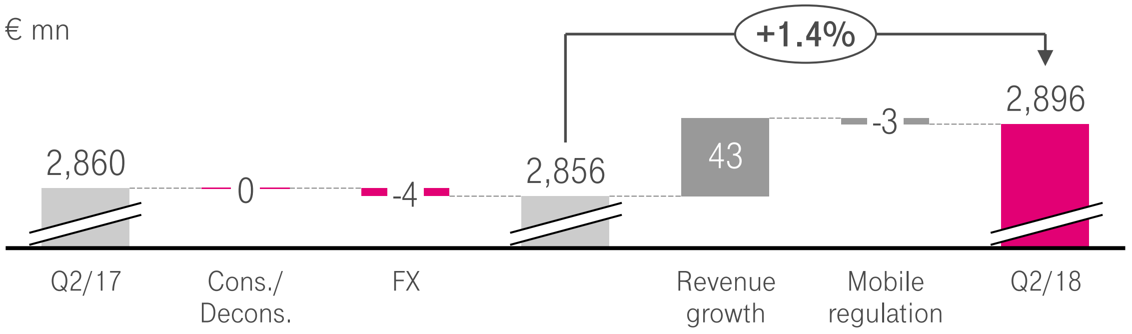
Revenue

€ mn



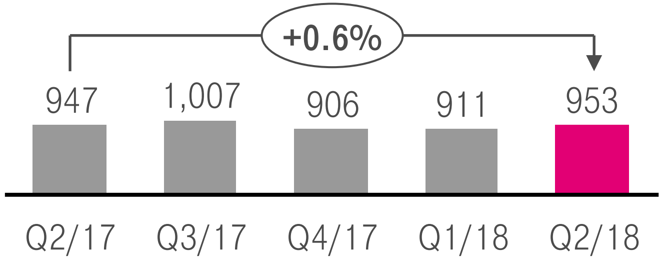
Organic revenue development

€ mn



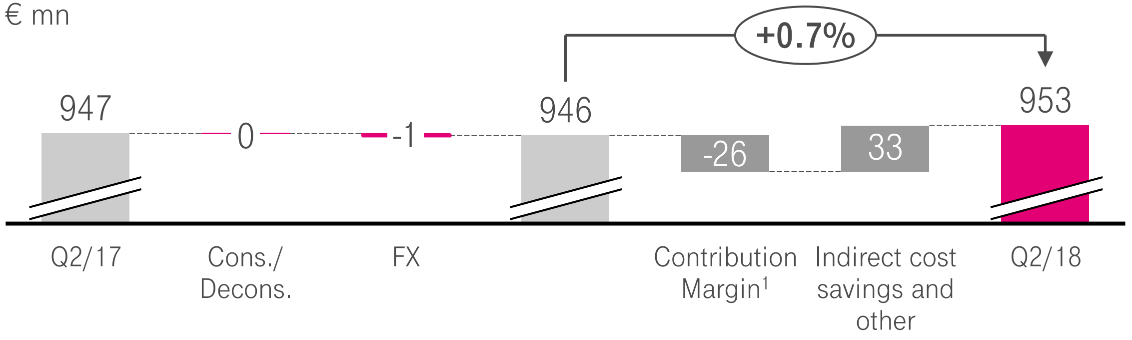
Adj. EBITDA

€ mn



Organic adj. EBITDA development

€ mn



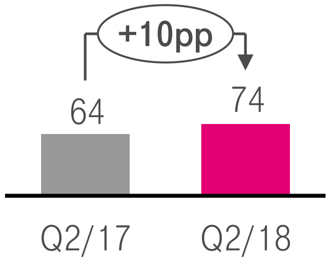
1) Total Revenue – Direct Cost

EUROPE: ONGOING INVESTMENTS IN NETWORK LEADERSHIP

IP migration

IP share of fixed network access lines

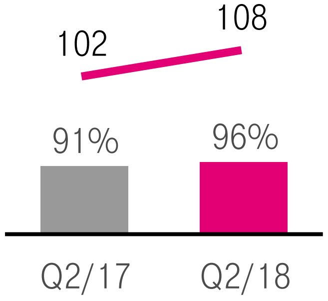
%



LTE rollout

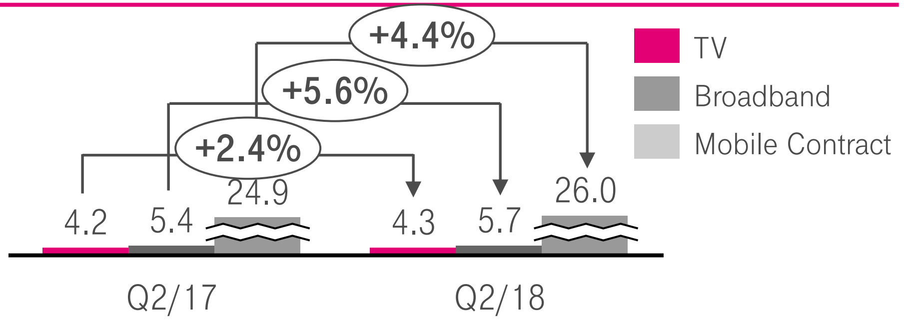
LTE outdoor pop coverage

mn and %



Customer base[1]

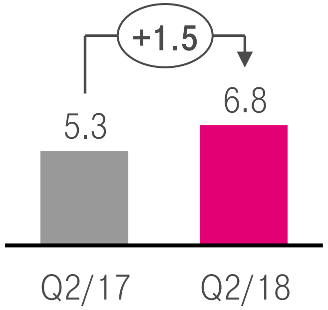
mn



Fiber rollout[1]

Fiber households

mn

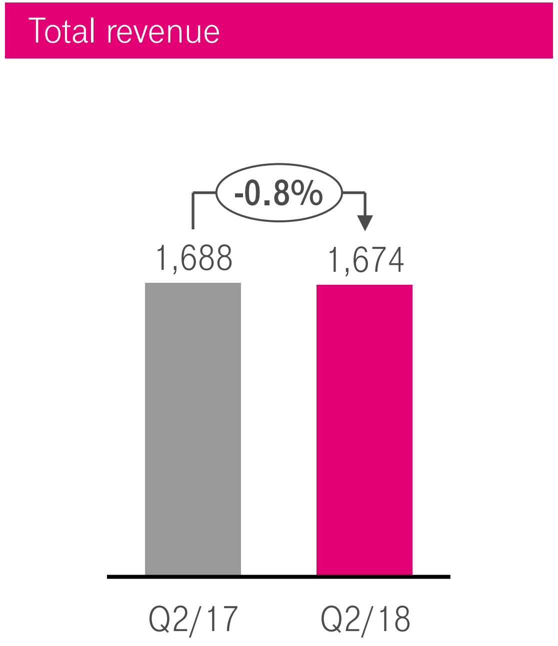


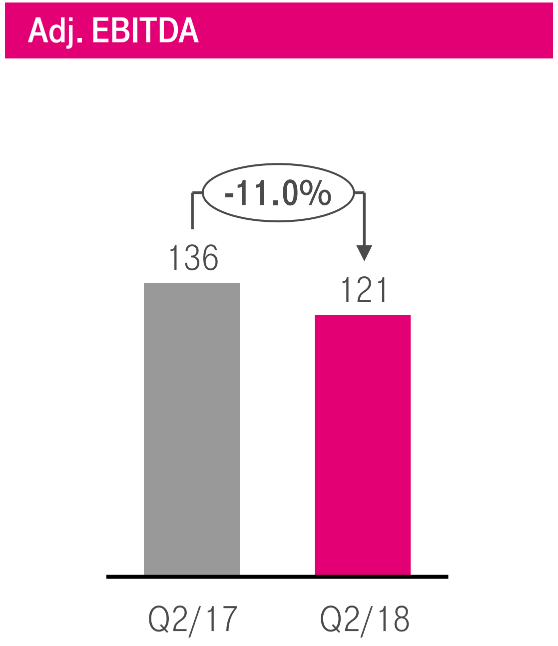
1) ≥ 100Mbit/s coverage: FTTH, FTTB, FTTC (with Vectoring), cable/ED3. Broadband also incl. wholesale customers. As of Q2/2018, adjusted HH baseline to include the Census update, B2B premises & CZ. 2017 restated.

SYSTEMS SOLUTIONS: ON TRACK FOR FULL YEAR GUIDANCE

T-Systems financials

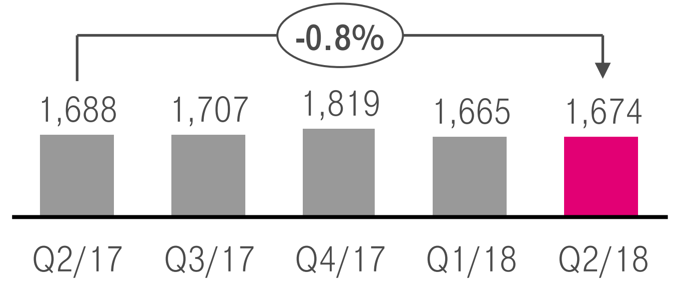
€ mn





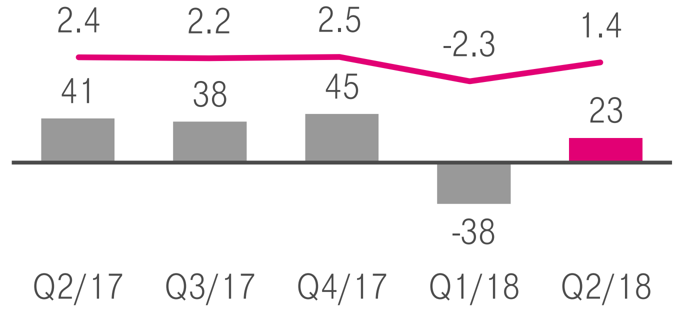
Revenue

€ mn



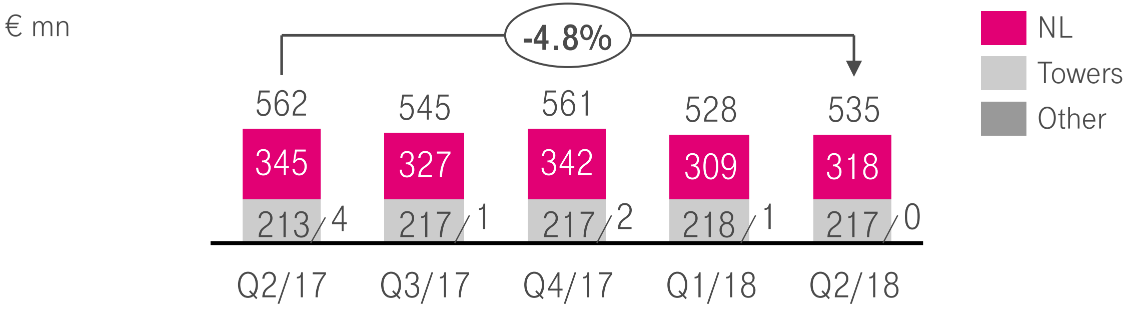
Adj. EBIT and margin in %

€ mn

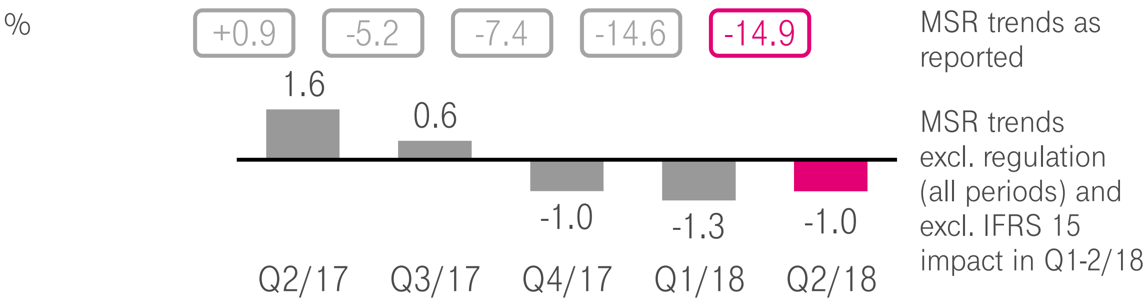


GROUP DEVELOPMENT: STEADY UNDERLYING DELIVERY – TM NL REVENUES IMPACTED BY IFRS 15

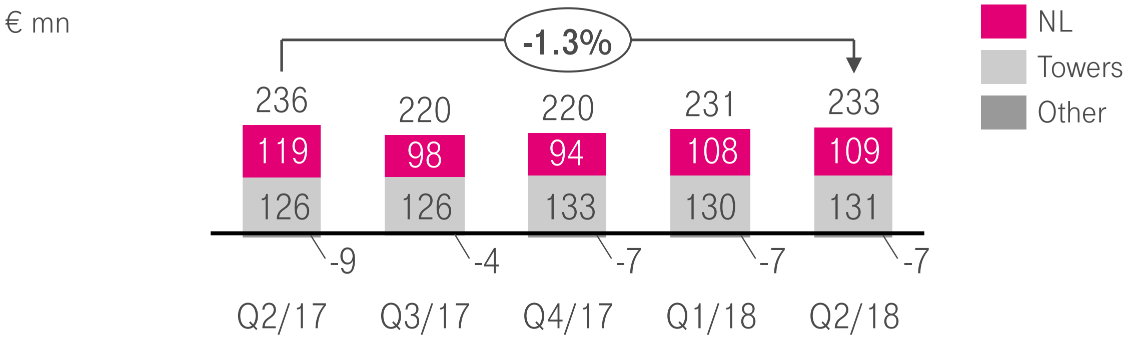
Revenue



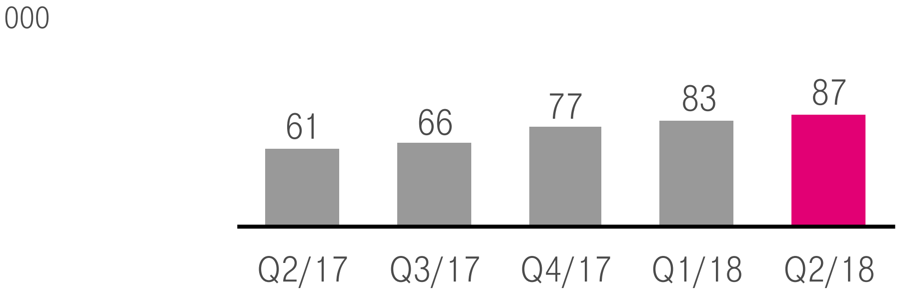
Mobile service revenue trend yoy (NL)



Adj. EBITDA

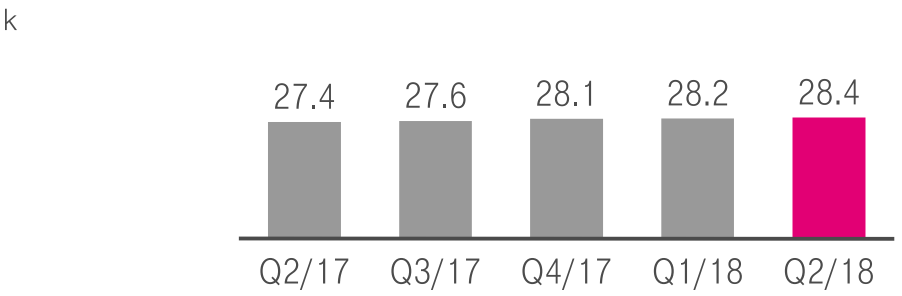


Contract net adds (NL)

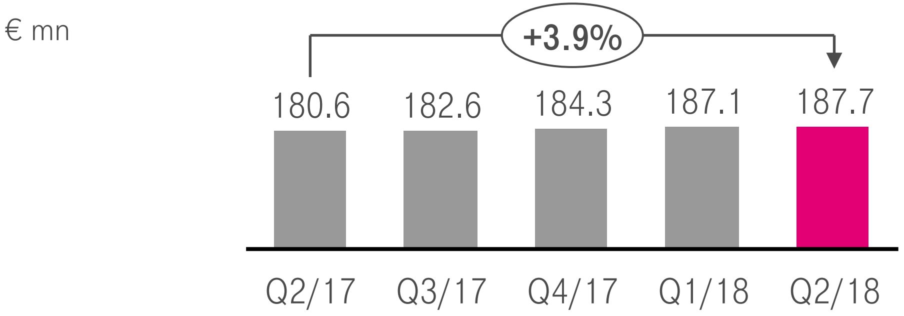


GROUP DEVELOPMENT: TOWER BUSINESS DOING WELL

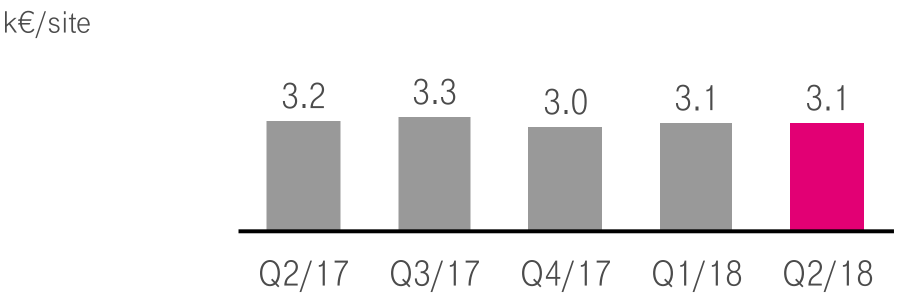
Total site development



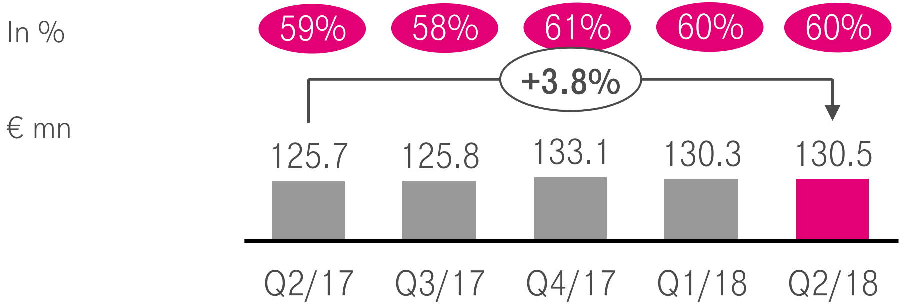
Recurring rental revenue



Opex per site (avg. sites)

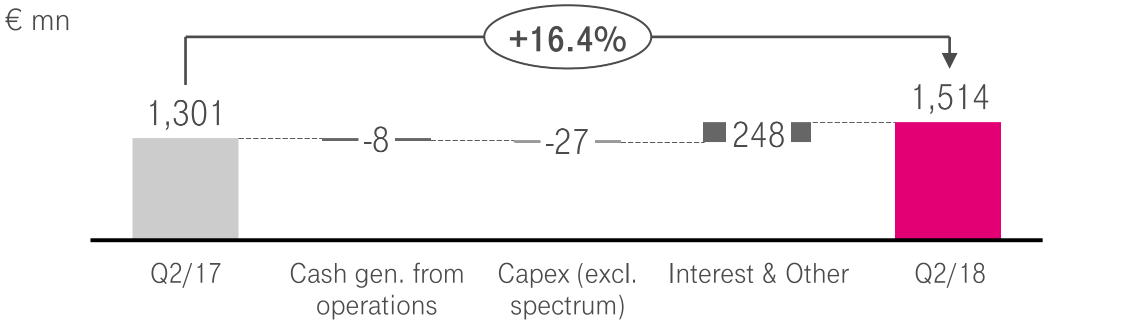


EBITDA & EBITDA margin development

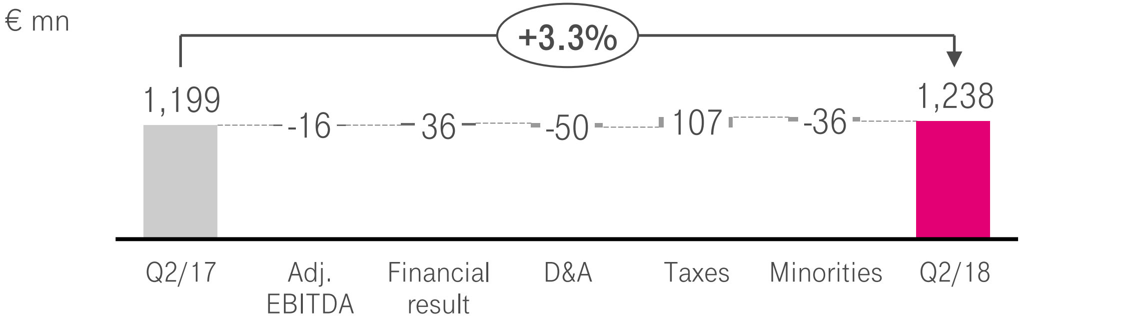


FINANCIALS: FCF, NET DEBT, NET INCOME AND EPS

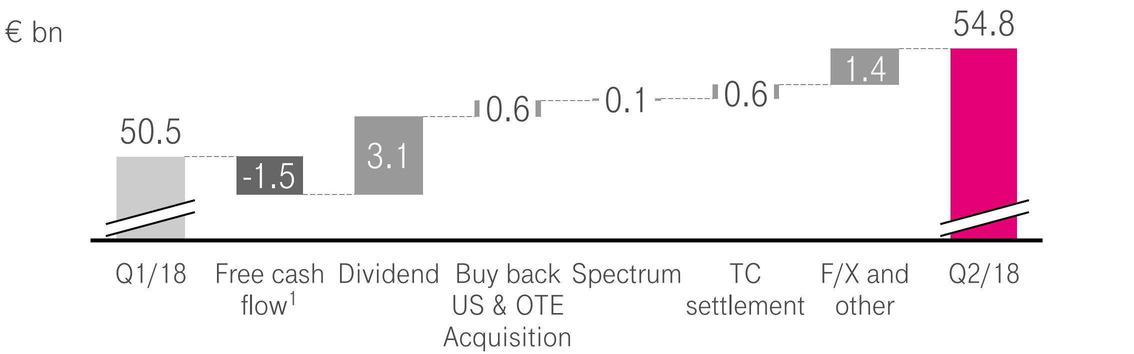
Free cash flow[1]



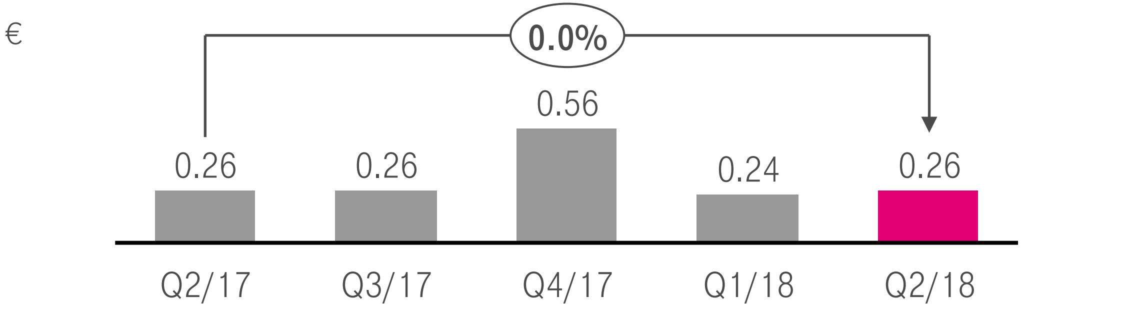
Adj. net income



Net debt development



Adj. EPS



1) Free cash flow before dividend payments and excl. Spectrum (Q2/18: €73 mn).

FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn	30/06/2017	30/09/2017	31/12/2017	31/03/2018	30/06/2018
Balance sheet total	141.5	139.8	141.3	138.0	139.7
Shareholders' equity	38.6	39.1	42.5	43.7	41.4
Net debt	55.2	52.6	50.8	50.5	54.8
Net debt/adj. EBITDA[1]	2.5	2.3	2.3	2.3	2.5
Equity ratio	27.3%	27.9%	30.0%	31.7%	29.6%

Comfort zone ratios

Rating: A-/BBB	●
2 – 2.5x net debt/Adj. EBITDA	●
25 – 35% equity ratio	●
Liquidity reserve covers redemption of the next 24 months	●

Current rating

Fitch:	**BBB+**	stable outlook
Moody's:[2]	**Baa1**	negative outlook
S&P:[2]	**BBB+**	CreditWatch negative

1) Ratios for the interim quarters calculated on the basis of previous 4 quarters. 2) Outlook changed end of April 18, following the announced merger of TM US and Sprint. Previous outlook was "stable"

WHY DT: BEST POSITIONED FOR FUTURE GROWTH

Unique **footprint & Asset Base**	**Transatlantic presence** in worlds' leading economies **Converged leader** in Europe with **superior network position**
Growth Profile	**95% of footprint growing** with further FMC growth potential Supercharging the Un-Carrier **boosts DT's financial profile** (EPS accretive from year 3)
Untapped **value potential**	Still untapped potential from **cost transformation** **Accelerated digitalization** to improve CX and reduce costs
Clear **strategy**	Focus on **connectivity core & adjacent business** Focused **portfolio approach & capital allocation**
Best **Team**	**New international leaders** with excellent track record **Walk the talk & winning mentality**

MID TERM AMBITION LEVEL

	Mid term ambition level[1]	Year	Implications of US deal[2]
Group revenues	CAGR +1 – 2%	2017 – 2021e	Confirmed
Group adj. EBITDA	CAGR +2 – 4%	2017 – 2021e	Confirmed
Group fcf	CAGR ≈ +10%	2017 – 2021e	Slightly dilutive in 2021e & accretive in 2022e
Group adj. EPS	≈ €1.20	2021e	Slightly dilutive in 2021e & accretive in 2022e
Group ROCE	ROCE > WACC	2021e	Confirmed
Group cash capex	Ex US stable	2017 – 2021e	Confirmed
Group indirect opex	Ex US -€1.5 bn	2017 – 2021e	Confirmed
Shareholder remuneration policy (2018 – 2021)[3]	Dividend will reflect growth in adjusted EPS while considering share buy backs	2017 – 2021e	Confirmed

1) Based on constant exchange rates (Average exchange rate 2017 of €1 = US$1.13) and no further changes in the scope of consolidation 2) assumption: closure date Jan. 1, 2019 3) Subject to necessary AGM approval and board resolution

CONFERENCE CALL WITH Q&A SESSION

The conference call will be held on **August 9 at 2:00 PM CET, 1:00 PM GMT, 8 AM ET.**
DT Participants: **Tim Hoettges** (CEO), **Thomas Dannenfeldt** (CFO), **Hannes Wittig** (Head of IR)

Webcast

- The **link to the webcast** will be provided here 20 minutes before the call starts: www.telekom.com/18Q2
- To ask a question, **just type your question into the box below the stream**
- We webcast in **HD Voice Quality**
- The **recording will be uploaded to YouTube** after the call

Dial-in

DE	0800 9656288	+	code 69447490#
UK	0800 0515931	+	code 69447490#
US	+1 866 7192729	+	code 69447490#
Other	+49 69 271340801	+	code 69447490#

NEW: to participate in the dial-in conference please register via the following link:
https://eventregistration.konferenz-telekom.de/EventConfRegistrationGui/?token=1531393529483&lang=en

FURTHER QUESTIONS
PLEASE CONTACT THE IR DEPARTMENT

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APPENDIX

2018: ACCOUNTING IMPACT ON RESULTS

Outlook beginning of year 2018	Revenue	Adj. EBITDA	Current view
Group	-0.15 bn	max. +0.1 bn[1]	Unchanged
Germany	–1 to -1.5%	Impact of IFRS 9 (-) and IFRS 15 (+) will be neutral	We expect a moderate tailwind to the adj. EBITDA
US	+0.5%	+0.2%[1]	Unchanged
Europe	neglible	neglible	Unchanged
Group Development	no outlook given	no outlook given	Approx. -2% on revenue and adj. EBITDA
Systems Solutions	no outlook given	no outlook given	negligible
GHS	no outlook given	no outlook given	negligible

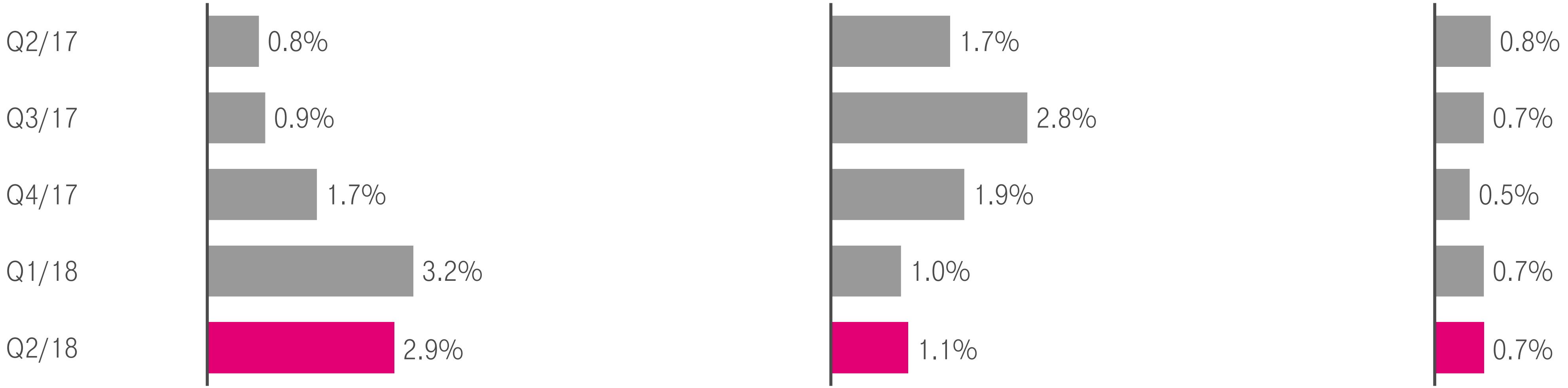
1) before the positive impact of 0.2 to 0.5 bn US$ announced by TM US in their 2018 outlook

GERMANY MOBILE: SERVICE REVENUE (EXCL. IFRS 15)

Reported mobile service revenue

Impact of mobile regulation[1]

Impact of convergent offers[2]



Old medium term guidance (2014 – 2018 CAGR): Re-iterated

≈ +1% (without EU roaming impact)

New medium term guidance (2017 – 2021 CAGR): Re-iterated

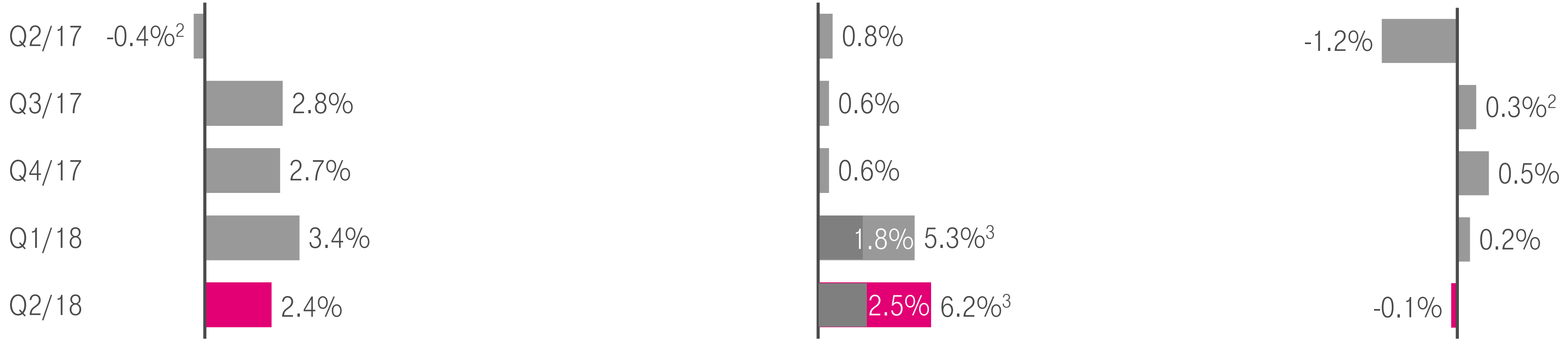
≈ +2%

1) Impact of MTR and EU Roaming regulation 2) Impact of MagentaEINS and Telekom LTE broadband

GERMAN FIXED: SERVICE REVENUE (EXCL. IFRS 15)

Growth rates YOY

Wholesale revenue | **Broadband revenue** | **Fixed line service revenue[1]**



Old medium term guidance (2014 – 2018 CAGR): Re-iterated

Wholesale revenue	Broadband revenue
+0.0%	+2.0%

New medium term guidance (2017 – 2021 CAGR): Re-iterated

Wholesale revenue	Broadband revenue
+2%[4]	+3 - 4%[5]

1) Fixed network core business revenue less fixed hardware revenue plus wholesale services fixed network revenue. From Q2/16 onwards we classify CPEs recurring rent revenue as fixed service revenue. Without this reclassification fixed line service revenue growth rate would be -0.5% in Q2/18. Prior quarters growth rates have not been restated 2) Revenue in Q2/16 impacted by a negative special factor related to a settlement agreement. Adjusted growth rate at -1.5% for fixed service revenue, resp. -0.8% for total service revenue. 3) change in definition – no restatement for 2017. Effect in Q1/18: Shift of €47 mn from "Other revenues " to "BB revenues" underlying performance +1.8% and +2.5% in Q2/18 . 4) Average growth rate adjusted fro IFRS15 impact. 5) Including business IP products (e.g. DLAN, Company Connect); average growth rate adjusted for IFRS 15 impact; growth 2017 – 2021e without definition change approx. 1pp lower.

THANK YOU!

BACKUP Q2 2018
DEUTSCHE TELEKOM

Q2 2018

Check out our IR website www.telekom.com/investor-relations for:

- This backup in .pdf and excel-format
- The IR calender
- Detailed information for debt investors
- Shareholder structure
- Corporate governance

For further information on the business units please refer to:

www.telekom.com
www.telekom.de
www.t-mobile.com
www.t-systems.com

Investor Relations, Bonn office

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E-Mail	investor.relations@telekom.de

Sine January 1, 2018, Vivento Customer Services GmbH (a provider of call center services) is reported in the operating segment Germany. Before that the company was assigned to the segment Group Headquarters & Group Services. Comparative figures have been adjusted retrospectively.

With the beginning of January 1, 2018, Deutsche Telekom Group applies IFRS 15 "Revenue from Contracts with Customers". Application of the standard is mandatory for reporting periods beginning on or after January 1, 2018. This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaces in particular IAS 18 "Revenue" and IAS 11 "Construction Contracts" and has a material effect on the presentation of Deutsche Telekom's results of operations and financial position. Deutsche Telekom utilizes the option for simplified initial application, i.e., contracts that are not completed by January 1, 2018 have been accounted for as if they had been recognized in accordance with IFRS 15 from the very beginning. The cumulative effect arising from the transition has been recognized as an adjustment to the opening balance of equity in the year of initial application. Prior-year comparatives have not been adjusted; instead, Deutsche Telekom has provided an explanation of the reasons for the changes in items in the statement of financial position and the income statement for the current period as a result of applying IFRS 15 for the first time.

Since January 1, 2018, Deutsche Telekom Group applies IFRS 9 „Financial Instruments." Application of the standard is mandatory for reporting periods beginning on or after January 1, 2018. The standard introduces new classification and -measurement requirements for financial instruments and replaces IAS 39. Deutsche Telekom utilizes the option for simplified initial application. The cumulative effect arising from the transition has been recognized as an adjustment to the opening balance of equity in the year of initial application. Prior-year comparatives have not been adjusted; instead, Deutsche Telekom has provided an explanation of the reasons for the changes in items in the statement of financial position and the income statement for the current period as a result of applying IFRS 9 for the first time.

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.

LIFE IS FOR SHARING.

CONTENT

GROUP
AT A GLANCE

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	**Q2 2018 millions of €**	Change %	H1 2017 millions of €	**H1 2018 millions of €**	Change %
REVENUE											
Germany		5.371	5.488	5.676	21.931	5.325	5.322	(0,9)	10.768	10.648	(1,1)
United States		9.236	8.466	9.052	35.736	8.455	8.821	(4,5)	18.218	17.277	(5,2)
Europe		2.860	2.945	3.002	11.589	2.811	2.896	1,3	5.641	5.707	1,2
Systems Solutions		1.688	1.707	1.819	6.918	1.665	1.674	(0,8)	3.392	3.339	(1,6)
Group Development		562	545	561	2.263	528	535	(4,8)	1.157	1.063	(8,1)
Group Headquarters & Group Services		785	741	674	2.935	651	767	(2,3)	1.521	1.418	(6,8)
Reconciliation		(1.612)	(1.641)	(1.623)	(6.425)	(1.511)	(1.649)	(2,3)	(3.161)	(3.161)	0,0
GROUP		**18.890**	**18.251**	**19.160**	**74.947**	**17.924**	**18.367**	**(2,8)**	**37.537**	**36.291**	**(3,3)**
NET REVENUE											
Germany		5.036	5.139	5.308	20.552	4.987	4.990	(0,9)	10.105	9.976	(1,3)
United States		9.236	8.466	9.052	35.736	8.455	8.821	(4,5)	18.218	17.277	(5,2)
Europe		2.772	2.848	2.903	11.218	2.727	2.811	1,4	5.467	5.538	1,3
Systems Solutions		1.349	1.352	1.435	5.504	1.332	1.319	(2,2)	2.717	2.651	(2,4)
Group Development		415	394	408	1.660	376	384	(7,5)	858	760	(11,4)
Group Headquarters & Group Services		83	52	55	278	48	43	(48,2)	171	91	(46,8)
GROUP		**18.890**	**18.251**	**19.160**	**74.947**	**17.924**	**18.367**	**(2,8)**	**37.537**	**36.291**	**(3,3)**
EBITDA (ADJUSTED FOR SPECIAL FACTORS)											
Germany		2.086	2.177	2.094	8.412	2.082	2.126	1,9	4.141	4.209	1,6
United States		2.640	2.288	2.003	9.316	2.332	2.553	(3,3)	5.025	4.885	(2,8)
Europe		947	1.007	906	3.749	911	953	0,6	1.836	1.864	1,5
Systems Solutions		136	131	147	509	57	121	(11,0)	232	179	(22,8)
Group Development		236	220	220	915	231	233	(1,3)	475	464	(2,3)
Group Headquarters & Group Services		(76)	(102)	(370)	(661)	(70)	41	n.a.	(189)	(29)	84,7
Reconciliation		(25)	(1)	15	(10)	5	(101)	n.a.	(25)	(96)	n.a.
GROUP		**5.944**	**5.720**	**5.015**	**22.230**	**5.549**	**5.928**	**(0,3)**	**11.495**	**11.477**	**(0,2)**
Proportional EBITDA		4.690	4.543	3.780	17.427	4.388	4.721	0,7	9.104	9.109	0,1

GROUP
AT A GLANCE II

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
EBITDA MARGIN (ADJUSTED FOR SPECIAL FACTORS) (EBITDA / TOTAL REVENUE)											
Germany		38,8	39,7	36,9	38,4	39,1	39,9	1,1p	38,5	39,5	1,0p
United States		28,6	27,0	22,1	26,1	27,6	28,9	0,3p	27,6	28,3	0,7p
Europe		33,1	34,2	30,2	32,3	32,4	32,9	(0,2p)	32,5	32,7	0,2p
Systems Solutions		8,1	7,7	8,1	7,4	3,4	7,2	(0,9p)	6,8	5,4	(1,4p)
Group Development		42,0	40,4	39,2	40,4	43,8	43,6	1,6p	41,1	43,7	2,6p
Group Headquarters & Group Services		(9,7)	(13,8)	(54,9)	(22,5)	(10,8)	5,3	15,0p	(12,4)	(2,0)	10,4p
GROUP		**31,5**	**31,3**	**26,2**	**29,7**	**31,0**	**32,3**	**0,8p**	**30,6**	**31,6**	**1,0p**
CASH CAPEX											
Germany		1.052	1.052	1.105	4.214	1.145	963	(8,5)	2.057	2.108	2,5
United States		8.463	1.243	784	11.932	1.143	1.353	(84,0)	9.905	2.495	(74,8)
Europe		403	395	601	1.874	438	398	(1,2)	878	836	(4,8)
Systems Solutions		91	87	120	383	83	182	100,0	177	265	49,7
Group Development		57	76	76	290	85	56	(1,8)	138	141	2,2
Group Headquarters & Group Services		239	231	294	1.005	248	247	3,3	481	495	2,9
Reconciliation		(65)	(63)	(26)	(204)	(3)	(105)	(61,5)	(116)	(106)	8,6
GROUP		**10.240**	**3.021**	**2.954**	**19.494**	**3.139**	**3.094**	**(69,8)**	**13.520**	**6.234**	**(53,9)**
- thereof spectrum investment		7.246	19	94	7.395	63	73	(99,0)	7.282	137	(98,1)
NET PROFIT (LOSS)											
adjusted for special factors		1.199	1.244	2.657	6.039	1.190	1.238	3,3	2.138	2.428	13,6
as reported		874	507	1.332	3.461	992	495	(43,4)	1.621	1.487	(8,3)
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)		**1.302**	**1.873**	**1.094**	**5.497**	**1.382**	**1.514**	**16,3**	**2.530**	**2.896**	**14,5**
Proportional free cash flow		1.080	1.561	579	4.359	1.132	1.125	4,2	2.219	2.257	1,7
NET DEBT		**55.249**	**52.635**	**50.791**	**50.791**	**50.455**	**54.772**	**(0,9)**	**55.249**	**54.772**	**(0,9)**

DT GROUP

EXCELLENT MARKET POSITION[1]

	Note	Q2 2017 ('000)	Q3 2017 ('000)	Q4 2017 ('000)	Q1 2018 ('000)	**Q2 2018 ('000)**	Change compared to prior quarter abs.	Change compared to prior quarter %	Change compared to prior year abs.	Change compared to prior year %
BROADBAND CUSTOMERS RETAIL(END OF PERIOD)	**2,3**	**18.615**	**18.750**	**18.930**	**19.135**	**19.318**	**183**	**1,0**	**703**	**3,8**
Germany		13.035	13.105	13.209	13.357	13.437	80	0,6	402	3,1
Europe		5.396	5.457	5.530	5.598	5.671	73	1,3	275	5,1
Greece		1.678	1.713	1.757	1.800	1.830	30	1,7	152	9,1
Romania		1.142	1.139	1.134	1.124	1.117	(7)	(0,6)	(24)	(2,1)
Hungary		1.049	1.061	1.073	1.088	1.104	16	1,5	55	5,2
Poland		28	27	25	23	23	0	0,0	(5)	(17,9)
Czech Republic		153	163	176	189	208	19	10,1	55	35,9
Croatia		624	624	624	620	621	1	0,2	(3)	(0,5)
Slovakia		498	506	516	525	532	7	1,3	34	6,8
other		225	224	225	229	236	7	3,1	11	4,9
Group Development		184	188	191	198	210	12	6,1	26	14,1
Netherlands		184	188	191	198	210	12	6,1	26	14,1
FIXED NETWORK LINES (END OF PERIOD)	**4**	**28.125**	**27.962**	**27.869**	**27.756**	**27.613**	**(143)**	**(0,5)**	**(512)**	**(1,8)**
Germany		19.477	19.352	19.239	19.149	18.989	(160)	(0,8)	(488)	(2,5)
Europe		8.464	8.422	8.439	8.409	8.414	5	0,1	(50)	(0,6)
Greece		2.539	2.536	2.547	2.551	2.552	1	0,0	13	0,5
Romania		1.922	1.894	1.865	1.823	1.803	(20)	(1,1)	(119)	(6,2)
Hungary		1.637	1.634	1.632	1.634	1.640	6	0,4	3	0,2
Poland		31	29	32	27	26	(1)	(3,7)	(5)	(16,1)
Czech Republic		146	153	197	220	248	28	12,7	102	69,9
Croatia		986	974	967	959	952	(7)	(0,7)	(34)	(3,4)
Slovakia		855	855	858	860	859	(1)	(0,1)	4	0,5
other		348	345	340	334	334	0	0,0	(14)	(4,0)
Group Development		184	188	191	198	210	12	6,1	26	14,1
Netherlands		184	188	191	198	210	12	6,1	26	14,1
MOBILE SUBSCRIBERS (END OF PERIOD)		**163.091**	**165.346**	**168.402**	**169.929**	**172.495**	**2.566**	**1,5**	**9.404**	**5,8**
Germany		42.011	42.534	43.125	42.730	43.023	293	0,7	1.012	2,4
United States		69.562	70.731	72.585	74.040	75.619	1.579	2,1	6.057	8,7
Europe		47.688	48.205	48.842	49.254	49.886	632	1,3	2.198	4,6
Greece		7.737	7.867	7.981	8.053	8.163	110	1,4	426	5,5
Romania		5.278	5.231	5.258	5.236	5.282	46	0,9	4	0,1
Hungary		5.390	5.401	5.293	5.298	5.306	8	0,2	(84)	(1,6)
Poland		10.251	10.297	10.454	10.509	10.609	100	1,0	358	3,5
Czech Republic		6.155	6.176	6.176	6.156	6.174	18	0,3	19	0,3
Croatia		2.237	2.297	2.244	2.229	2.268	39	17,6	31	1,4
Slovakia		2.235	2.245	2.243	2.282	2.320	38	1,7	85	3,8
Austria		4.984	5.201	5.702	6.071	6.441	370	6,1	1.457	29,2
other		3.420	3.490	3.490	3.419	3.323	(96)	(13,1)	(97)	(2,8)
Group Development		3.830	3.876	3.850	3.905	3.967	62	1,6	137	3,6
Netherlands		3.830	3.876	3.850	3.905	3.967	62	1,6	137	3,6

1 Figures rounded to the nearest million. The total is calculated on the basis of precise numbers. Percentages calculated on the basis of figures shown.
2 Broadband lines in operation excluding lines for internal use and public telecommunications; including IP-based access lines. Including BB via cable in Hungary.
3 As of Q2/18 we show broadband customers retail instead of broadband accesses retail (based on the technology view) which have previously been reported. Figures of the previous periods were adjusted..
4 Fixed network lines in operation excluding lines for internal use and public telecommunications.

NOTES

CONTENT

DT CONSOLIDATED INCOME STATEMENT
ADJUSTED FOR SPECIAL FACTORS

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
NET REVENUE		**18.890**	**18.251**	**19.160**	**74.947**	**17.924**	**18.367**	**(2,8)**	**37.537**	**36.291**	**(3,3)**
Other operating income		223	231	431	1.137	343	339	52,0	474	682	43,9
Changes in inventories		(6)	(3)	(11)	21	1	0	(100,0)	34	1	(97,1)
Own capitalized costs		563	563	624	2.292	559	582	3,4	1.105	1.141	3,3
Goods and services purchased		(9.218)	(8.868)	(10.562)	(37.933)	(8.683)	(8.910)	(3,3)	(18.503)	(17.593)	4,9
Personnel costs		(3.708)	(3.628)	(3.722)	(14.945)	(3.787)	(3.791)	2,2	(7.596)	(7.578)	0,2
Other operating expenses		(798)	(826)	(906)	(3.289)	(808)	(658)	17,5	(1.556)	(1.466)	5,8
Depreciation, amortization, and impairment losses		(3.154)	(2.975)	(3.152)	(12.472)	(3.097)	(3.204)	1,6	(6.345)	(6.302)	0,7
PROFIT (LOSS) FROM OPERATIONS (EBIT)		**2.791**	**2.745**	**1.863**	**9.757**	**2.452**	**2.724**	**(2,4)**	**5.150**	**5.176**	**0,5**
EBIT margin (EBIT / net revenue) %		14,8	15,0	9,7	13,0	13,7	14,8	0,0p	13,7	14,3	0,6p
Profit (loss) from financial activities		(515)	(490)	(535)	(2.895)	(413)	(479)	7,0	(1.870)	(893)	52,2
of which: finance costs		(512)	(541)	(509)	(2.201)	(424)	(427)	16,6	(1.150)	(850)	26,1
PROFIT (LOSS) BEFORE INCOME TAXES (EBT)		**2.276**	**2.256**	**1.328**	**6.863**	**2.038**	**2.245**	**(1,4)**	**3.279**	**4.283**	**30,6**
Income taxes		(753)	(760)	2.462	949	(583)	(646)	14,2	(753)	(1.230)	(63,3)
PROFIT (LOSS)		**1.523**	**1.495**	**3.790**	**7.812**	**1.455**	**1.599**	**5,0**	**2.527**	**3.053**	**20,8**
Profit (loss) attributable to non-controlling interests		324	252	1.133	1.773	265	360	11,1	389	625	60,7
NET PROFIT (LOSS)		**1.199**	**1.244**	**2.657**	**6.039**	**1.190**	**1.238**	**3,3**	**2.138**	**2.428**	**13,6**

GROUP
EBITDA RECONCILIATION

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
NET REVENUE		**18.890**	**18.251**	**19.160**	**74.947**	**17.924**	**18.367**	**(2,8)**	**37.537**	**36.291**	**(3,3)**
NET PROFIT (LOSS)		**874**	**507**	**1.332**	**3.461**	**992**	**495**	**(43,4)**	**1.621**	**1.487**	**(8,3)**
+ Profit (loss) attributable to non-controlling interests		317	591	1.120	2.090	274	302	(4,7)	380	576	51,6
= Profit (loss)		1.192	1.098	2.452	5.551	1.266	797	(33,1)	2.001	2.063	3,1
- Income taxes		(686)	(1.323)	2.489	558	(494)	(370)	46,1	(608)	(864)	(42,1)
= Profit (loss) before income taxes = EBT		1.877	2.421	(37)	4.994	1.760	1.167	(37,8)	2.609	2.927	12,2
- Profit (loss) from financial activities		(953)	(676)	(721)	(4.390)	(411)	(1.185)	(24,3)	(2.993)	(1.596)	46,7
PROFIT (LOSS) FROM OPERATIONS (EBIT)		**2.830**	**3.098**	**684**	**9.383**	**2.171**	**2.352**	**(16,9)**	**5.601**	**4.523**	**(19,2)**
- Depreciation, amortization and impairment losses		(3.156)	(4.220)	(4.019)	(14.586)	(3.097)	(3.204)	(1,5)	(6.347)	(6.302)	0,7
= EBITDA		**5.986**	**7.318**	**4.703**	**23.969**	**5.269**	**5.556**	**(7,2)**	**11.949**	**10.825**	**(9,4)**
EBITDA margin (EBITDA/net revenue) %		31,7	40,1	24,5	32,0	29,4	30,2	(1,5p)	31,8	29,8	(2,0p)
- Special factors affecting EBITDA		42	1.598	(312)	1.740	(281)	(371)	n.a.	454	(652)	n.a.
= EBITDA ADJUSTED FOR SPECIAL FACTORS		**5.944**	**5.720**	**5.015**	**22.230**	**5.549**	**5.928**	**(0,3)**	**11.495**	**11.477**	**(0,2)**
EBITDA margin (adjusted for special factors) (EBITDA / net revenue) %		31,5	31,3	26,2	29,7	31,0	32,3	0,8p	30,6	31,6	1,0p

DT CONSOLIDATED INCOME STATEMENT
AS REPORTED

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
NET REVENUE		**18.890**	**18.251**	**19.160**	**74.947**	**17.924**	**18.367**	**(2,8)**	**37.537**	**36.291**	**(3,3)**
Other operating income		479	2.081	488	3.819	373	339	(29,2)	1.250	711	(43,1)
Changes in inventories		(6)	(3)	(11)	21	1	0	(100,0)	34	1	(97,1)
Own capitalized costs		563	563	624	2.292	559	582	3,4	1.105	1.141	3,3
Goods and services purchased		(9.281)	(8.910)	(10.658)	(38.161)	(8.718)	(8.964)	3,4	(18.593)	(17.682)	4,9
Personnel costs		(3.824)	(3.817)	(3.900)	(15.504)	(4.057)	(4.162)	(8,8)	(7.788)	(8.219)	(5,5)
Other operating expenses		(835)	(847)	(1.001)	(3.444)	(813)	(605)	27,5	(1.596)	(1.418)	11,2
Depreciation, amortization, and impairment losses		(3.156)	(4.220)	(4.019)	(14.586)	(3.097)	(3.204)	(1,5)	(6.347)	(6.302)	0,7
PROFIT (LOSS) FROM OPERATIONS (EBIT)		**2.830**	**3.098**	**684**	**9.383**	**2.171**	**2.352**	**(16,9)**	**5.601**	**4.523**	**(19,2)**
EBIT margin (EBIT / net revenue) %		15,0	17,0	3,6	12,5	12,1	12,8	(2,2p)	14,9	12,5	(2,4p)
Profit (loss) from financial activities		(953)	(676)	(721)	(4.390)	(411)	(1.185)	24,3	(2.993)	(1.596)	46,7
of which: finance costs		(511)	(540)	(508)	(2.197)	(422)	(531)	3,9	(1.148)	(953)	17,0
PROFIT (LOSS) BEFORE INCOME TAXES (EBT)		**1.877**	**2.421**	**(37)**	**4.994**	**1.760**	**1.167**	**(37,8)**	**2.609**	**2.927**	**12,2**
Income taxes		(686)	(1.323)	2.489	558	(494)	(370)	(46,1)	(608)	(864)	(42,1)
PROFIT (LOSS)		**1.192**	**1.098**	**2.452**	**5.551**	**1.266**	**797**	**(33,1)**	**2.001**	**2.063**	**3,1**
Profit (loss) attributable to non-controlling interests		317	591	1.120	2.090	274	302	(4,7)	380	576	51,6
NET PROFIT (LOSS)		**874**	**507**	**1.332**	**3.461**	**992**	**495**	**(43,4)**	**1.621**	**1.487**	**(8,3)**

GROUP

SPECIAL FACTORS IN THE CONSOLIDATED INCOME STATEMENT

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	**Q2 2018 millions of €**	H1 2017 millions of €	**H1 2018 millions of €**
NET REVENUE		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other operating income	1	256	1.850	57	2.683	30	0	775	30
Changes in inventories		0	0	0	0	0	0	0	0
Own capitalized costs		0	0	0	0	0	0	0	0
Goods and services purchased		(62)	(42)	(96)	(229)	(35)	(53)	(90)	(89)
Personnel costs		(115)	(189)	(178)	(559)	(270)	(371)	(192)	(641)
Other operating expenses		(37)	(21)	(95)	(155)	(5)	53	(39)	48
Depreciation, amortization, and impairment losses	2,3	(2)	(1.245)	(867)	(2.114)	0	0	(2)	0
PROFIT (LOSS) FROM OPERATIONS (EBIT)		**40**	**352**	**(1.178)**	**(374)**	**(281)**	**(371)**	**452**	**(652)**
Profit (loss) from financial activities	4	(438)	(187)	(186)	(1.495)	2	(705)	(1.122)	(703)
PROFIT (LOSS) BEFORE INCOME TAXES (EBT)		**(398)**	**166**	**(1.365)**	**(1.869)**	**(278)**	**(1.077)**	**(670)**	**(1.355)**
Income taxes		67	(563)	27	(392)	89	276	145	366
PROFIT (LOSS)		**(331)**	**(397)**	**(1.338)**	**(2.261)**	**(189)**	**(801)**	**(526)**	**(990)**
Profit (loss) attributable to non-controlling interests		(7)	339	(13)	317	9	(58)	(9)	(49)
NET PROFIT (LOSS)		**(324)**	**(736)**	**(1.324)**	**(2.578)**	**(198)**	**(743)**	**(517)**	**(941)**

1 Q3/2017: Income from the settlement with BT (0.2 bn. €) ; Income from the reversal of impairment on spectrum licenses TM US (1.7 bn. €)
2 Q3/2017: Impairment Goodwill T-Systems Market Unit (1.2 bn. €)
3 Q4/2017: Impairment Goodwill T-Mobile Poland (0.8 bn €)
4 Q2/2018: Expenses due to settlement of litigation Toll Collect (accounted for using the equity method) (0,6 bn €)

GROUP
DETAILS ON SPECIAL FACTORS I

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
EFFECT ON OPERATING EXPENSES		**(215)**	**(253)**	**(369)**	**(943)**	**(310)**	**(371)**	**(72,6)**	**(321)**	**(682)**	**(112,5)**
of which: expenses / income for early retirement (civil servants)		(7)	(7)	5	(4)	(190)	(224)	n.a.	(2)	(414)	n.a.
of which: expenses for severance payments		(53)	(139)	(114)	(342)	(20)	(82)	(54,7)	(89)	(102)	(14,6)
of which: expenses / income for partial retirement		(53)	(43)	(64)	(205)	(59)	(52)	1,9	(99)	(110)	(11,1)
of which: expenses for other personnel restructuring charges		(1)	0	(1)	(4)	0	(1)	0,0	(2)	(1)	50,0
of which: Vivento transfer payments		(1)	(1)	(3)	(5)	(1)	(1)	0,0	(1)	(2)	(100,0)
of which: restructuring charges		(11)	(13)	(49)	(85)	(21)	(33)	n.a.	(22)	(55)	n.a.
of which: expenses due to de-consolidations and other asset sales		7	(10)	(57)	(53)	(2)	(37)	n.a.	15	(39)	n.a.
of which: others		(95)	(40)	(85)	(246)	(17)	59	n.a.	(122)	42	n.a.
EFFECT ON OTHER OPERATING INCOME		**256**	**1.850**	**57**	**2.683**	**30**	**0**	**(100,0)**	**775**	**30**	**n.a.**
of which: income due to asset sales		256	(1)	57	831	30	0	(100,0)	775	30	n.a.
of which: others	1	0	1.852	0	1.852	0	0	n.a.	0	0	n.a.
EFFECT ON REVENUE		**0**	**0**	**0**	**0**	**0**	**0**	**n.a.**	**0**	**0**	**n.a.**
EFFECT ON EBITDA		**42**	**1.598**	**(312)**	**1.740**	**(281)**	**(371)**	**n.a.**	**454**	**(652)**	**n.a.**
DEPRECIATION, AMORTIZATION AND IMPAIRMENT	**2, 3**	**(2)**	**(1.245)**	**(867)**	**(2.114)**	**0**	**0**	**(100,0)**	**(2)**	**0**	**100,0**
EFFECT ON PROFIT FROM OPERATIONS = EBIT		**40**	**352**	**(1.178)**	**(374)**	**(281)**	**(371)**	**n.a.**	**452**	**(652)**	**n.a.**

1 Q3/2017: Income from the settlement with BT (0.2 bn. €) ; Income from the reversal of impairment on spectrum licenses TM US (1.7 bn. €)
2 Q3/2017: Impairment Goodwill T-Systems Market Unit (1.2 bn. €)
3 Q4/2017: Impairment Goodwill T-Mobile Poland (0.8 bn €)

GROUP

DETAILS ON SPECIAL FACTORS II

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
EFFECT ON PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	1	**(438)**	**(187)**	**(186)**	**(1.495)**	**2**	**(705)**	**(61,0)**	**(1.122)**	**(703)**	**37,3**
EFFECT ON PROFIT (LOSS) BEFORE INCOME TAXES		**(398)**	**166**	**(1.365)**	**(1.869)**	**(278)**	**(1.077)**	**n.a.**	**(670)**	**(1.355)**	**n.a.**
EFFECT ON TAXES		**67**	**(563)**	**27**	**(392)**	**89**	**276**	**n.a.**	**145**	**366**	**n.a.**
Tax effect of special factors within EBIT		48	76	77	229	96	198	n.a.	76	294	n.a.
Tax effect of special factors on profit (loss) from financial activities		19	(639)	(50)	(620)	(7)	78	n.a.	69	71	2,9
Other tax effects		0	0	0	0	0	0	n.a.	0	0	n.a.
EFFECT ON PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**(7)**	**339**	**(13)**	**317**	**9**	**(58)**	**n.a.**	**(9)**	**(49)**	**n.a.**
EFFECT ON NET PROFIT (LOSS)		**(324)**	**(736)**	**(1.324)**	**(2.578)**	**(198)**	**(743)**	**n.a.**	**(517)**	**(941)**	**(82,0)**

1 Q2/2018: Expenses due to settlement of litigation Toll Collect (accounted for using the equity method) (0,6 bn €)

CHANGE IN THE COMPOSITION OF THE GROUP IN THE SECOND QUARTER

		REPORTED NUMBERS	PLUS ACQUISITION EFFECTS							MINUS DECONSOLIDATION EFFECTS							TOTAL EFFECT	PRO FORMA	REPORTED NUMBERS	ORGANIC CHANGE
	Note	Q2 2017 millions of	Total millions of €	Germany millions of €	United States millions of	Europe millions of €	Group Development	Systems Solutions millions of	GHS millions of €	Total millions of €	Germany millions of €	United States millions of	Europe millions of €	Group Development	Systems Solutions millions of	GHS millions of €		Q2 2017 millions of	Q2 2018 millions of €	Change %
NET REVENUE		**18.890**	**1**	**0**	**1**	**0**	**0**	**0**	**0**	**23**	**0**	**0**	**0**	**0**	**0**	**23**	**(22)**	**18.868**	**18.367**	**(2,7)**
PROFIT (LOSS) FROM OPERATIONS = EBIT		**2.830**	**(15)**	**0**	**(15)**	**0**	**0**	**0**	**0**	**268**	**0**	**0**	**0**	**226**	**0**	**42**	**(283)**	**2.547**	**2.352**	**(7,7)**
Profit (loss) from financial activities		(953)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**(953)**	(1.185)	(24,3)
of which finance costs		(511)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**(511)**	(531)	(3,9)
PROFIT (LOSS) BEFORE INCOME TAXES = EBT		**1.877**	**(14)**	**0**	**(14)**	**0**	**0**	**0**	**0**	**268**	**0**	**0**	**0**	**226**	**0**	**42**	**(282)**	**1.595**	**1.167**	**(26,8)**
Income taxes		(686)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	0	0	0	0	0	0	0	0	**(686)**	(370)	46,1
PROFIT (LOSS)		**1.192**	**(14)**	**0**	**(14)**	**0**	**0**	**0**	**0**	**268**	**0**	**0**	**0**	**226**	**0**	**42**	**(282)**	**910**	**797**	**(12,4)**

CHANGE IN THE COMPOSITION OF THE GROUP IN THE CURRENT YEAR

		REPORTED NUMBERS	PLUS ACQUISITION EFFECTS							MINUS DECONSOLIDATION EFFECTS							TOTAL EFFECT	PRO FORMA	REPORTED NUMBERS	ORGANIC CHANGE
	Note	H1 2017 millions of	Total millions of €	Germany millions of €	United States millions of	Europe millions of €	Group Development	Systems Solutions millions of	GHS millions of €	Total millions of €	Germany millions of €	United States millions of	Europe millions of €	Group Development	Systems Solutions millions of	GHS millions of €		H1 2017 millions of	H1 2018 millions of €	Change %
NET REVENUE		**37.537**	**1**	**0**	**1**	**0**	**0**	**0**	**0**	**76**	**0**	**0**	**0**	**30**	**0**	**46**	**(75)**	**37.462**	**36.291**	**(3,1)**
PROFIT (LOSS) FROM OPERATIONS = EBIT		**5.601**	**(26)**	**0**	**(26)**	**0**	**0**	**0**	**0**	**803**	**0**	**0**	**0**	**752**	**0**	**51**	**(829)**	**4.772**	**4.523**	**(5,2)**
Profit (loss) from financial activities		(2.993)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	0	0	0	0	0	0	0	**(2.993)**	(1.596)	46,7
of which finance costs		(1.148)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	0	0	0	0	0	0	0	**(1.148)**	(953)	17,0
PROFIT (LOSS) BEFORE INCOME TAXES = EBT		**2.609**	**(25)**	**0**	**(25)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(25)**	**2.584**	**2.927**	**13,3**
Income taxes		(608)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(5)**	0	0	0	(1)	0	(4)	5	**(603)**	(864)	(43,3)
PROFIT (LOSS)		**2.001**	**(25)**	**0**	**(25)**	**0**	**0**	**0**	**0**	**798**	**0**	**0**	**0**	**751**	**0**	**47**	**(823)**	**1.178**	**2.063**	**75,1**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
ASSETS

	Note	Jun. 30 2017 millions of €	Sep. 30 2017 millions of €	Dec. 31 2017 millions of €	Mar. 31 2018 millions of €	Jun. 30 2018 millions of €	Change compared to prior quarter %	Change compared to prior year %
CURRENT ASSETS		**17.808**	**18.344**	**20.392**	**21.706**	**20.213**	**(6,9)**	**13,5**
Cash and cash equivalents		2.441	2.860	3.312	3.618	2.943	(18,7)	20,6
Trade and other receivables		9.161	9.196	9.723	9.121	8.921	(2,2)	(2,6)
Contract assets		0	0	0	1.728	1.715	(0,8)	n.a.
Current recoverable income taxes		181	160	236	246	283	15,0	56,4
Other financial assets		2.116	2.442	3.329	2.918	2.585	(11,4)	22,2
Inventories		1.729	1.520	1.985	1.819	1.571	(13,6)	(9,1)
Current and non-current assets and disposal groups held for sale		204	371	161	134	175	30,6	(14,2)
Other assets		1.975	1.795	1.646	2.122	2.020	(4,8)	2,3
NON-CURRENT ASSETS		**123.682**	**121.497**	**120.943**	**116.319**	**119.536**	**2,8**	**(3,4)**
Intangible assets		64.809	63.577	62.865	61.957	63.636	2,7	(1,8)
Property, plant and equipment		46.203	46.081	46.878	46.576	47.844	2,7	3,6
Contract costs		0	0	0	1.286	1.445	12,4	n.a.
Investments accounted for using the equity method		606	601	651	571	568	(0,5)	(6,3)
Other financial assets		6.417	5.963	5.716	1.829	1.812	(0,9)	(71,8)
Deferred tax assets		4.898	4.498	4.013	3.199	3.299	3,1	(32,6)
Other assets		748	778	819	902	930	3,1	24,3
TOTAL ASSETS		**141.490**	**139.841**	**141.334**	**138.025**	**139.749**	**1,2**	**(1,2)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	Jun. 30 2017 millions of €	Sep. 30 2017 millions of €	Dec. 31 2017 millions of €	Mar. 31 2018 millions of €	Jun. 30 2018 millions of €	Change compared to prior quarter %	Change compared to prior year %
LIABILITIES		**102.896**	**100.787**	**98.864**	**94.334**	**98.346**	**4,3**	**(4,4)**
CURRENT LIABILITIES		**27.200**	**25.937**	**27.366**	**26.223**	**23.454**	**(10,6)**	**(13,8)**
Financial liabilities		10.351	9.250	8.358	8.905	6.708	(24,7)	(35,2)
Trade and other payables		8.735	8.516	10.971	9.132	8.924	(2,3)	2,2
Income tax liabilities		358	341	224	307	353	15,0	(1,4)
Other provisions		2.796	2.953	3.372	3.082	2.784	(9,7)	(0,4)
Other liabilities		4.959	4.877	4.440	2.913	2.823	(3,1)	(43,1)
Contract Liabilities		0	0	0	1.885	1.861	(1,3)	n.a.
NON-CURRENT LIABILITIES		**75.696**	**74.850**	**71.498**	**68.111**	**74.892**	**10,0**	**(1,1)**
Financial liabilities		50.638	49.387	49.171	48.799	54.554	11,8	7,7
Provisions for pensions and other employee benefits		8.113	8.185	8.375	5.264	5.650	7,3	(30,4)
Other provisions		3.215	3.220	3.155	3.115	3.143	0,9	(2,2)
Deferred tax liabilities		9.582	10.060	6.967	7.078	7.500	6,0	(21,7)
Other liabilities		4.148	3.999	3.831	3.321	3.473	4,6	(16,3)
Contract Liabilities		0	0	0	533	573	7,5	n.a.
SHAREHOLDERS' EQUITY		**38.594**	**39.055**	**42.470**	**43.691**	**41.403**	**(5,2)**	**7,3**
Issued capital		12.189	12.189	12.189	12.189	12.189	0,0	0,0
Capital reserves		54.574	54.638	55.010	54.761	54.573	(0,3)	(0,0)
Retained earnings incl. carryforwards		(38.622)	(38.656)	(38.750)	(34.472)	(37.635)	9,2	(2,6)
Total other comprehensive income		(558)	(1.055)	(1.127)	(1.332)	(944)	(29,1)	69,2
Net profit (loss)		1.621	2.129	3.461	992	1.487	49,9	(8,3)
Treasury shares		(49)	(49)	(49)	(49)	(49)	0,0	0,0
Non-controlling interests		9.439	9.859	11.737	11.603	11.782	1,5	24,8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**141.490**	**139.841**	**141.334**	**138.025**	**139.749**	**1,2**	**(1,2)**

DT GROUP

PROVISIONS FOR PENSIONS

		2017 millions of €	2016 millions of €	2015 millions of €	2014 millions of €	2013 millions of €
FROM DEFINED BENEFIT OBLIGATION TO PROVISION IN BALANCE SHEET						
Present value of obligation (DBO)	1	11.462	11.427	10.753	10.940	8.965
Plan assets		(3.102)	(2.990)	(2.744)	(2.498)	(1.973)
Others		15	14	19	23	14
Provision in balance sheet		8.375	8.451	8.028	8.465	7.006
PENSION COSTS INCLUDED IN P&L (INCLUDED EXPECTED RETURN ON PLAN ASSETS)		**402**	**396**	**442**	**445**	**388**
thereof included in EBITDA		266	230	285	220	160
thereof included in financial result		136	166	157	225	228
CASH PAYMENTS FOR PENSIONS						
1) funding of plan assets by DT (investment in financial assets)		10	264	276	266	269
2) benefits paid through plan assets	2	31	32	31	30	42
3) benefits paid through provision (included in cash flow from operations)		378	375	386	298	366
cash payments included in cash flow statement = 1) + 3)		388	639	662	564	635
cash payments included in free cash flow = 3)		378	375	386	298	366

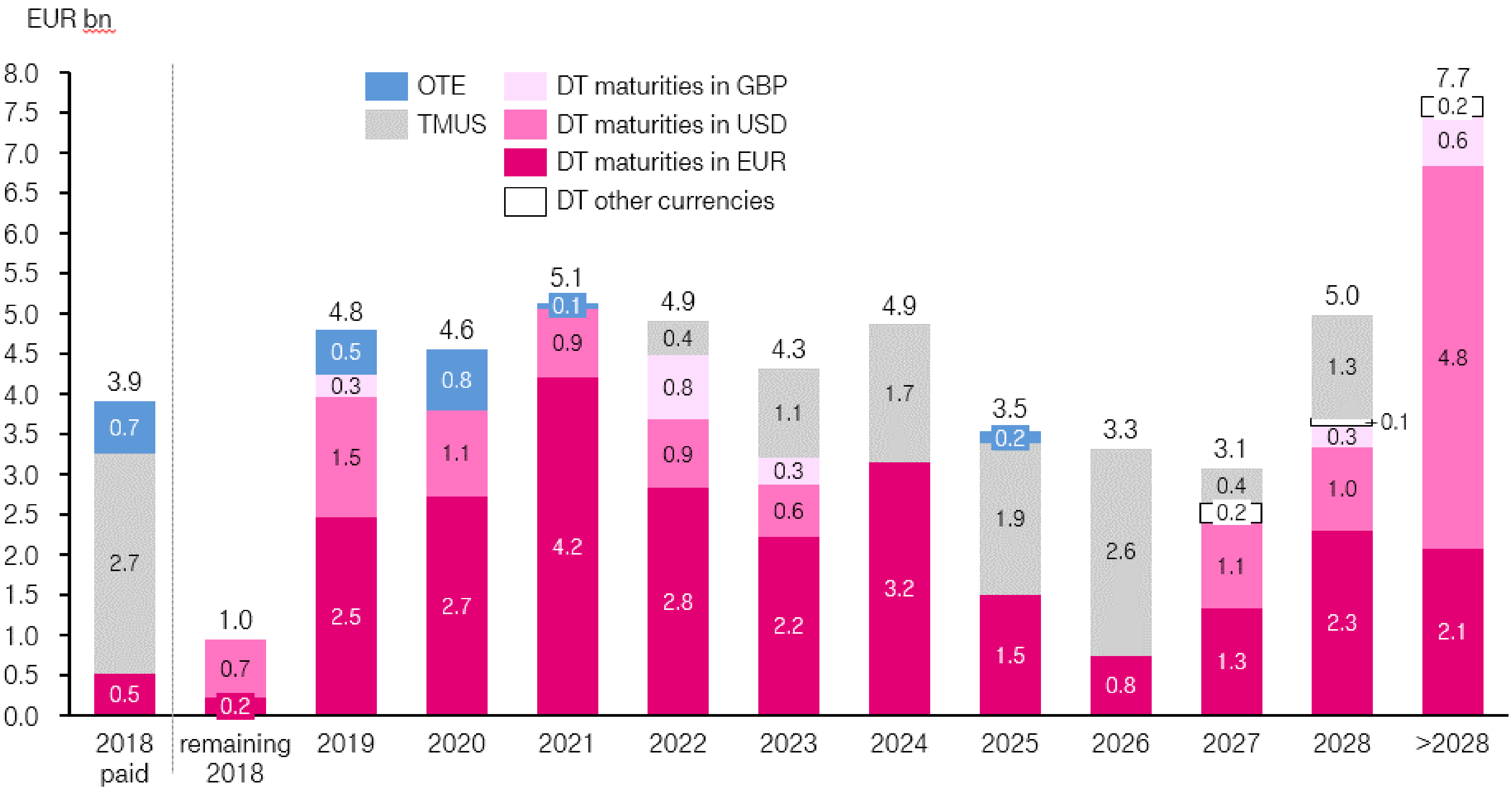
CHANGE IN THE PRESENT VALUE OF THE OBLIGATION (EXAMPLE 2015)		
End of 2016		11.427
pension costs included in P&L		450
benefits paid		(378)
actuarial losses/gains	3	(11)
F/X		(29)
Others		3
End of 2017		11.462

1 Increase in obligation mainly due to a change in the discount rate.

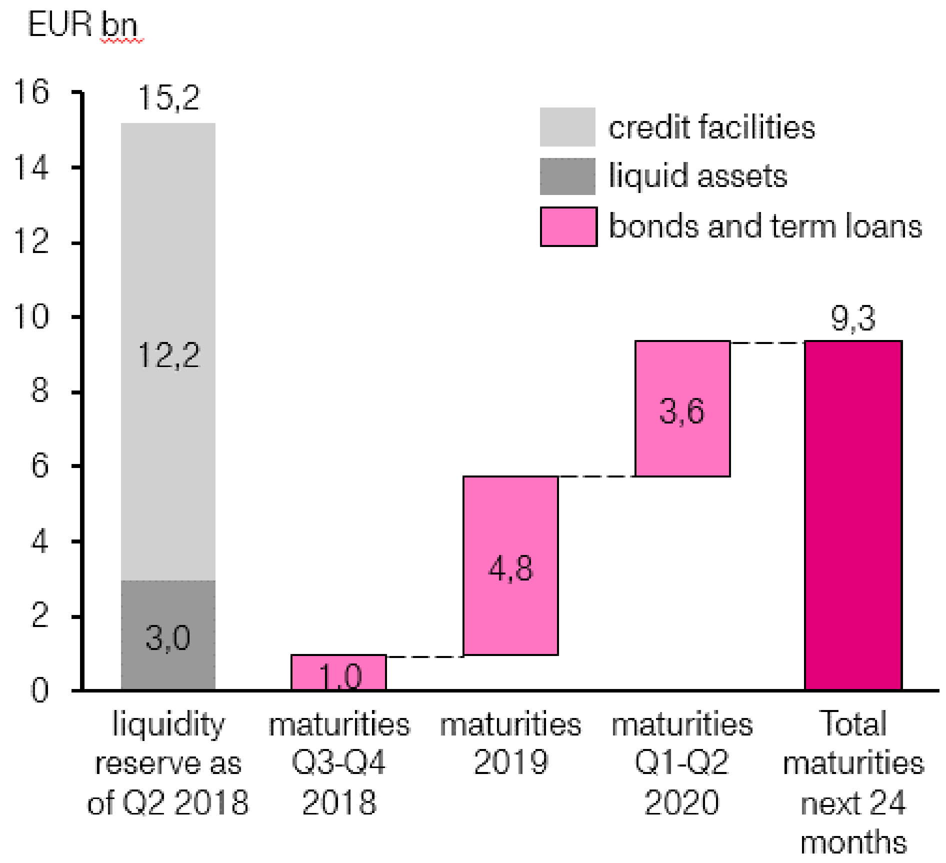
2 The sum of payments through plan assets and the benefit paid through provisions equal the "benefits paid" in "Change in the present value of the obligation".

3 Actuarial losses/gains are via other comprehensive income directly billed vs. equity.

WELL-BALANCED MATURITY PROFILE AS OF JUNE 30, 2018



STRONG LIQUIDITY AS OF JUNE 30, 2018



- EUR 12.9 bn firm bilateral lines available
  - unconditionally committed
  - no MAC clauses
  - diversified: 22 banks
  - 3 year tenor, staggered maturities

- No bilateral lines drawn
- CPs outstanding EUR 0.7 bn
- Residual undrawn amount EUR 12.2 bn
- Maturities of next 24 months covered

DT/TMUS FUNDING - CREDIT POSITIVE FOR DT

DT's funding support as of June 30th 2018

- USD 10.6bn unsecured HY bonds (disbursed)
- USD 2.5bn Revolving Credit Facility, thereof 1.5bn secured (partially drawn)
- USD 4.0bn secured term loan (disbursed)

USD 17.1bn total inter-company financing, thereof 5.5bn secured

In addition, TMUS has issued USD 11.0bn High Yield bonds to external investors

Positive credit implications

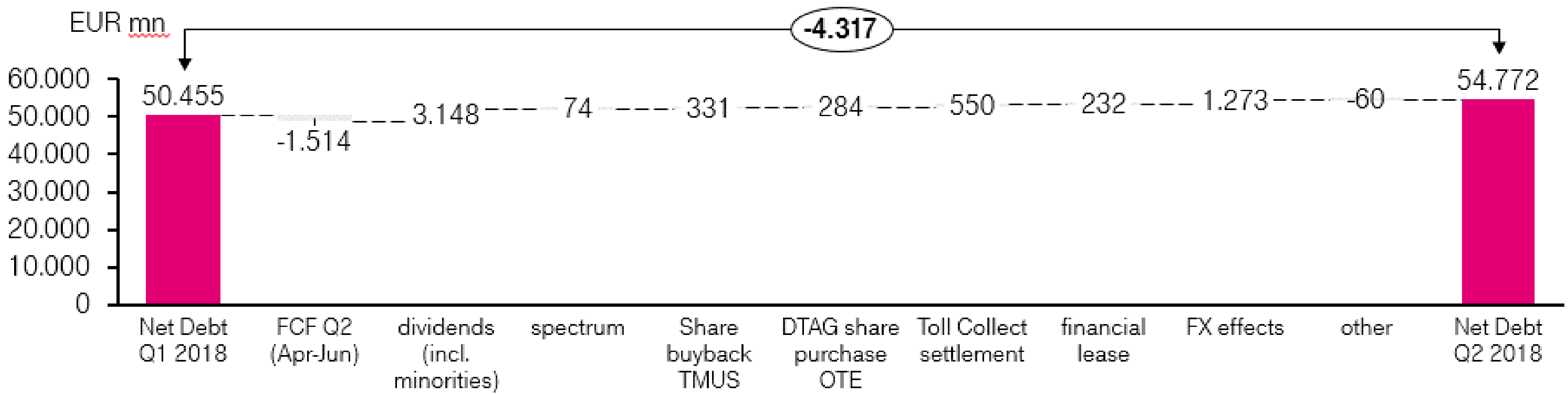
- Results in significant interest costs savings
- DT in preferential creditor position due to large portion of secured financing
- Eliminates structural subordination issues with rating agencies

GROUP
NET DEBT

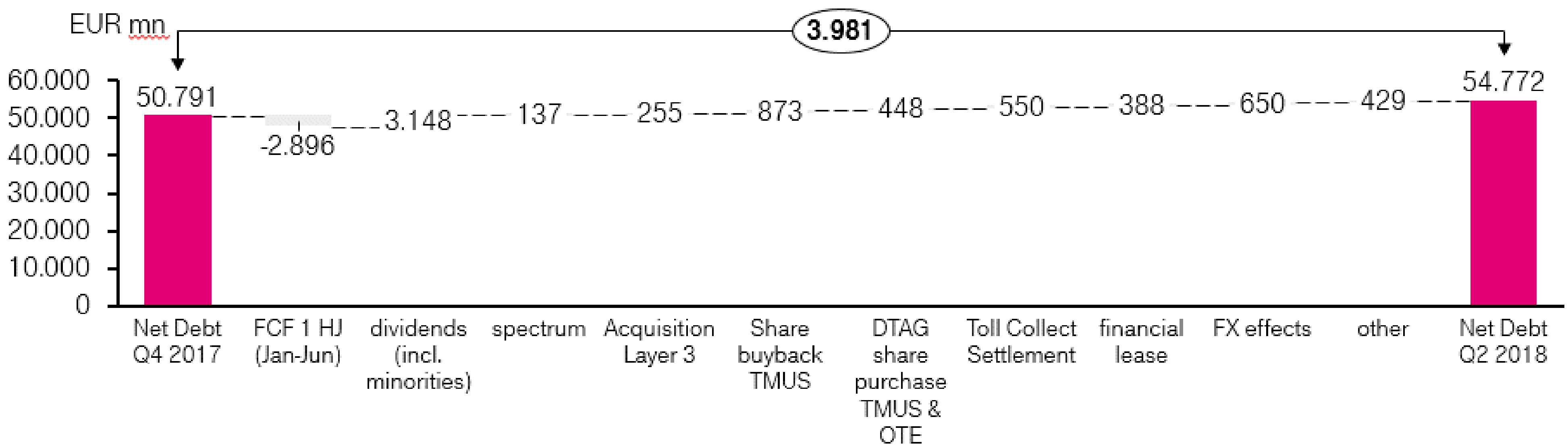
	Note	Jun. 30, 2017 millions of €	Sep. 30, 2017 millions of €	Dec. 31, 2017 millions of €	Mar. 31, 2018 millions of €	Jun. 30, 2018 millions of €	Change compared to prior quarter %	Change compared to prior year %
Bonds		48.450	46.816	45.453	44.261	48.286	9,1	(0,3)
Other financial liabilities		10.998	10.461	10.603	12.074	11.728	(2,9)	6,6
GROSS DEBT		**59.448**	**57.277**	**56.056**	**56.337**	**60.014**	**6,5**	**1,0**
Cash and cash equivalents		2.441	2.860	3.312	3.618	2.943	(18,7)	20,6
Available-for-sale/held-for-trading financial assets		7	7	7	0	0	n.a.	(100,0)
Other financial assets		1.752	1.775	1.946	2.264	2.299	1,5	31,1
NET DEBT		**55.249**	**52.365**	**50.791**	**50.455**	**54.772**	**8,6**	**(0,9)**

NET DEBT DEVELOPMENT Q2 2018

Net debt reconciliation Q1 2018 – Q2 2018



Net debt reconciliation Q4 2017 – Q2 2018



DT GROUP
CASH CAPEX

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
CASH CAPEX											
Germany		1.052	1.052	1.105	4.214	1.145	963	(8,5)	2.057	2.108	2,5
United States		8.463	1.243	784	11.932	1.143	1.353	(84,0)	9.905	2.495	(74,8)
Europe		403	395	601	1.874	438	398	(1,2)	878	836	(4,8)
Systems Solutions		91	87	120	383	83	182	100,0	177	265	49,6
Group Development		57	76	76	290	85	56	(1,8)	138	141	1,9
Group Headquarters & Group Services		239	231	294	1.005	248	247	3,3	481	495	3,0
Reconciliation		(65)	(63)	(26)	(204)	(3)	(105)	(61,5)	(116)	(106)	8,6
GROUP	**1**	**10.240**	**3.021**	**2.954**	**19.494**	**3.139**	**3.094**	**(69,8)**	**13.520**	**6.234**	**(53,9)**
- thereof spectrum investment		7.246	19	94	7.395	63	73	(99,0)	7.282	137	(98,1)

1 Amounts of payouts for property, plant and equipment and intangible assets excluding goodwill.

DT GROUP

FREE CASH FLOW

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
Net profit (loss)		874	507	1.332	3.461	992	495	(43,4)	1.621	1.487	(8,3)
Profit (loss) attributable to non-controlling interests		317	591	1.120	2.090	274	302	(4,7)	380	576	51,6
PROFIT (LOSS) AFTER INCOME TAXES		**1.192**	**1.098**	**2.452**	**5.551**	**1.266**	**797**	**(33,1)**	**2.001**	**2.063**	**3,1**
Depreciation, amortization and impairment losses		3.156	4.220	4.019	14.586	3.097	3.204	1,5	6.347	6.302	(0,7)
Income tax expense/(benefit)		686	1.323	(2.489)	(558)	494	370	(46,1)	608	864	42,1
Interest (income) and interest expenses		511	540	508	2.197	422	531	3,9	1.148	953	(17,0)
Other financial (income) expense		445	139	279	2.269	58	56	(87,4)	1.851	114	(93,8)
Share of (profit) loss of associates and joint ventures accounted for using the equity method		(3)	(3)	(66)	(76)	(69)	599	n.a.	(7)	529	n.a.
(Profit) loss on the disposal of fully consolidated subsidiaries		(31)	2	11	(537)	0	0	(100,0)	(550)	0	(100,0)
(Income) loss from the sale of stakes accounted for using the equity method (EE)		(226)	0	0	(226)	0	0	(100,0)	(226)	0	(100,0)
Other non-cash transactions		66	(1.742)	110	(1.447)	112	118	78,8	185	230	24,3
(Gain) loss from the disposal of intangible assets and property, plant and equipment		(2)	19	(87)	(103)	(65)	(26)	n.a.	(35)	(91)	n.a.
Change in assets carried as working capital		(467)	(26)	(1.740)	(1.874)	326	(15)	96,8	(109)	310	n.a.
Change in provisions		(256)	154	437	265	(282)	(386)	(50,8)	(326)	(667)	n.a.
Change in other liabilities carried as working capital		(31)	(441)	1.054	51	(593)	(212)	n.a.	(562)	(806)	(43,4)
Income taxes received (paid)		(100)	(204)	(250)	(634)	(124)	(98)	2,0	(180)	(222)	(23,3)
Dividends received		13	153	0	241	163	11	(15,4)	88	173	96,6
CASH GENERATED FROM OPERATIONS		**4.955**	**5.232**	**4.238**	**19.706**	**4.805**	**4.947**	**(0,2)**	**10.235**	**9.753**	**(4,7)**
Interest received (paid)		(752)	(424)	(408)	(2.509)	(509)	(555)	26,2	(1.676)	(1.064)	36,5
NET CASH FROM OPERATING ACTIVITIES		**4.204**	**4.808**	**3.830**	**17.196**	**4.297**	**4.392**	**4,5**	**8.559**	**8.689**	**1,5**
Cash outflows for investments in (proceeds from disposal of)		(2.903)	(2.935)	(2.736)	(11.699)	(2.916)	(2.879)	0,8	(6.029)	(5.792)	3,9
Intangible assets		(7.983)	(682)	(941)	(10.324)	(809)	(880)	89,0	(8.701)	(1.688)	80,6
Property, plant and equipment		(2.166)	(2.272)	(1.889)	(8.770)	(2.170)	(2.072)	4,3	(4.610)	(4.241)	8,0
Spectrum investment		7.246	19	94	7.395	63	73	(99,0)	7.282	137	(98,1)
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM)		**1.301**	**1.873**	**1.094**	**5.497**	**1.382**	**1.514**	**16,4**	**2.530**	**2.896**	**14,5**

DT GROUP
PERSONNEL

AT REPORTING DATE	Note	Jun. 30 2017	Sep. 30 2017	Dec. 31 2017	Mar. 31 2018	Jun. 30 2018	Change compared to prior quarter		Change compared to prior year	
							abs.	%	abs.	%
Germany		65.488	65.274	64.798	64.695	63.872	(823)	(1,3)	(1.616)	(2,5)
United States		43.566	44.394	45.888	45.119	45.643	524	1,2	2.077	4,8
Europe		47.610	47.579	47.421	47.986	48.038	52	0,1	428	0,9
Systems Solutions		37.801	37.596	37.924	37.963	37.830	(133)	(0,4)	29	0,1
Group Development		1.980	1.949	1.967	1.971	1.955	(16)	(0,8)	(25)	(1,3)
Group Headquarters & Group Services		19.690	19.551	19.351	19.192	18.981	(211)	(1,1)	(709)	(3,6)
GROUP		**216.135**	**216.343**	**217.349**	**216.926**	**216.319**	**(607)**	**(0,3)**	**184**	**0,1**
of which: Domestic		103.014	102.652	101.901	101.579	100.335	(1.244)	(1,2)	(2.679)	(2,6)
of which: Civil servants (in Germany, with an active service relationship)		15.846	15.726	15.482	15.077	14.393	(684)	(4,5)	(1.453)	(9,2)
of which: International		113.121	113.690	115.448	115.347	115.984	637	0,6	2.863	2,5

AVERAGE	Note	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Change compared to prior year	
							abs.	%
Germany		65.474	65.385	65.086	64.818	64.014	(1.460)	(2,2)
United States		43.237	43.839	45.166	45.315	45.278	2.041	4,7
Europe		47.509	47.621	47.402	47.901	47.987	478	1,0
Systems Solutions		37.775	37.578	37.786	37.926	37.916	141	0,4
Group Development		1.989	1.956	1.965	1.970	1.963	(26)	(1,3)
Group Headquarters & Group Services		19.878	19.609	19.537	19.376	19.030	(848)	(4,3)
GROUP		**215.862**	**215.988**	**216.941**	**217.306**	**216.188**	**326**	**0,2**
of which: Domestic		103.167	102.737	102.449	101.895	100.618	(2.549)	(2,5)
of which: Civil servants (in Germany, with an active service relationship)		15.850	15.762	15.608	15.271	14.577	(1.273)	(8,0)
of which: International		112.695	113.251	114.493	115.411	115.570	2.875	2,6

EXCHANGE RATES

AVERAGE

	Q2 2017 1 €	Q3 2017 1 €	Q4 2017 1 €	FY 2017 1 €	Q1 2018 1 €	**Q2 2018 1 €**
US Dollar (USD)	1,08192	1,17453	1,17752	1,12932	1,22921	1,19201
British pound (GBP)	0,86026	0,89786	0,88761	0,87671	0,88340	0,87609
Czech korunas (CZK)	26,81334	26,08514	25,64734	26,32972	25,40263	25,59417
Croatian kunas (HRK)	7,45359	7,42567	7,53318	7,46386	7,43793	7,39853
Hungarian forints (HUF)	309,46069	306,41761	311,61191	309,19452	311,02748	317,18241
Macedonian Denar (MKD)	61,58923	61,58090	61,56612	61,58090	61,56839	61,54225
Polish Zloty (PLN)	4,27205	4,25847	4,23134	4,25804	4,17978	4,26085
Romanian leu (RON)	4,53608	4,58230	4,61979	4,56850	4,65543	4,65406

END OF PERIOD

	Jun. 30 2017 1 €	Sep. 30 2017 1 €	Dec. 31 2017 1 €	Mar. 31 2018 1 €	**Jun. 30 2018 1 €**
US Dollar (USD)	1,14060	1,18135	1,19990	1,23190	1,16540
British pound (GBP)	0,87880	0,88220	0,88759	0,87555	0,88619
Czech korunas (CZK)	26,20650	25,93751	25,57800	25,42401	26,00347
Croatian kunas (HRK)	7,41075	7,49423	7,44275	7,43262	7,38187
Hungarian forints (HUF)	309,35000	311,04489	310,27956	312,21998	329,79899
Macedonian Denar (MKD)	62,53000	61,64012	61,50364	61,58318	61,55816
Polish Zloty (PLN)	4,22900	4,31390	4,17875	4,21079	4,36824
Romanian leu (RON)	4,55450	4,59920	4,65851	4,65606	4,66001

Please note: the above quarterly and yearly average exchange rates are given as an indication only.

NOTES

CONTENT

GERMANY

FINANCIALS (ADJUSTED FOR SPECIAL FACTORS)

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE		**5.371**	**5.488**	**5.676**	**21.931**	**5.325**	**5.322**	**(0,9)**	**10.768**	**10.648**	**(1,1)**
NET REVENUE		**5.036**	**5.139**	**5.308**	**20.552**	**4.987**	**4.990**	**(0,9)**	**10.105**	**9.976**	**(1,3)**
EBITDA		**2.086**	**2.177**	**2.094**	**8.412**	**2.082**	**2.126**	**1,9**	**4.141**	**4.209**	**1,6**
EBITDA margin (EBITDA / total revenue) %		38,8	39,7	36,9	38,4	39,1	39,9	1,1p	38,5	39,5	1,0p
Depreciation, amortization and impairment losses		(953)	(963)	(977)	(3.828)	(980)	(988)	(3,7)	(1.888)	(1.968)	(4,2)
Profit (loss) from operations = EBIT		1.133	1.214	1.117	4.584	1.102	1.139	0,5	2.253	2.241	0,5
CASH CAPEX		**1.052**	**1.052**	**1.105**	**4.214**	**1.145**	**963**	**(8,5)**	**2.057**	**2.108**	**2,5**

FINANCIALS (AS REPORTED)

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE		**5.371**	**5.488**	**5.676**	**21.931**	**5.325**	**5.322**	**(0,9)**	**10.768**	**10.648**	**(1,1)**
NET REVENUE		**5.036**	**5.139**	**5.308**	**20.552**	**4.987**	**4.990**	**(0,9)**	**10.105**	**9.976**	**(1,3)**
EBITDA		**1.981**	**2.102**	**2.015**	**8.104**	**1.915**	**1.941**	**(2,0)**	**3.987**	**3.857**	**(3,3)**
EBITDA margin (EBITDA / total revenue) %		36,9	38,3	35,5	37,0	36,0	36,5	(0,4p)	37,0	36,2	(0,8p)
Depreciation, amortization and impairment losses		(953)	(963)	(977)	(3.828)	(980)	(988)	(3,7)	(1.888)	(1.968)	(4,2)
Profit (loss) from operations = EBIT		1.028	1.139	1.038	4.276	935	954	(7,3)	2.099	1.889	(10,0)
CASH CAPEX		**1.052**	**1.052**	**1.105**	**4.214**	**1.145**	**963**	**(8,5)**	**2.057**	**2.108**	**2,5**

GERMANY

EBITDA RECONCILIATION

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE		**5.371**	**5.488**	**5.676**	**21.931**	**5.325**	**5.322**	**(0,9)**	**10.768**	**10.648**	**(1,1)**
TOTAL REVENUE (ADJUSTED FOR SPECIAL FACTORS)		**5.371**	**5.488**	**5.676**	**21.931**	**5.325**	**5.322**	**(0,9)**	**10.768**	**10.648**	**(1,1)**
Profit (loss) from operations = EBIT		1.028	1.139	1.038	4.276	935	954	(7,2)	2.099	1.889	(10,0)
- Depreciation, amortization and impairment losses		(953)	(963)	(977)	(3.828)	(980)	(988)	(3,7)	(1.888)	(1.968)	(4,2)
= EBITDA		**1.981**	**2.102**	**2.015**	**8.104**	**1.915**	**1.941**	**(2,0)**	**3.987**	**3.857**	**(3,3)**
EBITDA margin %		36,9	38,3	35,5	37,0	36,0	36,5	(0,4p)	37,0	36,2	(0,8p)
- Special factors affecting EBITDA		(105)	(75)	(79)	(308)	(167)	(185)	(76,2)	(154)	(352)	n.a.
= EBITDA (ADJUSTED FOR SPECIAL FACTORS)		**2.086**	**2.177**	**2.094**	**8.412**	**2.082**	**2.126**	**1,9**	**4.141**	**4.209**	**1,6**
EBITDA margin (adjusted for special factors) %		38,8	39,7	36,9	38,4	39,1	40,0	1,2p	38,5	39,5	1,0p

SPECIAL FACTORS

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
EFFECTS ON EBITDA		**(105)**	**(75)**	**(79)**	**(308)**	**(167)**	**(185)**	**(76,2)**	**(154)**	**(352)**	**n.a.**
- of which personnel		(54)	(65)	(65)	(221)	(160)	(180)	n.a.	(91)	(340)	n.a.
- of which other		(51)	(10)	(14)	(87)	(7)	(5)	90,2	(63)	(12)	81,0
EFFECTS ON PROFIT (LOSS) FROM OPERATIONS = EBIT		**(105)**	**(75)**	**(79)**	**(308)**	**(167)**	**(185)**	**(76,2)**	**(154)**	**(352)**	**n.a.**
- of which personnel		(54)	(65)	(65)	(221)	(160)	(180)	n.a.	(91)	(340)	n.a.
- of which other		(51)	(10)	(14)	(87)	(7)	(5)	90,2	(63)	(12)	81,0

GERMANY

OPERATIONALS

		Note	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Change %
GERMANY								
ACCESS LINES								
Fixed network	('000)	1,2	19.477	19.352	19.239	19.149	18.989	(2,5)
retail IP-based	('000)	1	10.351	11.177	11.996	12.843	13.629	31,7
Broadband	('000)	1,3	13.035	13.105	13.209	13.357	13.437	3,1
Fiber	('000)	1,4	5.033	5.417	5.803	6.232	6.559	30,3
TV (incl. IPTV, SAT)	('000)	1	3.024	3.089	3.139	3.193	3.240	7,1
ULLs	('000)	1	6.723	6.417	6.138	5.846	5.587	(16,9)
Wholesale Broadband Access Lines	('000)	1	4.980	5.315	5.639	5.993	6.277	26,0
Fiber	('000)		3.169	3.485	3.783	4.135	4.432	39,8
MOBILE CUSTOMERS								
Total	('000)		42.011	42.534	43.125	42.730	43.023	2,4
- contract	('000)		25.084	25.452	25.887	25.102	24.965	(0,5)
- prepaid	('000)		16.927	17.082	17.238	17.628	18.058	6,7

GERMANY

MOBILE COMMUNICATIONS KPIS

		Note	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Change %
AVERAGE MONTHLY CHURN	**(%)**		**1,9**	**1,3**	**1,5**	**1,6**	**1,6**	**1,3**	**(0,6p)**
- contract	(%)		2,3	1,1	1,5	1,7	1,9	1,5	(0,8p)
ARPU	**(€)**	**5**	**15**	**15**	**15**	**15**	**13**	**13**	**(13,3)**
- contract	(€)	5	25	25	25	25	21	22	(12,0)
- prepaid	(€)		3	3	3	3	2	3	0,0
MOU PER CUSTOMER	**(min)**		**89**	**89**	**91**	**89**	**91**	**94**	**5,6**
- contract	(min)		138	138	140	138	141	149	8,0

1 Figures do not add up
2 Due to new products by business we see a change in the beginning balance of about +60k accesses
3 Due to new products by business we see a change in the beginning balance of about +55k accesses
4 Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH).

GERMANY

REVENUE SPLIT - PRODUCTS

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
GERMANY		**5.371**	**5.488**	**5.676**	**21.931**	**5.325**	**5.322**	**(0,9)**	**10.768**	**10.648**	**(1,1)**
FIXED NETWORK CORE BUSINESS		**2.385**	**2.379**	**2.419**	**9.575**	**2.371**	**2.374**	**(0,5)**	**4.777**	**4.744**	**(0,7)**
of which Fixed Revenues		1.722	1.716	1.706	6.879	1.756	1.768	2,7	3.457	3.524	1,9
Voice only revenues		409	402	388	1.620	373	355	(13,2)	830	727	(12,4)
Broadband revenues	1	979	972	972	3.909	1.033	1.049	7,2	1.965	2.082	6,0
TV revenues	1	334	342	346	1.350	350	364	9,0	662	714	7,9
of which Variable Revenues		191	186	179	755	176	158	(17,3)	390	334	(14,4)
of which Revenues from add-on options		46	48	49	189	45	44	(4,3)	92	89	(3,3)
thereof revenues from voice centric options		13	13	12	52	11	10	(23,1)	27	21	(22,2)
thereof revenues from broadband centric options		15	15	14	60	14	14	(6,7)	31	28	(9,7)
thereof revenues from TV centric options		17	17	17	68	17	16	(5,9)	34	33	(2,9)
of which Revenues from devices (fixed line)		131	132	129	519	141	141	7,6	258	282	9,3
thereof revenues from sale of devices and accessories (Fixed line)		33	31	25	120	33	31	(6,1)	64	65	1,6
MOBILE COMMUNICATIONS		**1.950**	**2.053**	**2.168**	**8.142**	**1.902**	**1.915**	**(1,8)**	**3.922**	**3.817**	**(2,7)**
of which Service Revenues		1.669	1.713	1.695	6.713	1.480	1.515	(9,2)	3.305	2.995	(9,4)
Service Revenues EXCL. IFRS 15						1.687	1.718	n.a.		3.405	n.a.
WHOLESALE SERVICES FIXED NETWORK		**852**	**874**	**878**	**3.451**	**862**	**859**	**0,8**	**1.700**	**1.721**	**1,2**
of which access full ULL		222	214	204	871	192	180	(18,9)	453	372	(17,9)
of which wholesale broadband access lines		267	289	295	1.107	328	340	27,3	524	668	27,5
VALUE-ADDED SERVICES		**47**	**47**	**48**	**192**	**46**	**43**	**(8,5)**	**96**	**89**	**(7,3)**
OTHERS		**136**	**136**	**163**	**571**	**145**	**131**	**(3,7)**	273	**276**	**1,1**

REVENUE SPLIT - SEGMENTS

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
GERMANY		**5.371**	**5.488**	**5.676**	**21.931**	**5.325**	**5.322**	**(0,9)**	**10.768**	**10.648**	**(1,1)**
Consumer		2.878	2.964	3.038	11.797	2.813	2.820	(2,0)	5.796	5.633	(2,8)
Business customers	2	1.473	1.486	1.587	6.017	1.491	1.492	1,3	2.938	2.983	1,5
Wholesale		928	947	945	3.747	932	926	(0,2)	1.854	1.858	0,2
Others	2	92	91	106	370	90	84	(8,7)	180	174	(3,3)

1 Due to new products by business we see a change in the revenues of about +47 Mio.€. YTD June +95 Mio.€
2 Due to reorganisation partial shift from „Others“ to „Business customers” from Q3/2017.

GERMANY

Magenta Mobil

Magenta Mobil PLANS IN €	XS	S	M	L	XL	L Plus
Monthly charge (without handset)	19.95	34.95	44.95	54.95	79.95	79.95
Monthly charge (with entry level handset)	24.95	39.95	—	—	—	—
Monthly charge (with handset)	29.95	44.95	54.95	64.95	—	—
Monthly charge (with top handset)	39.95	54.95	64.95	74.95	99.95	99.95
Voice and SMS [1]	flat	flat	flat	flat	flat	flat
Data	flat	flat	flat	flat	flat	flat
- Data Speed (download)	max	max	max	max	max	max
- Data Speed (upload)	max	max	max	max	max	max
- Data Volume until speed step down	750 MB	2 GB	4 GB	6 GB	unlimited	10 GB
- Data Network	3G/LTE	3G/LTE	3G/LTE	3G/LTE	3G/LTE	3G/LTE
Streaming	—	—	StreamOn Music	StreamOn Music & Video	n.r.	StreamOn Music & Video
VoIP	free	free	free	free	free	free
Tethering	free	free	free	free	free	free
MMS all net	0.39	0.39	0.39	0.39	0.39	0.39
International Calls (minutes)	—	—	—	—	—	100 [2]
International SMS (pieces)	—	—	—	—	—	100 [2]
HotSpot Flatrate	free	free	free	free	free	free
MultiSim	—	—	—	—	—	free [3]
Roaming Voice, SMS and Data	free (EU)	free (EU)	free (EU)	free (EU)	23 GB (EU)	free (EU)
Fixed line number	—	—	—	—	—	free
Activation fee	39.95	39.95	39.95	39.95	39.95	39.95
Duration of contract	24 months	24 months	24 months	24 months	24 months	24 months

1 voice and sms within all german networks (mobile and fixed network).
2 Country Group 1 and 2
3 up to two MultiSIM bookable.

GERMANY

Magenta Mobil Premium

Premium PLANS IN €	L PREMIUM	L Plus PREMIUM	XL PREMIUM
Monthly charge (with top handset)	84.95	109.95	199.95
handset upgrade period	12 months	12 months	12 months
Voice and SMS [1]	flat	flat	flat
Data	flat	flat	flat
- Data Speed (download)	max	max	max
- Data Speed (upload)	max	max	max
- Data Volume until speed step down	6 GB	10 GB	flat
- Data Network	3G/LTE	3G/LTE	3G/LTE
Streaming	StreamOn Music & Video	StreamOn Music & Video	n.r.
VoIP	free	free	free
Tethering	free	free	free
MMS all net	0.39	0.39	0.39
International Calls (minutes)	—	100 [2]	flat [4]
International SMS (pieces)	—	100 [2]	flat [4]
HotSpot Flatrate	free	free	free
MultiSim	4.95	free [3]	free [3]
Roaming Voice, SMS and Data	free (EU)	free (EU)	free (EU Plus [4])
Fixed line number	4.95	free	free
Activation fee	39.95	39.95	39.95
Duration of contract	24 months	24 months	24 months

1 voice and sms within all german networks (mobile and fixed network).
2 Country Group 1 and 2
3 up to two MultiSIM bookable
4 EU, Switzerland, US, Canada, Turkey

GERMANY
Mobile Options

StreamOn	StreamOn Music	StreamOn Music & Video	MagentaEINS StreamOn Music & Video Max
Monthly charge	0	0	0
Description	Music Streaming zero-rating for connected partners	Music &Video Streaming zero-rating for connected partners, mobile optimated	Music &Video Streaming zero-rating for connected partners, high resolution
Booking restrictions	Starting with MagentaMobil M /MagentaMobil S Young / FamilyCard M	Starting with MagentaMobil L /MagentaMobil M Young / FamilyCard L	Only MagentaEINS: Starting with MagentaMobil M /MagentaMobil M Young / FamilyCard M

INTERNATIONAL OPTIONS IN €	INTERNATIONAL 100 or 400	INTERNATIONAL SMS 100
Monthly charge	9.95 or 29.95	9.95
Description	100 or 400 min. mobile and fixed Network to Country Code 1 + 2	100 SMS to Country Code 1 + 2

ADDITIONAL DATA VOLUME OPTIONS IN €	Data S	Data M	Data L
Monthly charge	9.95	14.95	24.95
Additional Data Volume (per month)	1 GB	2 GB	5 GB

OHTER OPTIONS IN €	MULTISIM	DayFlat unlimited
Monthly charge	4.95/9.90	4.95
Description	one/two MultiSIM bookable.	Data Full Flat for 24h

ADDITIONAL DATA PACKAGES IN €	MultiData S	MultiData M	MultiData L
Monthly charge	10.00	15.00	25.00
Additional Data Volume (per month)	1 GB	2 GB	5 GB
Description	up to two MultiSIM bookable	up to two MultiSIM bookable	up to two MultiSIM bookable

GERMANY

DOUBLE PLAY VIA WIRELESS (CALL & SURF VIA FUNK)

DOUBLE PLAY VIA WIRELESS [1 in €]	S	M	L
Monthly Charge[2]	34.95[3]	39.95[4]	49.95[5]
Data Speed (Mbit/s)	16 Mbit/s	50 Mbit/s	100 Mbit/s
Data Volume until Speed Step Down (SSD)	10 GB	15 GB	30 GB
Voice minutes		**€ Cent/Minute**	
fixed net national		flat	
international		from 2.9	
fixed to mobile		19.0	
Options			
Speed On	€14.95 per 10GB	€14.95 per 15GB	€14.95 per 30GB
fixed to mobile		12.9 cents/minute, minimum charge €4 per month	
mobile flat		to Telekom Mobile €14.95 per month	
CountryFlat 1		€3.95 per month	
CountryFlat 2		€14.95 per month	
Mail & Cloud M		€4.95 per month	
Security Package M		€3.95 per month	

1 Standard-PSTN; Universal-PSTN + €4

2 without terminal equipment. Monthly rent for Router €4.95

3 Promotional price. Regular price €39.95

4 Promotional price. Regular price €49.95

5 Promotional price. Regular price €69.95

For general conditions and further details, please see www.telekom.de. All prices in € including VAT.

GERMANY

MAGENTA ZUHAUSE

MAGENTA ZUHAUSE IN €	ZUHAUSE XS[1]	ZUHAUSE S[1]	ZUHAUSE M[1]	ZUHAUSE L[1]	ZUHAUSE XL[1]	ZUHAUSE XXL[1]	ZUHAUSE GIGA[1]
	29.95	34.95[2]	39.95[2]	44.95[2]	54.95[2]	69.95[2]	119.95
	16 Mbit/s bandwidth flat rate Internet usage	16 Mbit/s bandwidth, flat rate Internet usage flat rate voice usage	50 Mbit/s bandwidth flat rate Internet usage flat rate voice usage	100 Mbit/s bandwidth[5] flat rate Internet usage flat rate voice usage	250 Mbit/s bandwidth[5] flat rate Internet usage all net flat rate voice usage	500 Mbit/s bandwidth[5] flat rate Internet usage all net flat rate voice usage	1.000 Mbit/s bandwidth flat rate Internet usage all net flat rate voice usage
ENTERTAIN							
ENTERTAIN TV	–	10.00 [3,4]					–
ENTERTAIN TV SAT	–	10.00 [3,4]					–
ENTERTAIN TV PLUS	–	15.00 [3,4]					incl.
ENTERTAIN TV SAT PLUS	–	15.00 [3,4]					–
CITY, DLD	**CENT/MINUTE**						
Peak/Off peak	2.9 ct	included					
international	from 2.9 ct						
fixed to mobile	19.0 ct				incl.		
CALLING PLANS							
fixed to mobile	12.9 ct/minute, 4.00 monthly minimum charge				–	–	–
fixed to T-Mobile flatrate	14.95				–	–	–
fixed to mobile flatrate	19.95				–	–	–
CountryFlat 1	3.94						
CountryFlat 2	14.95						
Set-up	69.95 (non-recurring charge)						

1 IP-Access incl. 2 voice channels and 3 telephone no.

2 Promotional price for new broadband customers: -€15.00/-€20.00/-€25.00/-€35.00/-€50.00 for the first 6 months (ZUHAUSE S/M/L/XL/XXL)

3 Additional (footnote 2) promotional price for new broadband customers: -€5.00 for the first 24 months (ZUHAUSE S) / -€5.00 ongoing (ZUHAUSE M/L/XL/XXL)

4 Promotional price for upgraders from Double Play tariffs: -€5.00 for the first 24 months

All prices in € including VAT; excl. terminal equipment; excl. building connection fee

All prices are charged on a monthly basis if not identified seperately (usage prices excluded)

For general conditions and further details, please see www.telekom.de

GERMANY
MAGENTA ZUHAUSE HYBRID

MAGENTA ZUHAUSE HYBRID IN €	ZUHAUSE S[1] HYBRID	ZUHAUSE M[1] HYBRID	ZUHAUSE L[1] HYBRID
	34.95[2]	39.95[2]	44.95[2]
	16 Mbit/s bandwidth + Hybrid LTE-Boost (up to 16 Mbit/s), flat rate Internet usage flat rate voice usage	50 Mbit/s bandwidth[3] + Hybrid LTE-Boost (up to 50 Mbit/s), flat rate Internet usage flat rate voice usage	100 Mbit/s bandwidth + Hybrid LTE-Boost (up to 100 Mbit/s), flat rate Internet usage flat rate voice usage
ENTERTAIN			
ENTERTAIN TV	10.00 [4,5]		
ENTERTAIN TV SAT	10.00 [4,5]		
ENTERTAIN TV PLUS	15.00 [4,5]		
ENTERTAIN TV SAT PLUS	15.00 [4,5]		
CITY, DLD	**CENT/MINUTE**		
national	0 ct		
international	from 2.9 ct		
fixed to mobile	19.0 ct		
CALLING PLANS			
fixed to mobile	12.9 ct/minute, 4.00 monthly minimum charge		
fixed to T-Mobile flatrate	14.95		
fixed to mobile flatrate	19.95		
CountryFlat 1	3.94		
CountryFlat 2	14.95		
Set-up	69.95 (non-recurring charge)		

1 IP-Access incl. 2 voice channels and 3 telephone no.

2 Promotional price for new broadband customers: -€15.00/-€20.00/-€25.00 for the first 6 months (ZUHAUSE S/M/L Hybrid)

3 16 Mbit/s DSL-bandwidth in non-VDSL-areas (ZUHAUSE M Hybrid (2))

4 Additional (footnote 2) promotional price for new broadband customers: -€5.00 for the first 24 months (ZUHAUSE S Hybrid) / -€5.00 ongoing (ZUHAUSE M&L Hybrid)

5 Promotional price for upgraders from Double Play tariffs: -€5.00 for the first 24 months

All prices excl. terminal equipment; Speedport Hybrid required (rental price per month: 9.95€, purchase price 399.99€); excl. building connection fee

All prices in € including VAT; excl. terminal equipment.

All prices are charged on a monthly basis if not identified seperately (usage prices excluded)

For general conditions and further details, please see www.telekom.de

GERMANY

SINGLE PLAY

SINGLE PLAY IN €	CALL START[1]	CALL BASIC[1,2]	CALL COMFORT[1]
	20.95	20.95	30.94
	Standard, voice usage per minute	Standard, voice usage per minute, up to 120 minutes included within Germany	Standard, voice flat rate within Germany
CITY, CDL		€ CENT/MINUTE	
Peak/Off peak	2.9	2.9	flat
international	from 2.9	from 2.9	from 2.9
fixed to mobile	19.0	19.0	19.0
CALLING PLANS			
CountryFlat 1	€ 3.94 per month	€ 3.94 per month	€ 3.94 per month
CountryFlat 2	€14.95 per month	€14.95 per month	€14.95 per month
fixed to mobile	12.9 cents/minute, minimum charge €4 per month	12.9 cents/minute, minimum charge €4 per month	12.9 cents/minute, minimum charge €4 per month
fixed to T-Mobile flatrate	€14.95 per month	€14.95 per month	€14.95 per month
fixed to mobile flatrate	€19.95 per month	€19.95 per month	€19.95 per month
Set-up	69.95 (non-recurring charge)	69.95 (non-recurring charge)	69.95 (non-recurring charge)

1 Standard; Universal + €8

2 Universal up to 240 Min included

For general conditions and further details, please see www.telekom.de.

All prices in € including VAT.

GERMANY
MAGENTA EINS

Valid from 1st of July 2018

MAGENTA EINS[1] IN €	MagentaEINS S	MagentaEINS M	MagentaEINS L
Monthly charge	39.90 [2]	59.85 [2]	74.85 [2]
Fixed Line	Flatrate from fixed line to all national networks[3], including calls to all mobile networks. Internet Flat up to 16 Mbit/s download speed.	Flatrate from fixed line to all national networks[3], including calls to all mobile networks. Internet Flat up to 50 Mbit/s download speed.	Flatrate from fixed line to all national networks[3], including calls to all mobile networks. Internet Flat up to 100 Mbit/s download speed.
Mobile	Unlimited SMS and calls from mobile into all national networks in Germany[3]. 2 + 2 GB[4] Internet flat with LTE Max until speed step down. Hotspot Flat and abroad option All Inclusive included.	Unlimited SMS and calls from mobile into all national networks in Germany[3]. 4 +4 GB[4] Internet flat with LTE Max until speed step down. Hotspot Flat and abroad option All Inclusive included.	Unlimited SMS and calls from mobile into all national networks in Germany[3]. 6 +6 GB[4] Internet flat with LTE Max until speed step down. Hotspot Flat and abroad option All Inclusive included.
TV		EntertainTV incl. UHD Receiver 500 GB Memory, including more than 20 channels in HD quality.	EntertainTV Plus incl. UHD Receiver 500 GB Memory, including more than 45 channels in HD quality.
MagentaEINS StreamOn Music&Video Max		Music &Video Streaming zero-rating for connected partners, high resolution	Music &Video Streaming zero-rating for connected partners, high resolution
Set-up	Service fee of 69,95€ for new fixed line & 39,95€ for new mobile contract.		
Duration of contract	24 months for new costumers; duration depends otherwise on fixed network and/or on mobile network contract conditions		
Handsets, options, calling plans, etc.	Available based on comparable mobile and fixed line stand-alone offers.		

1 Booking Prerequisites: only available as IP-Tariff; Mobile tariff with monthly charge ≥ €29.95; Identical adress for fixed and mobile contracts.

2 Promotional price in the first 6 months for new customers; Regular price after 6 months €59.90 (S), €84.85 (M), €104.85 (L). Prices might vary in online channel due to special online discounts.

3 Price for international calls depend of fixed-network and/or mobile-network contract. Otherwise from 2.9 cent/min. (fixed line) and from 69 cent/min. (mobile)

4 New benefit for MagentaEINS customers since 16th of April 2018: double data within MagentaMobil tariffs (marketed since 04th of April 2017)

More MagentaEINS convergent Bundles including existing customers' tariffs available.

For general terms & conditions and further details, please visit: www.telekom.de. All prices in € and include VAT.

FIXED NETWORK

OVERVIEW DOM. INTERCONNECTION TARIFFS (EXCL. VAT)

TERMINATION FEES IN CENT/MIN.	PEAK (9:00-18:00), OLD	PEAK (9:00-18:00), NEW[1]	OFF-PEAK (18:00-9:00), OLD	OFF-PEAK (18:00-9:00), NEW[1]
Local	0.24	0.10	0.24	0.10
Single transit	0.26	entfallen	0.26	entfallen
Double transit national	0.26	0.10	0.26	0.10

ORIGINATION FEES IN CENT/MIN.	PEAK (9:00-18:00), OLD	PEAK (9:00-18:00), NEW[1]	OFF-PEAK (18:00-9:00), OLD	OFF-PEAK (18:00-9:00), NEW[1]
Local	0.24	0.23	0.24	0.23
Single transit	0.35	entfallen	0.35	entfallen
Double transit national	0.41	0.23	0.41	0.23

FULLY UNBUNDLED (“ULL“)	OLD	NEW
One time fee	29.78 [2]	27.11 [3]
Monthly fee	10.19 [4]	10.02 [5]

PARTIALLY UNBUNDLED (“LINE SHARING“)	OLD	NEW
One time fee	34.13 [11]	34.23 [12]
Monthly fee	1.68 [6]	1.78 [7]

IP-BSA ADSL SHARED (CLASSIC)	OLD	NEW
One time fee	–	44.87 [8,9]
Monthly fee	–	8.12 [8,9]

IP-BSA ADSL STAND ALONE (CLASSIC)	OLD	NEW
One time fee	–	47.68 [8,9]
Monthly fee	–	18.20 [8,9]

IP-BSA VDSL (until 50 Mbit/s)[10] STAND ALONE (CLASSIC)	OLD (IN €)	NEW (IN €)
One time fee	–	46.43 [8,9]
Monthly fee	–	25.32 [8,9]

1 Prices are valid from Jan. 01, 2017 to Dec. 31, 2018.
2 Depending on complexity – valid to Sep. 30, 2016.
3 Depending on complexity - valid to Sep. 30, 2018.
4 Twisted pair copper access line valid to Jun. 30, 2016.
5 Twisted pair copper access line valid to Jun. 30, 2019.
6 valid to Jun. 30, 2014.
7 valid from Jul. 01, 2014.
8 Since Dec. 01, 2010 these prices are ex post.
9 No price changes since Jul. 01, 2011 .
10 Monthly fee for VDSL Vectoring (over 50 to 100 Mbit/s): 29.52 €. Launch Aug. 01, 2014.
11 Depending on complexity – valid to Jun. 30, 2014.
12 Depending on complexity – valid from Jul. 01, 2014.

NOTES

CONTENT

UNITED STATES

FINANCIALS (ADJUSTED FOR SPECIAL FACTORS)

		Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE			9.236	8.466	9.052	35.736	8.455	8.821	(4,5)	18.218	17.277	(5,2)
NET REVENUE			9.236	8.466	9.052	35.736	8.455	8.821	(4,5)	18.218	17.277	(5,2)
EBITDA		1	2.640	2.288	2.003	9.316	2.332	2.553	(3,3)	5.025	4.885	(2,8)
EBITDA margin (EBITDA / total revenues)	%		28,6	27,0	22,1	26,1	27,6	28,9	0,3p	27,6	28,3	0,7p
Depreciation, amortization and impairment losses			(1.308)	(1.130)	(1.194)	(5.019)	(1.223)	(1.321)	(1,0)	(2.695)	(2.544)	5,6
Profit (loss) from operations = EBIT			1.332	1.157	809	4.297	1.109	1.232	(7,5)	2.331	2.342	0,5
CASH CAPEX		2	1.216	1.225	774	4.624	1.084	1.280	5,3	2.625	2.363	(10,0)

FINANCIALS (AS REPORTED)

		Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE			9.236	8.466	9.052	35.736	8.455	8.821	(4,5)	18.218	17.277	(5,2)
NET REVENUE			9.236	8.466	9.052	35.736	8.455	8.821	(4,5)	18.218	17.277	(5,2)
EBITDA			2.635	3.934	1.989	10.949	2.360	2.522	(4,3)	5.025	4.882	(2,8)
EBITDA margin (EBITDA / total revenue)	%		28,5	46,5	22,0	30,6	27,9	28,6	0,1p	27,6	28,3	0,7p
Depreciation, amortization and impairment losses			(1.308)	(1.130)	(1.194)	(5.019)	(1.223)	(1.321)	(1,0)	(2.695)	(2.544)	5,6
Profit (loss) from operations = EBIT			1.328	2.804	795	5.930	1.137	1.201	(9,6)	2.331	2.338	0,3
CASH CAPEX			8.463	1.243	784	11.932	1.143	1.353	(84,0)	9.905	2.495	(74,8)

1 Excluding special factors affecting EBITDA of EUR (4mn) in Q2/17, EUR 1,647mn (mainly related to reversal of impairment) in Q3/17 , EUR (14mn) in Q4/17, EUR 28mn in Q1/18 and EUR (32)mn in Q2/18.

2 Adjusted by excluding spectrum purchases of EUR 7.247mn in Q2/17, EUR 18mn in Q3/17, EUR 10mn in Q4/17, EUR 59mn in Q1/18 and EUR 74mn in Q2/18.

UNITED STATES

EBITDA RECONCILIATION

		Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE			**9.236**	**8.466**	**9.052**	**35.736**	**8.455**	**8.821**	**(4,5)**	**18.218**	**17.277**	**(5,2)**
Profit (loss) from operations = EBIT			1.328	2.804	795	5.930	1.137	1.201	(9,6)	2.331	2.338	0,3
- Depreciation, amortization and impairment losses			(1.308)	(1.130)	(1.194)	(5.019)	(1.223)	(1.321)	(1,0)	(2.695)	(2.544)	5,6
= EBITDA			**2.635**	**3.934**	**1.989**	**10.949**	**2.360**	**2.522**	**(4,3)**	**5.025**	**4.882**	**(2,8)**
EBITDA margin	%		28,5	46,5	22,0	30,6	27,9	28,6	0,1p	27,6	28,3	0,7p
- Special factors affecting EBITDA			(4)	1.647	(14)	1.633	28	(32)	n.a.	0	(4)	n.a.
= EBITDA ADJUSTED FOR SPECIAL FACTORS		1	**2.640**	**2.288**	**2.003**	**9.316**	**2.332**	**2.553**	**(3,3)**	**5.025**	**4.885**	**(2,8)**
EBITDA margin (adjusted for special factors)	%		28,6	27,0	22,1	26,1	27,6	28,9	0,3p	27,6	28,3	0,7p

SPECIAL FACTORS

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	H1 2017 millions of €	H1 2018 millions of €
EFFECTS ON EBITDA		**(4)**	**1.647**	**(14)**	**1.633**	**28**	**(32)**	**0**	**(4)**
- of which personnel		(4)	0	(2)	(7)	2	2	(5)	4
- of which other		0	1.647	(12)	1.640	(30)	30	5	0
EFFECTS ON PROFIT (LOSS) FROM OPERATIONS = EBIT		**(4)**	**1.647**	**(14)**	**1.633**	**28**	**(32)**	**0**	**(4)**
- of which personnel		(4)	0	(2)	(7)	2	2	(5)	4
- of which other		0	1.647	(12)	1.640	(30)	30	5	0

1 Excluding special factors affecting EBITDA of EUR (4mn) in Q2/17, EUR 1,647mn (mainly related to reversal of impairment) in Q3/17, EUR (14mn) in Q4/17, EUR 28 mn in Q1/18 and EUR (32)mn in Q2/18.

UNITED STATES [4]

OPERATIONAL

		Note	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Change %	H1 2017	H1 2018	Change %
CUSTOMERS (END OF PERIOD)	('000)		**69.562**	**70.731**	**72.585**	**72.585**	**74.040**	**75.619**	**8,7**	**69.562**	**75.619**	**8,7**
Branded postpaid	('000)	4	36.158	36.975	38.047	38.047	39.065	40.082	10,9	36.158	40.082	10,9
Branded prepay	('000)	4	20.293	20.519	20.668	20.668	20.876	20.967	3,3	20.293	20.967	3,3
- BRANDED	('000)	**4**	**56.451**	**57.494**	**58.715**	**58.715**	**59.941**	**61.049**	**8,1**	**56.451**	**61.049**	**8,1**
- WHOLESALE	('000)	**4**	**13.111**	**13.237**	**13.870**	**13.870**	**14.099**	**14.570**	**11,1**	**13.111**	**14.570**	**11,1**
NET ADDS	('000)		**1.333**	**1.329**	**1.854**	**5.658**	**1.433**	**1.579**	**18,5**	**2.475**	**3.012**	**21,7**
Branded postpaid	('000)		817	817	1.072	3.620	1.005	1.017	24,5	1.731	2.022	16,8
Branded prepay	('000)		94	226	149	855	199	91	(3,2)	480	290	(39,6)
- BRANDED	('000)		**911**	**1.043**	**1.221**	**4.475**	**1.204**	**1.108**	**21,6**	**2.211**	**2.312**	**4,6**
- WHOLESALE	('000)		**422**	**286**	**633**	**1.183**	**229**	**471**	**11,6**	**264**	**700**	**n.a.**
AVERAGE MONTHLY CHURN												
- Branded postpaid	(%)		1,3	1,4	1,4	1,4	1,3	1,1	(0,2p)	1,3	1,2	(0,1p)
- Branded prepay	(%)		3,9	4,3	4,0	4,0	3,9	3,8	(0,1p)	4,0	3,9	(0,1p)
TOTAL REVENUES	(€ million)		**9.236**	**8.466**	**9.052**	**35.736**	**8.455**	**8.821**	**(4,5)**	**18.218**	**17.276**	**(5,2)**
Service revenue	(€ million)	1	6.665	6.336	6.426	26.210	6.226	6.523	(2,1)	13.448	12.749	(5,2)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	(€ million)	2	**2.640**	**2.288**	**2.003**	**9.316**	**2.332**	**2.553**	**(3,3)**	**5.025**	**4.885**	**(2,8)**
EBITDA margin (adjusted for special factors) (EBITDA / total revenue)	(%)		28,6	27,0	22,1	26,1	27,6	28,9	0,3p	27,6	28,3	0,7p
EBITDA margin (adjusted for special factors) (EBITDA / service revenue)	(%)		39,6	36,1	31,2	35,5	37,5	39,1	(0,5p)	37,4	38,3	0,9p
ARPU												
- Branded postpaid	(€)		40	37	37	39	35	36	(10,0)	41	35	(14,6)
- Branded prepay	(€)		35	33	32	34	31	31	(11,4)	35	31	(11,4)
CASH CAPEX	(€ million)		**8.463**	**1.243**	**784**	**11.932**	**1.143**	**1.353**	**(84,0)**	**9.905**	**2.495**	**(74,8)**
CASH CAPEX (ADJUSTED FOR SPECIAL FACTORS)	(€ million)	3	**1.216**	**1.225**	**774**	**4.624**	**1.084**	**1.280**	**5,3**	**2.625**	**2.363**	**(10,0)**

Note: T-Mobile's historical metrics have changed to conform with the current branded customer presentation. Branded customer metrics revenues exclude machine-to-machine, MVNO, third party roaming and third party one-time fees. Certain historical customer numbers may not tie to historical reports due to rounding.

1 Includes revenues from providing recurring wireless, customer roaming and handset insurance services.

2 Excluding special factors affecting EBITDA of EUR (4mn) in Q2/17, EUR 1,647mn (mainly related to reversal of impairment) in Q3/17, EUR (14mn) in Q4/17 , EUR 28 mn in Q1/18 and EUR (32)mn in Q2/18.

3 Adjusted by excluding spectrum purchases of EUR 7.247mn in Q2/17, EUR 18mn in Q3/17, EUR 10mn in Q4/17, EUR 59 mn in Q1/18 and EUR 74mn in Q2/18.

4 T-Mobile US believes current and future regulatory changes have made the Lifeline program offered by T-Mobile US' wholesale partners uneconomical. T-Mobile US will continue to support its wholesale partners offering the Lifeline program, but has excluded the Lifeline customers from the reported wholesale subscriber base resulting in a removal of 4,368 thousand and 160 thousand and reported wholesale customers as of the beginning of the second quarter of 2017 and the third quarter of 2017, respectively. No further Lifeline adjustments are expected in future periods.

For plan details see:

https://www.t-mobile.com/cell-phone-plans

https://prepaid-phones.t-mobile.com/prepaid-plans

https://business.t-mobile.com/t-mobile-one-business

https://www.metropcs.com/shop/plans

UNITED STATES [4]

OPERATIONAL IN US-$

		Note	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Change %	H1 2017	H1 2018	Change %
CUSTOMERS (END OF PERIOD)	('000)		**69.562**	**70.731**	**72.585**	**72.585**	**74.040**	**75.619**	**8,7**	**69.562**	**75.619**	**8,7**
Branded postpaid	('000)	4	36.158	36.975	38.047	38.047	39.065	40.082	10,9	36.158	40.082	10,9
Branded prepay	('000)	4	20.293	20.519	20.668	20.668	20.876	20.967	3,3	20.293	20.967	3,3
- BRANDED	('000)	**4**	**56.451**	**57.494**	**58.715**	**58.715**	**59.941**	**61.049**	**8,1**	**56.451**	**61.049**	**8,1**
- WHOLESALE	('000)	**4**	**13.111**	**13.237**	**13.870**	**13.870**	**14.099**	**14.570**	**11,1**	**13.111**	**14.570**	**11,1**
NET ADDS	('000)		**1.333**	**1.329**	**1.854**	**5.658**	**1.433**	**1.579**	**18,5**	**2.475**	**3.012**	**21,7**
Branded postpaid	('000)		817	817	1.072	3.620	1.005	1.017	24,5	1.731	2.022	16,8
Branded prepay	('000)		94	226	149	855	199	91	(3,2)	480	290	(39,6)
- BRANDED	('000)		**911**	**1.043**	**1.221**	**4.475**	**1.204**	**1.108**	**21,6**	**2.211**	**2.312**	**4,6**
- WHOLESALE	('000)		**422**	**286**	**633**	**1.183**	**229**	**471**	**11,6**	**264**	**700**	**n.a.**
AVERAGE MONTHLY CHURN												
- Branded postpaid	(%)		1,3	1,4	1,4	1,4	1,3	1,1	(0,2p)	1,3	1,2	(0,1p)
- Branded prepay	(%)		3,9	4,3	4,0	4,0	3,9	3,8	(0,1p)	4,0	3,9	(0,1p)
TOTAL REVENUES	(USD million)		**10.151**	**9.939**	**10.664**	**40.316**	**10.394**	**10.510**	**3,5**	**19.714**	**20.904**	**6,0**
Service revenue	(USD million)	1	7.329	7.439	7.570	29.558	7.653	7.773	6,1	14.550	15.426	6,0
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	(USD million)	**2**	**2.899**	**2.680**	**2.360**	**10.479**	**2.866**	**3.046**	**5,1**	**5.439**	**5.912**	**8,7**
EBITDA margin (adjusted for special factors) (EBITDA / total revenue)	(%)		28,6	27,0	22,1	26,0	27,6	29,0	0,4p	27,6	28,3	0,7p
EBITDA margin (adjusted for special factors) (EBITDA / service revenue)	(%)		39,6	36,0	31,2	35,5	37,4	39,2	(0,4p)	37,4	38,3	0,9p
BLENDED ARPU												
- Branded postpaid	(USD)		44	44	43	44	43	43	(2,3)	44	43	(2,3)
- Branded prepay	(USD)		38	38	38	38	38	37	(2,6)	38	38	0,0
CASH CAPEX	(USD million)		**9.334**	**1.452**	**923**	**13.243**	**1.403**	**1.627**	**(82,6)**	**10.868**	**3.030**	**(72,1)**
CASH CAPEX (ADJUSTED FOR SPECIAL FACTORS)	(USD million)	**3**	**1.330**	**1.429**	**913**	**5.170**	**1.330**	**1.540**	**15,8**	**2.828**	**2.870**	**1,5**

Note: T-Mobile's historical metrics have changed to conform with the current branded customer presentation. Branded customer metrics revenues exclude machine-to-machine, MVNO, third party roaming and third party one-time fees. Certain historical customer numbers may not tie to historical reports due to rounding.

1 Includes revenues from providing recurring wireless, customer roaming and handset insurance services.

2 Excluding special factors affecting EBITDA of USD 5mn in Q2/17, USD 1,945mn (mainly related to reversal of impairment) in Q3/17, USD (16mn) in Q4/17 , USD 34 mn in Q1/18 and USD (39)mn in Q2/18.

3 Adjusted by excluding spectrum purchases of USD 8.004mn in Q2/17, USD 22mn in Q3/17, USD 11mn in Q4/17, USD 73 mn in Q1/18 and USD 87mn in Q2/18.

4 T-Mobile US believes current and future regulatory changes have made the Lifeline program offered by T-Mobile US' wholesale partners uneconomical. T-Mobile US will continue to support its wholesale partners offering the Lifeline program, but has excluded the Lifeline customers from the reported wholesale subscriber base resulting in a removal of 160 thousand and 4,368 thousand reported wholesale customers as of the beginning of the third quarter of 2017 and the second quarter of 2017, respectively. No further Lifeline adjustments are expected in future periods.

For US-GAAP numbers please visit investor.t-mobile.com to download the corresponding T-Mobile US earnings release.

For plan details see:

https://www.t-mobile.com/cell-phone-plans

https://prepaid-phones.t-mobile.com/prepaid-plans

https://business.t-mobile.com/t-mobile-one-business

https://www.metropcs.com/shop/plans

NOTES

CONTENT

EUROPE

FINANCIALS (ADJUSTED FOR SPECIAL FACTORS)

		Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE			**2.860**	**2.945**	**3.002**	**11.589**	**2.811**	**2.896**	**1,3**	**5.641**	**5.707**	**1,2**
NET REVENUE			**2.772**	**2.848**	**2.903**	**11.218**	**2.727**	**2.811**	**1,4**	**5.467**	**5.538**	**1,3**
EBITDA		**1**	**947**	**1.007**	**906**	**3.749**	**911**	**953**	**0,6**	**1.836**	**1.864**	**1,5**
EBITDA margin (EBITDA / total revenue)	%		33,1	34,2	30,2	32,3	32,4	32,9	(0,2p)	32,5	32,7	0,2p
Depreciation, amortization and impairment losses		4	(557)	(558)	(624)	(2.292)	(559)	(550)	1,3	(1.110)	(1.109)	0,1
Profit (loss) from operations = EBIT		2	390	449	282	1.457	352	403	3,3	726	755	4,0
CASH CAPEX		**3**	**403**	**395**	**517**	**1.787**	**434**	**398**	**(1,2)**	**876**	**832**	**(5,0)**

FINANCIALS (AS REPORTED)

		Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE			**2.860**	**2.945**	**3.002**	**11.589**	**2.811**	**2.896**	**1,3**	**5.641**	**5.707**	**1,2**
NET REVENUE			**2.772**	**2.848**	**2.903**	**11.218**	**2.727**	**2.811**	**1,4**	**5.467**	**5.538**	**1,3**
EBITDA			**913**	**959**	**870**	**3.619**	**905**	**907**	**(0,7)**	**1.791**	**1.812**	**1,2**
EBITDA margin (EBITDA / total revenue)	%		31,9	32,6	29,0	31,2	32,2	31,3	(0,6p)	31,7	31,8	(0,1p)
Depreciation, amortization and impairment losses			(557)	(558)	(1.489)	(3.157)	(559)	(550)	1,3	(1.110)	(1.109)	0,1
Profit (loss) from operations = EBIT			357	400	(620)	462	345	357	0,0	681	702	3,1
CASH CAPEX			**403**	**395**	**601**	**1.874**	**438**	**398**	**(1,2)**	**878**	**836**	**(4,8)**

1 Special factors affecting EBITDA: EUR 33mn in Q2/17, EUR 49mn in Q3/17, EUR 36mn in Q4/17, EUR 7mn in Q1/18 and EUR 46mn in Q2/18.
2 Special factors affecting EBIT: EUR 33mn in Q2/17 (thereof EUR 33mn resulting from EBITDA), EUR 49mn in Q3/17 (thereof EUR 49mn resulting from EBITDA), EUR 902mn in Q4/17 (thereof EUR 36mn resulting from EBITDA), EUR 7mn in Q1/18 (thereof EUR 7mn resulting from EBITDA) and EUR 46mn in Q2/18 (thereof EUR 46mn resulting from EBITDA).
3 EUR 84mn in Greece in Q4/17, EUR 3mn in Albania in Q1/18 and EUR 1mn in Austria in Q1/18.
4 The Q4/17 numbers are affected by an EUR 787mn impairment in Poland.

EUROPE

EBITDA RECONCILIATION

		Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE			**2.860**	**2.945**	**3.002**	**11.589**	**2.811**	**2.896**	**1,3**	**5.641**	**5.707**	**1,2**
TOTAL REVENUE (ADJUSTED FOR SPECIAL FACTORS)			**2.860**	**2.945**	**3.002**	**11.589**	**2.811**	**2.896**	**1,3**	**5.641**	**5.707**	**1,2**
Profit (loss) from operations = EBIT			357	400	(620)	462	345	357	0,0	681	702	3,1
- Depreciation, amortization and impairment losses			(557)	(558)	(1.489)	(3.157)	(559)	(550)	1,3	(1.110)	(1.109)	0,1
= EBITDA			**913**	**959**	**870**	**3.619**	**905**	**907**	**(0,7)**	**1.791**	**1.812**	**1,2**
EBITDA margin	%		31,9	32,6	29,0	31,2	32,2	31,3	(0,6p)	31,7	31,8	(0,1p)
- Special factors affecting EBITDA			(33)	(49)	(36)	(130)	(7)	(46)	(39,4)	(45)	(52)	(15,6)
= EBITDA (ADJUSTED FOR SPECIAL FACTORS)			**947**	**1.007**	**906**	**3.749**	**911**	**953**	**0,6**	**1.836**	**1.864**	**1,5**
EBITDA margin (adjusted for special factors)	%		33,1	34,2	30,2	32,3	32,4	32,9	(0,2p)	32,5	32,7	0,2p

SPECIAL FACTORS

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
EFFECTS ON EBITDA		**(33)**	**(49)**	**(36)**	**(130)**	**(7)**	**(46)**	**(39,4)**	**(45)**	**(52)**	**(15,6)**
- of which personnel		(13)	(38)	(30)	(92)	(5)	(43)	n.a.	(24)	(48)	(100,0)
- of which other		(21)	(10)	(6)	(37)	(1)	(3)	85,7	(21)	(4)	81,0
EFFECTS ON PROFIT (LOSS) FROM OPERATIONS = EBIT		**(33)**	**(49)**	**(902)**	**(995)**	**(7)**	**(46)**	**(39,4)**	**(45)**	**(52)**	**(15,6)**
- of which personnel		(13)	(38)	(30)	(92)	(5)	(43)	n.a.	(24)	(48)	(100,0)
- of which other		(21)	(10)	(871)	(902)	(1)	(3)	85,7	(21)	(4)	81,0

GREECE

FINANCIALS (ADJUSTED FOR SPECIAL FACTORS)[2]

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE		**693**	**740**	**723**	**2.846**	**686**	711	**2,6**	**1.383**	**1.397**	**1,0**
PRODUCT VIEW		**693**	**740**	**723**	**2.846**	**686**	711	**2,6**	**1.383**	**1.397**	**1,0**
- Fixed network		432	445	443	1.769	438	439	1,6	880	877	(0,3)
- Mobile communications		261	294	280	1.077	248	272	4,2	503	520	3,4
SEGMENT VIEW		**693**	**740**	**723**	**2.846**	**686**	711	**2,6**	**1.383**	**1.397**	**1,0**
- of which Consumer		398	414	408	1.609	393	410	3,0	787	802	1,0
- of which Business		140	138	149	560	132	142	1,4	273	274	1,9
EBITDA	1	**273**	**303**	**293**	**1.135**	**280**	**279**	**2,2**	**539**	**559**	**3,7**
EBITDA MARGIN (EBITDA / TOTAL REVENUE) %		**39,4**	**40,9**	**40,5**	**39,9**	**40,8**	**39,2**	**(0,2p)**	**39,0**	**40,0**	**1.0p**
CASH CAPEX (AS REPORTED)		**123**	**113**	**241**	**580**	**84**	**113**	**(8,1)**	**225**	**197**	**(12,4)**

1 Special factors affecting EBITDA: EUR 26mn in Q3/17, EUR -8mn in Q4/17 and EUR 36mn in Q2/18.
2 As of January 1, 2018, fixed and mobile revenues are shown without internal revenues now. Figures of the previous periods were adjusted.

GREECE

OPERATIONALS

		Note	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Change %	H1 2017	H1 2018	Change %
FIXED NETWORK (END OF PERIOD)												
Fixed network Access Lines	('000)		2.539	2.536	2.547	2.547	2.551	2.552	0,5	2.539	2.552	0,5
- IP Access Lines	('000)		937	1.046	1.156	1.156	1.301	1.496	59,7	937	1.496	59,7
Broadband Customers Retail	('000)	1	1.678	1.713	1.757	1.757	1.800	1.830	9,1	1.678	1.830	9,1
TV Customers (IPTV, SAT, Cable)	('000)		501	515	523	523	526	523	4,4	501	523	4,4
ULLs/Wholesale PSTN Access Lines	('000)		2.111	2.111	2.117	2.117	2.127	2.134	1,1	2.111	2.134	1,1
Wholesale Broadband Access Lines	('000)		67	76	86	86	96	106	58,2	67	106	58,2
MOBILE COMMUNICATIONS (END OF PERIOD)												
Service revenue	(€)		232	260	236	942	213	234	0,9	446	446	0,0
Service revenue EXCL. IFRS 15	(€)						219	241	n.a.		460	n.a.
CUSTOMERS	**('000)**		**7.737**	**7.867**	**7.981**	**7.981**	**8.053**	**8.163**	**5,5**	**7.737**	**8.163**	**5,5**
- contract	('000)		2.224	2.222	2.231	2.231	2.241	2.255	1,4	2.224	2.255	1,4
- prepaid	('000)		5.513	5.645	5.750	5.750	5.813	5.907	7,1	5.513	5.907	7,1
NET ADDS	**('000)**		**4**	**130**	**114**	**256**	**72**	**109**	**n.a.**	**12**	**181**	**n.a.**
- contract	('000)		(2)	(2)	9	13	9	15	n.a.	6	24	n.a.
- prepaid	('000)		6	132	105	243	63	95	n.a.	6	157	n.a.
AVERAGE MONTHLY CHURN	**(%)**		**2,2**	**2,0**	**2,2**	**2,0**	**1,9**	**1,9**	**(0,3p)**	**1,9**	**1,9**	**0,0p**
- contract	(%)		1,3	1,4	1,3	1,3	1,3	1,1	(0,2p)	1,3	1,2	(0,1p)
ARPU	**€**		**10**	**11**	**10**	**10**	**9**	**10**	**0,0**	**10**	**10**	**0,0**
- contract	€		25	28	25	26	22	24	(4,0)	24	23	(4,2)
- prepaid	€		4	4	4	4	4	4	0,0	4	4	0,0
MOU PER CUSTOMER	**(min)**		**276**	**280**	**273**	**273**	**258**	**278**	**0,7**	**270**	**268**	**(0,7)**
- contract	(min)		441	443	434	435	412	426	(3,4)	431	419	(2,8)

1 As of Q2/18 we show broadband customers retail instead of broadband accesses retail (based on the technology view) which have previously been reported. Figures of the previous periods were adjusted.

ROMANIA
FINANCIALS (ADJUSTED FOR SPECIAL FACTORS)

		Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE			**236**	**240**	**266**	**972**	**226**	**238**	**0,8**	**466**	**464**	**(0,4)**
PRODUCT VIEW			**236**	**240**	**266**	**972**	**226**	**238**	**0,8**	**466**	**464**	**(0,4)**
- Fixed network			133	131	138	528	112	122	(8,3)	260	235	(9,6)
- Mobile communications			103	109	128	444	114	116	12,6	206	230	11,7
SEGMENT VIEW			**236**	**240**	**266**	**972**	**226**	**238**	**0,8**	**466**	**464**	**(0,4)**
- of which Consumer			144	141	156	588	146	142	(1,4)	288	288	0,0
- of which Business			47	50	67	213	48	60	27,7	97	108	11,3
EBITDA		1	**39**	**43**	**47**	**166**	**33**	**37**	**(5,1)**	**76**	**70**	**(7,9)**
EBITDA MARGIN (EBITDA / TOTAL REVENUE)	%		**16,5**	**17,9**	**17,7**	**17,1**	**14,6**	**15,5**	**(1,0p)**	**16,3**	**15,1**	**(1,2p)**
CASH CAPEX (AS REPORTED)			**36**	**37**	**40**	**162**	**39**	**32**	**(11,1)**	**85**	**71**	**(16,5)**

1 Special factors affecting EBITDA: EUR 8mn in Q2/17, EUR 5mn in Q3/17, EUR 6mn in Q4/17 and EUR 1mn in Q2/18.

ROMANIA
OPERATIONALS

		Note	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	**Q2 2018**	Change %	H1 2017	**H1 2018**	Change %
FIXED NETWORK (END OF PERIOD)												
Fixed network Access Lines	('000)		1.922	1.894	1.865	1.865	1.823	1.803	(6,2)	1.922	1.803	(6,2)
- IP Access lines	('000)		562	597	630	630	682	745	32,6	562	745	32,6
Broadband Customers Retail	('000)	1	1.141	1.139	1.134	1.134	1.124	1.117	(2,1)	1.141	1.117	(2,1)
TV Customers (IPTV, SAT, Cable)	('000)		1.471	1.473	1.470	1.470	1.464	1.463	(0,5)	1.471	1.463	(0,5)
MOBILE COMMUNICATIONS (END OF PERIOD)												
Service revenue	(€)		80	86	92	336	82	82	2,5	158	164	3,8
Service revenue EXCL. IFRS 15	(€)						84	84	n.a.		168	n.a.
CUSTOMERS	**('000)**		**5.278**	**5.231**	**5.258**	**5.258**	**5.236**	**5.282**	**0,1**	**5.278**	**5.282**	**0,1**
- contract	('000)		2.047	2.097	2.148	2.148	2.188	2.259	10,4	2.047	2.259	10,4
- prepaid	('000)		3.231	3.133	3.109	3.109	3.048	3.023	(6,4)	3.231	3.023	(6,4)
NET ADDS	**('000)**		**(149)**	**(48)**	**27**	**(464)**	**(22)**	**46**	**n.a.**	**(444)**	**24**	**n.a.**
- contract	('000)		23	50	51	141	40	71	n.a.	40	111	n.a.
- prepaid	('000)		(172)	(98)	(24)	(605)	(61)	(25)	85,5	(484)	(87)	82,0
AVERAGE MONTHLY CHURN	**(%)**		**3,4**	**3,2**	**3,4**	**3,4**	**3,2**	**3,2**	**(0,2p)**	**3,6**	**3,2**	**(0,4p)**
- contract	(%)		1,4	1,2	2,4	1,7	2,2	1,7	0,3p	1,6	2,0	0,4p
ARPU	**€**		**5**	**5**	**6**	**5**	**5**	**5**	**0,0**	**5**	**5**	**0,0**
- contract	€		9	9	10	9	9	8	(11,1)	9	9	0,0
- prepaid	€		3	3	3	3	3	3	0,0	3	3	0,0
MOU PER CUSTOMER	**(min)**		**293**	**305**	**317**	**300**	**316**	**320**	**9,2**	**289**	**318**	**10,0**
- contract	(min)		401	410	413	406	410	411	2,5	401	411	2,5

1 As of Q2/18 we show broadband customers retail instead of broadband accesses retail (based on the technology view) which have previously been reported. Figures of the previous periods were adjusted.

HUNGARY

FINANCIALS (ADJUSTED FOR SPECIAL FACTORS)

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE		**454**	**463**	**476**	**1.808**	**443**	**488**	**7,5**	**869**	**931**	**7,1**
PRODUCT VIEW		**454**	**463**	**476**	**1.808**	**443**	**488**	**7,5**	**869**	**931**	**7,1**
- Fixed network		222	211	233	865	216	250	12,6	420	466	11,0
- Mobile communications		232	252	242	943	226	238	2,6	449	464	3,3
SEGMENT VIEW		**454**	**463**	**476**	**1.808**	**443**	**488**	**7,5**	**869**	**931**	**7,1**
- of which Consumer		248	263	265	1.015	263	262	5,6	487	525	7,8
- of which Business		170	157	176	646	154	192	12,9	313	346	10,5
EBITDA	1	**141**	**168**	**127**	**545**	**121**	**143**	**1,4**	**250**	**264**	**5,6**
EBITDA MARGIN (EBITDA / TOTAL REVENUE) %		**31,1**	**36,3**	**26,7**	**30,1**	**27,3**	**29,3**	**(1,8p)**	**28,8**	**28,4**	**(0,4p)**
CASH CAPEX (AS REPORTED)		**58**	**50**	**83**	**260**	**50**	**52**	**(10,3)**	**127**	**103**	**(18,9)**

1 Special factors affecting EBITDA: EUR 2mn in Q2/17, EUR 2mn in Q3/17, EUR 5mn in Q4/17, EUR 1mn in Q1/18 and EUR 2mn in Q2/18.

HUNGARY
OPERATIONALS

		Note	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Change %	H1 2017	H1 2018	Change %
FIXED NETWORK (END OF PERIOD)												
Fixed network Access Lines	('000)		1.637	1.634	1.632	1.632	1.634	1.640	0,2	1.637	1.640	0,2
- IP Access Lines	('000)		1.597	1.597	1.598	1.598	1.603	1.612	0,9	1.597	1.612	0,9
Broadband Customers Retail	('000)	1	1.049	1.061	1.073	1.073	1.088	1.104	5,2	1.049	1.104	5,2
TV Customers (IPTV, SAT, Cable)	('000)		1.006	1.016	1.026	1.026	1.038	1.045	3,9	1.006	1.045	3,9
ULLs/Wholesale PSTN Access Lines	('000)		6	4	4	4	4	4	(33,3)	6	4	(33,3)
Wholesale Broadband Access Lines	('000)		33	33	32	32	31	31	(6,1)	33	31	(6,1)
MOBILE COMMUNICATIONS (END OF PERIOD)												
Service revenue	(€)		180	191	195	742	175	180	0,0	355	354	(0,3)
Service revenue EXCL. IFRS 15	(€)						184	189	n.a.		373	n.a.
CUSTOMERS	**('000)**		**5.390**	**5.401**	**5.293**	**5.293**	**5.298**	**5.306**	**(1,6)**	**5.390**	**5.306**	**(1,6)**
- contract	('000)		3.327	3.382	3.415	3.415	3.434	3.481	4,6	3.327	3.481	4,6
- prepaid	('000)		2.063	2.019	1.878	1.878	1.864	1.825	(11,5)	2.063	1.825	(11,5)
NET ADDS	**('000)**		**86**	**11**	**(108)**	**(39)**	**5**	**8**	**(90,7)**	**58**	**13**	**(77,6)**
- contract	('000)		139	55	33	260	19	47	(66,2)	172	66	(61,6)
- prepaid	('000)		(53)	(45)	(140)	(299)	(14)	(39)	26,4	(114)	(53)	53,5
AVERAGE MONTHLY CHURN	**(%)**		**1,3**	**1,5**	**2,0**	**1,5**	**1,1**	**1,2**	**(0,1p)**	**1,3**	**1,2**	**(0,1p)**
- contract	(%)		0,7	0,7	0,6	0,7	0,8	0,7	0,0p	0,7	0,7	0,0p
ARPU	**€**		**11**	**12**	**12**	**12**	**11**	**11**	**0,0**	**11**	**11**	**0,0**
- contract	€		16	17	17	17	15	15	(6,3)	16	15	(6,3)
- prepaid	€		4	3	4	3	3	3	(25,0)	3	3	0,0
MOU PER CUSTOMER	**(min)**		**212**	**209**	**203**	**206**	**200**	**226**	**6,6**	**206**	**222**	**7,8**
- contract	(min)		307	298	280	296	273	310	1,0	304	305	0,3

1 As of Q2/18 we show broadband customers retail instead of broadband accesses retail (based on the technology view) which have previously been reported. Figures of the previous periods were adjusted.

POLAND
FINANCIALS (ADJUSTED FOR SPECIAL FACTORS)[2]

		Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE			**378**	**376**	**392**	**1.509**	**375**	**368**	**(2,6)**	**742**	**743**	**0,1**
PRODUCT VIEW			**378**	**376**	**392**	**1.509**	**375**	**368**	**(2,6)**	**742**	**743**	**0,1**
- Fixed network			25	27	29	105	27	27	8,0	50	55	10,0
- Mobile communications			352	349	363	1.403	348	340	(3,4)	692	687	(0,7)
SEGMENT VIEW			**378**	**376**	**392**	**1.509**	**375**	**368**	**(2,6)**	**742**	**743**	**0,1**
- of which Consumer			207	208	213	834	211	204	(1,4)	413	415	0,5
- of which Business			129	124	133	508	127	122	(5,4)	251	249	(0,8)
EBITDA		**1**	**125**	**88**	**106**	**419**	**96**	**101**	**(19,2)**	**224**	**197**	**(12,1)**
EBITDA MARGIN (EBITDA / TOTAL REVENUE)	%		**33,1**	**23,4**	**27,0**	**27,8**	**25,6**	**27,4**	**(5,7p)**	**30,2**	**26,5**	**(3,7p)**
CASH CAPEX (AS REPORTED)			**34**	**45**	**48**	**203**	**59**	**50**	**47,1**	**111**	**109**	**(1,8)**

1 Special factors affecting EBITDA: EUR 1mn in Q2/17, EUR 1mn in Q3/17, EUR 1mn in Q4/17 and EUR 1mn in Q1/18.

2 The business of T-Systems Polska Sp. z o.o., which was previously organizationally assigned to the Systems Solutions operating segment, is disclosed under the Europe operating segment as of September 1, 2017. Figures for prior periods were not adjusted.

POLAND
OPERATIONALS

		Note	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Change %	H1 2017	H1 2018	Change %
FIXED NETWORK (END OF PERIOD)												
Fixed network Access Lines	('000)		31	29	32	32	27	26	(16,1)	31	26	(16,1)
- IP Accesslines	('000)		1	1	2	2	2	1	0,0	1	1	0,0
Broadband Customers Retail	('000)	1	28	27	25	25	23	23	(17,9)	28	23	(17,9)
MOBILE COMMUNICATIONS (END OF PERIOD)												
Service revenue	(€)		227	224	230	899	223	220	(3,1)	445	443	(0,4)
Service revenue EXCL. IFRS 15	(€)						219	215	n.a.		434	n.a.
CUSTOMERS	**('000)**		**10.251**	**10.297**	**10.454**	**10.454**	**10.509**	**10.609**	**3,5**	**10.251**	**10.609**	**3,5**
- contract	('000)		6.741	6.797	6.921	6.921	6.990	7.068	4,9	6.741	7.068	4,9
- prepaid	('000)		3.510	3.500	3.533	3.533	3.519	3.541	0,9	3.510	3.541	0,9
NET ADDS	**('000)**		**21**	**46**	**156**	**(180)**	**56**	**100**	**n.a.**	**(383)**	**155**	**n.a.**
- contract	('000)		45	56	124	309	69	78	73,3	129	147	14,0
- prepaid	('000)		(24)	(10)	33	(490)	(14)	22	n.a.	(513)	8	n.a.
AVERAGE MONTHLY CHURN	**(%)**		**2,0**	**1,8**	**1,5**	**2,1**	**1,4**	**1,3**	**(0,7p)**	**2,6**	**1,4**	**(1,2p)**
- contract	(%)		1,1	1,0	1,0	1,1	1,0	0,9	(0,2p)	1,2	1,0	(0,2p)
ARPU	**€**		**7**	**7**	**7**	**7**	**7**	**7**	**0,0**	**7**	**7**	**0,0**
- contract	€		10	9	10	10	9	9	(10,0)	10	9	(10,0)
- prepaid	€		3	3	3	3	3	3	0,0	3	3	0,0
MOU PER CUSTOMER	**(min)**		**248**	**258**	**269**	**255**	**260**	**253**	**2,0**	**247**	**256**	**3,6**
- contract	(min)		330	340	356	342	344	333	0,9	335	338	0,9

1 As of Q2/18 we show broadband customers retail instead of broadband accesses retail (based on the technology view) which have previously been reported. Figures of the previous periods were adjusted.

CZECH REPUBLIC

FINANCIALS (ADJUSTED FOR SPECIAL FACTORS)

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE		**248**	**255**	**271**	**1.011**	**254**	**258**	**4,0**	**485**	**512**	**5,6**
PRODUCT VIEW		**248**	**255**	**271**	**1.011**	**254**	**258**	**4,0**	**485**	**512**	**5,6**
- Fixed network		59	61	68	241	57	59	0,0	113	117	3,5
- Mobile communications		189	195	203	770	197	199	5,3	372	396	6,5
SEGMENT VIEW		**248**	**255**	**271**	**1.011**	**254**	**258**	**4,0**	**485**	**512**	**5,6**
- of which Consumer		121	127	134	499	128	131	8,3	238	259	8,8
- of which Business		111	112	122	449	111	114	2,7	215	224	4,2
EBITDA	1	**100**	**101**	**105**	**406**	**111**	**107**	**7,0**	**200**	**219**	**9,5**
EBITDA MARGIN (EBITDA / TOTAL REVENUE) %		**40,3**	**39,6**	**38,7**	**40,2**	**43,7**	**41,5**	**1,2p**	**41,2**	**42,8**	**1,6p**
CASH CAPEX (AS REPORTED)		**28**	**25**	**32**	**121**	**42**	**29**	**3,6**	**64**	**71**	**10,9**

1 Special factors affecting EBITDA: EUR 1mn in Q2/17, EUR 1mn in Q3/17, EUR 19mn in Q4/17, EUR 1mn in Q1/18 and EUR 1mn in Q2/18.

CZECH REPUBLIC
OPERATIONALS

		Note	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Change %	H1 2017	H1 2018	Change %
FIXED NETWORK (END OF PERIOD)												
Fixed network Access Lines	('000)		146	153	197	197	220	248	69,9	146	248	69,9
- IP Access Lines	('000)		133	141	185	185	209	237	78,2	133	237	78,2
Broadband Customers Retail	('000)	1,2	153	163	176	176	189	208	35,9	153	208	35,9
TV Customers (IPTV, SAT, Cable)	('000)		19	25	37	37	47	57	n.a.	19	57	n.a.
ULLs/Wholesale PSTN Access Lines	('000)		6	6	6	6	5	5	(16,7)	6	5	(16,7)
Wholesale Broadband Access Lines	('000)		2	2	2	2	0	0	(100,0)	2	0	(100,0)
MOBILE COMMUNICATIONS (END OF PERIOD)												
Service revenue	(€)		177	183	185	715	197	183	3,4	346	361	4,3
Service revenue EXCL. IFRS 15	(€)						181	186	n.a.		367	n.a.
CUSTOMERS	**('000)**		**6.155**	**6.176**	**6.176**	**6.176**	**6.156**	**6.174**	**0,3**	**6.155**	**6.174**	**0,3**
- contract	('000)		3.790	3.819	3.854	3.854	3.885	3.932	3,7	3.790	3.932	3,7
- prepaid	('000)		2.365	2.358	2.323	2.323	2.272	2.242	(5,2)	2.365	2.242	(5,2)
NET ADDS	**('000)**		**58**	**21**	**0**	**128**	**(20)**	**18**	**(69,0)**	**107**	**(2)**	**n.a.**
- contract	('000)		55	29	35	167	31	47	(14,5)	104	79	(24,0)
- prepaid	('000)		4	(8)	(35)	(39)	(51)	(29)	n.a.	3	(81)	n.a.
AVERAGE MONTHLY CHURN	**(%)**		**1,2**	**1,3**	**1,4**	**1,3**	**1,4**	**1,2**	**0,0p**	**1,2**	**1,3**	**0,1p**
- contract	(%)		0,5	0,6	0,5	0,5	0,6	0,5	0,0p	0,5	0,5	0,0p
ARPU	**€**		**10**	**10**	**10**	**10**	**10**	**10**	**0,0**	**9**	**10**	**11,1**
- contract	€		13	14	14	13	13	13	0,0	13	13	0,0
- prepaid	€		4	4	4	4	4	4	0,0	4	4	0,0
MOU PER CUSTOMER	**(min)**		**159**	**155**	**162**	**158**	**153**	**162**	**1,9**	**159**	**157**	**(1,3)**
- contract	(min)		230	221	231	228	215	227	(1,3)	230	221	(3,9)

1 The Q2/17 and Q3/17 numbers have been influenced by technical issues which have been resolved in Q4/17.
2 As of Q2/18 we show broadband customers retail instead of broadband accesses retail (based on the technology view) which have previously been reported. Figures of the previous periods were adjusted.

CROATIA
FINANCIALS (ADJUSTED FOR SPECIAL FACTORS)

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE		**231**	**259**	**241**	**955**	**222**	**233**	**0,9**	**455**	**456**	**0,2**
PRODUCT VIEW		**231**	**259**	**241**	**955**	**222**	**233**	**0,9**	**455**	**456**	**0,2**
- Fixed network		134	144	141	554	129	132	(1,5)	268	260	(3,0)
- Mobile communications		97	114	99	400	93	102	5,2	187	196	4,8
SEGMENT VIEW		**231**	**259**	**241**	**955**	**222**	**233**	**0,9**	**455**	**456**	**0,2**
- of which Consumer		124	125	123	493	118	121	(2,4)	244	239	(2,0)
- of which Business		73	81	82	306	70	74	1,4	143	144	0,7
EBITDA	**1**	**96**	**108**	**98**	**386**	**85**	**98**	**2,1**	**180**	**184**	**2,2**
EBITDA MARGIN (EBITDA / TOTAL REVENUE) %		**41,6**	**41,7**	**40,7**	**40,4**	**38,3**	**42,1**	**0,5p**	**39,6**	**40,4**	**0,8p**
CASH CAPEX (AS REPORTED)		**48**	**50**	**41**	**173**	**47**	**38**	**(20,8)**	**82**	**84**	**2,4**

1 Special factors affecting EBITDA: EUR 2mn in Q2/17, EUR 7mn in Q3/17, EUR 6mn in Q4/17, EUR 3mn in Q1/18 and EUR 1mn in Q2/18.

CROATIA

OPERATIONALS

		Note	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Change %	H1 2017	H1 2018	Change %
FIXED NETWORK (END OF PERIOD)												
Fixed network Access Lines	('000)		986	974	967	967	959	952	(3,4)	986	952	(3,4)
- IP Access Lines	('000)		985	974	967	967	959	952	(3,4)	985	952	(3,4)
Broadband Customers Retail	('000)	1	624	624	624	624	620	621	(0,5)	624	621	(0,5)
TV Customers (IPTV, SAT, Cable)	('000)		411	413	417	417	415	415	1,0	411	415	1,0
ULLs/Wholesale PSTN Access Lines	('000)		140	135	135	135	131	128	(8,6)	140	128	(8,6)
Wholesale Broadband Access Lines	('000)		142	136	131	131	130	129	(9,2)	142	129	(9,2)
MOBILE COMMUNICATIONS (END OF PERIOD)												
Service revenue	(€)		75	91	71	306	62	69	(8,0)	144	131	(9,0)
Service revenue EXCL. IFRS 15	(€)						70	79	n.a.		149	n.a.
CUSTOMERS	**('000)**		**2.237**	**2.297**	**2.244**	**2.244**	**2.229**	**2.268**	**1,4**	**2.237**	**2.268**	**1,4**
- contract	('000)		1.206	1.222	1.260	1.260	1.271	1.287	6,7	1.206	1.287	6,7
- prepaid	('000)		1.030	1.075	985	985	958	981	(4,8)	1.030	981	(4,8)
NET ADDS	**('000)**		**27**	**60**	**(52)**	**10**	**(15)**	**39**	**44,4**	**3**	**24**	**n.a.**
- contract	('000)		41	16	38	101	11	16	(61,0)	47	28	(40,4)
- prepaid	('000)		(15)	44	(90)	(91)	(26)	23	n.a.	(45)	(3)	93,3
AVERAGE MONTHLY CHURN	**(%)**		**2,2**	**2,1**	**3,1**	**2,5**	**2,2**	**2,0**	**(0,2p)**	**2,4**	**2,1**	**(0,3p)**
- contract	(%)		1,0	0,9	0,9	1,0	1,1	0,9	(0,1p)	1,1	1,0	(0,1p)
ARPU	**€**		**11**	**13**	**11**	**11**	**9**	**10**	**(9,1)**	**11**	**10**	**(9,1)**
- contract	€		16	20	15	16	12	13	(18,8)	15	13	(13,3)
- prepaid	€		6	6	6	6	6	6	0,0	6	6	0,0
MOU PER CUSTOMER	**(min)**		**219**	**221**	**216**	**216**	**220**	**232**	**5,9**	**214**	**226**	**5,6**
- contract	(min)		282	282	270	276	268	285	1,1	276	277	0,4

1 As of Q2/18 we show broadband customers retail instead of broadband accesses retail (based on the technology view) which have previously been reported. Figures of the previous periods were adjusted.

SLOVAKIA
FINANCIALS (ADJUSTED FOR SPECIAL FACTORS)

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE		**185**	**186**	**194**	**748**	**181**	**185**	**0,0**	**368**	**366**	**(0,5)**
PRODUCT VIEW		**185**	**186**	**194**	**748**	**181**	**185**	**0,0**	**368**	**366**	**(0,5)**
- Fixed network		94	93	101	379	92	96	2,1	184	188	2,2
- Mobile communications		92	93	92	369	88	89	(3,3)	184	178	(3,3)
SEGMENT VIEW		**185**	**186**	**194**	**748**	**181**	**185**	**0,0**	**368**	**366**	**(0,5)**
- of which Consumer		99	101	103	401	101	104	5,1	197	205	4,1
- of which Business		70	69	78	286	69	72	2,9	139	141	1,4
EBITDA	**1**	**81**	**86**	**71**	**315**	**80**	**78**	**(3,7)**	**158**	**158**	**0,0**
EBITDA MARGIN (EBITDA / TOTAL REVENUE) %		**43,8**	**46,2**	**36,6**	**42,1**	**44,2**	**42,2**	**(1,6p)**	**42,9**	**43,2**	**0,3p**
CASH CAPEX (AS REPORTED)		**32**	**26**	**32**	**127**	**45**	**32**	**0,0**	**69**	**77**	**11,6**

1 Special factors affecting EBITDA: EUR 18mn in Q2/17 and EUR 1mn in Q4/17

SLOVAKIA
OPERATIONALS

		Note	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Change %	H1 2017	H1 2018	Change %
FIXED NETWORK (END OF PERIOD)												
Fixed network Access Lines	('000)		855	855	858	858	860	859	0,5	855	859	0,5
- IP Access Lines	('000)		855	855	858	858	860	859	0,5	855	859	0,5
Broadband Customers Retail	('000)	1	498	506	516	516	525	532	6,8	498	532	6,8
TV Customers (IPTV, SAT, Cable)	('000)		574	581	592	592	600	605	5,4	574	605	5,4
Wholesale Broadband Access Lines	('000)		123	121	117	117	111	109	(11,4)	123	109	(11,4)
MOBILE COMMUNICATIONS (END OF PERIOD)												
Service revenue	(€)		82	85	84	334	71	73	(11,0)	165	144	(12,7)
Service revenue EXCL. IFRS 15	(€)						83	85	n.a.		168	n.a.
CUSTOMERS	**('000)**		**2.235**	**2.245**	**2.243**	**2.243**	**2.282**	**2.320**	**3,8**	**2.235**	**2.320**	**3,8**
- contract	('000)		1.410	1.428	1.445	1.445	1.453	1.482	5,1	1.410	1.482	5,1
- prepaid	('000)		825	817	799	799	829	838	1,6	825	838	1,6
NET ADDS	**('000)**		**5**	**10**	**(2)**	**18**	**39**	**36**	**n.a.**	**10**	**77**	**n.a.**
- contract	('000)		12	18	16	(33)	9	28	n.a.	(68)	38	n.a.
- prepaid	('000)		(7)	(8)	(18)	52	31	9	n.a.	78	39	(50,0)
AVERAGE MONTHLY CHURN	**(%)**		**1,1**	**1,1**	**1,4**	**1,2**	**1,2**	**1,2**	**0,1p**	**1,2**	**1,2**	**0,0p**
- contract	(%)		0,7	0,7	0,9	1,3	0,9	0,7	0,0p	1,8	0,8	(1,0p)
ARPU	**€**		**12**	**13**	**13**	**12**	**11**	**8**	**(33,3)**	**12**	**10**	**(16,7)**
- contract	€		18	18	18	18	15	11	(38,9)	18	14	(22,2)
- prepaid	€		3	3	3	3	3	3	0,0	3	3	0,0
MOU PER CUSTOMER	**(min)**		**179**	**171**	**139**	**167**	**179**	**181**	**1,1**	**179**	**180**	**0,6**
- contract	(min)		251	240	203	234	246	250	(0,4)	247	248	0,4

1 As of Q2/18 we show broadband customers retail instead of broadband accesses retail (based on the technology view) which have previously been reported. Figures of the previous periods were adjusted.

AUSTRIA

FINANCIALS (ADJUSTED FOR SPECIAL FACTORS)

		Note	Q2 2017 €	Q3 2017 €	Q4 2017 €	FY 2017 €	Q1 2018 €	Q2 2018 €	Change %	H1 2017 €	H1 2018 €	Change %
TOTAL REVENUE			**215**	**222**	**234**	**900**	**218**	**214**	**(0,5)**	**443**	**432**	**(2,5)**
- of which Consumer			151	155	164	631	149	146	(3,3)	313	295	(5,8)
- of which Business			39	40	40	158	39	39	0,0	78	78	0,0
EBITDA			**69**	**73**	**35**	**266**	**76**	**68**	**(1,4)**	**158**	**144**	**(8,9)**
EBITDA MARGIN (EBITDA / TOTAL REVENUE)	%		**32,1**	**32,9**	**15,0**	**29,6**	**34,9**	**31,8**	**(0,3p)**	**35,7**	**33,3**	**(2,4p)**
CASH CAPEX (AS REPORTED)			**30**	**34**	**48**	**157**	**54**	**41**	**36,7**	**75**	**95**	**26,7**

OPERATIONALS

		Note	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Change %	H1 2017	H1 2018	Change %
MOBILE COMMUNICATIONS (END OF PERIOD)												
Service revenue	(€)		185	196	195	777	168	168	(9,2)	386	336	(13,0)
Service revenue EXCL. IFRS 15	(€)						189	188	n.a.		377	n.a.
CUSTOMERS	**('000)**		**4.984**	**5.201**	**5.702**	**5.702**	**6.071**	**6.441**	**29,2**	**4.984**	**6.441**	**29,2**
- contract	('000)		3.240	3.271	3.308	3.308	3.314	3.329	2,7	3.240	3.329	2,7
- prepaid	('000)		1.744	1.930	2.394	2.394	2.757	3.112	78,4	1.744	3.112	78,4
NET ADDS	**('000)**		**271**	**217**	**501**	**1.092**	**369**	**370**	**36,5**	**373**	**739**	**98,1**
- contract	('000)		46	30	37	115	6	15	(67,4)	48	21	(56,3)
- prepaid	('000)		226	187	464	976	363	355	57,1	326	718	n.a.
AVERAGE MONTHLY CHURN	**(%)**		**2,2**	**2,7**	**2,1**	**2,4**	**2,2**	**2,0**	**(0,2p)**	**2,3**	**2,1**	**(0,2p)**
- contract	(%)		2,5	3,0	2,7	2,7	2,7	2,6	0,1p	2,6	2,6	0,0p
ARPU	**€**		**13**	**13**	**12**	**13**	**10**	**9**	**(30,8)**	**14**	**9**	**(35,7)**
- contract	€		18	19	18	19	16	16	(11,1)	19	16	(15,8)
- prepaid	€		3	3	2	3	2	1	(66,7)	3	2	(33,3)
MOU PER CUSTOMER	**(min)**		**166**	**161**	**156**	**164**	**145**	**136**	**(18,1)**	**170**	**140**	**(17,6)**
- contract	(min)		199	190	199	198	197	194	(2,5)	202	195	(3,5)

NOTES

CONTENT

SYSTEMS SOLUTIONS

FINANCIALS (ADJUSTED FOR SPECIAL FACTORS)[1]

		Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE			**1.688**	**1.707**	**1.819**	**6.918**	**1.665**	**1.674**	**(0,8)**	**3.392**	**3.339**	**(1,6)**
International Revenue			477	455	475	1.889	437	450	(5,7)	959	886	(7,6)
NET REVENUE			**1.349**	**1.352**	**1.435**	**5.504**	**1.332**	**1.319**	**(2,2)**	**2.717**	**2.651**	**(2,4)**
EBITDA			**136**	**131**	**147**	**509**	**57**	**121**	**(11,0)**	**232**	**179**	**(22,8)**
EBITDA margin (EBITDA / total revenue)	%		8,1	7,7	8,1	7,4	3,4	7,2	(0,9p)	6,8	5,4	(1,4p)
Depreciation, amortization and impairment losses			(95)	(93)	(102)	(387)	(95)	(99)	(4,2)	(193)	(194)	(0,5)
Profit (loss) from operations = EBIT			41	38	45	121	(38)	23	(43,9)	39	(15)	n.a.
EBIT MARGIN	%		**2,4**	**2,2**	**2,5**	**1,7**	**(2,3)**	**1,4**	**(1,0p)**	**1,1**	**0,4**	**(0,7p)**
CASH CAPEX			**91**	**87**	**120**	**383**	**83**	**182**	**100,0**	**177**	**265**	**49,7**
ORDER ENTRY			**1.295**	**1.366**	**1.305**	**5.241**	**1.506**	**1.842**	**42,2**	**2.569**	**3.348**	**30,3**

FINANCIALS (AS REPORTED)

		Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE			**1.688**	**1.707**	**1.819**	**6.918**	**1.665**	**1.674**	**(0,8)**	**3.392**	**3.339**	**(1,6)**
NET REVENUE			**1.349**	**1.352**	**1.435**	**5.504**	**1.332**	**1.319**	**(2,2)**	**2.717**	**2.651**	**(2,4)**
EBITDA			**97**	**56**	**66**	**280**	**19**	**71**	**(26,8)**	**158**	**90**	**(43,0)**
EBITDA margin (EBITDA / total revenue)	%		5,7	3,3	3,6	4,0	1,1	4,2	(1,5p)	4,7	2,7	(2,0p)
Depreciation, amortization and impairment losses		2	(97)	(1.338)	(103)	(1.636)	(95)	(99)	(2,1)	(195)	(194)	0,5
Profit (loss) from operations = EBIT		2	0	(1.282)	(37)	(1.356)	(76)	(28)	n.a.	(37)	(104)	n.a.
CASH CAPEX			**91**	**87**	**120**	**383**	**83**	**182**	**100,0**	**177**	**265**	**49,7**

1 The business of T-Systems Polska Sp. z o.o., which was previously organizationally assigned to the Systems Solutions operating segment, is disclosed under the Europe operating segment as of September 1, 2017. Figures for prior periods were not adjusted.
2 Q3/2017: Impairment Goodwill T-Systems Market Unit (1.2 bn. €)

SYSTEMS SOLUTIONS

EBITDA RECONCILIATION[1]

		Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE			**1.688**	**1.707**	**1.819**	**6.918**	**1.665**	**1.674**	**(0,8)**	**3.392**	**3.339**	**(1,6)**
Profit (loss) from operations = EBIT		2	0	(1.282)	(37)	(1.356)	(76)	(28)	n.a.	(37)	(104)	n.a.
- Depreciation, amortization and impairment losses		2	(97)	(1.338)	(103)	(1.636)	(95)	(99)	(2,1)	(195)	(194)	0,5
= EBITDA			**97**	**56**	**66**	**280**	**19**	**71**	**(26,8)**	**158**	**90**	**(43,0)**
EBITDA margin	%		5,7	3,3	3,6	4,0	1,1	4,2	(1,5p)	4,7	2,7	(2,0p)
- Special factors affecting EBITDA			(39)	(74)	(80)	(229)	(38)	(51)	(30,8)	(74)	(89)	(20,3)
= EBITDA (ADJUSTED FOR SPECIAL FACTORS)			**136**	**131**	**147**	**509**	**57**	**121**	**(11,0)**	**232**	**179**	**(22,8)**
EBITDA margin (adjusted for special factors)	%		8,1	7,7	8,1	7,4	3,4	7,2	(0,9p)	6,8	5,4	(1,4p)

SPECIAL FACTORS

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
EFFECTS ON EBITDA		**(39)**	**(74)**	**(80)**	**(229)**	**(38)**	**(51)**	**(30,8)**	**(74)**	**(89)**	**(20,3)**
- of which personnel		(18)	(54)	(46)	(132)	(24)	(28)	(55,6)	(32)	(52)	(62,5)
- of which other		(21)	(20)	(34)	(97)	(14)	(23)	(9,5)	(42)	(37)	11,9
EFFECTS ON PROFIT (LOSS) FROM OPERATIONS = EBIT	**2**	**(42)**	**(1.319)**	**(82)**	**(1.477)**	**(38)**	**(51)**	**(21,4)**	**(76)**	**(89)**	**(17,1)**
- of which personnel		(18)	(54)	(46)	(132)	(24)	(28)	(55,6)	(32)	(52)	(62,5)
- of which other	2	(23)	(1.265)	(35)	(1.345)	(14)	(23)	0,0	(44)	(37)	15,9

1 The business of T-Systems Polska Sp. z o.o., which was previously organizationally assigned to the Systems Solutions operating segment, is disclosed under the Europe operating segment as of September 1, 2017. Figures for prior periods were not adjusted.
2 Q3/2017: Impairment Goodwill T-Systems Market Unit (1.2 bn. €)

NOTES

CONTENT

GROUP DEVELOPMENT

FINANCIALS (ADJUSTED FOR SPECIAL FACTORS)

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE		**562**	**545**	**561**	**2.263**	**528**	**535**	**(4,8)**	**1.157**	**1.063**	**(8,1)**
Netherlands		345	327	342	1.355	309	318	(7,8)	687	627	(8,7)
DFMG		213	217	217	864	218	217	1,9	430	435	1,2
Other		4	1	2	44	0	0	(100,0)	40	0	(100,0)
EBITDA		**236**	**220**	**220**	**915**	**231**	**233**	**(1,3)**	**475**	**464**	**(2,3)**
Netherlands		119	98	94	421	108	109	(8,4)	229	217	(5,2)
DFMG		126	126	133	510	130	131	4,0	250	261	4,4
Other		(9)	(4)	(7)	(16)	(7)	(7)	22,2	(4)	(14)	n.a.
EBITDA margin (EBITDA / total revenue) %		42,0	40,4	39,2	40,4	43,8	43,6	1,6p	41,1	43,7	2,6p
Depreciation, amortization and impairment losses		(71)	(72)	(89)	(304)	(78)	(80)	12,7	(143)	(158)	10,5
Profit (loss) from operations = EBIT		165	148	131	611	153	153	(7,3)	332	306	(7,8)
CASH CAPEX		**57**	**76**	**76**	**290**	**85**	**56**	**(1,8)**	**138**	**141**	**2,2**

FINANCIALS (AS REPORTED)

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE		**562**	**545**	**561**	**2.263**	**528**	**535**	**(4,8)**	**1.157**	**1.063**	**(8,1)**
NET REVENUE		**415**	**394**	**408**	**1.660**	**376**	**384**	**(7,5)**	**858**	**760**	**(11,4)**
EBITDA	**1,2**	**460**	**415**	**176**	**1.808**	**227**	**228**	**(50,4)**	**1.217**	**455**	**(62,6)**
Depreciation, amortization and impairment losses		(71)	(72)	(89)	(304)	(78)	(80)	(12,7)	(143)	(158)	(10,5)
Profit (loss) from operations = EBIT		388	343	87	1.504	148	149	(61,6)	1.074	297	(72,3)
CASH CAPEX		**57**	**76**	**76**	**290**	**85**	**56**	**(1,8)**	**138**	**141**	**2,2**

1 Q2/17: Income from the sale of stake in Scout24.
2 Q3/17: Income from settlement agreement with BT.

GROUP DEVELOPMENT

EBITDA RECONCILIATION

		Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE			**562**	**545**	**561**	**2.263**	**528**	**535**	**(4,8)**	**1.157**	**1.063**	**(8,1)**
Profit (loss) from operations = EBIT			388	343	87	1.504	148	149	(61,6)	1.074	297	(72,3)
- Depreciation, amortization and impairment losses			(71)	(72)	(89)	(304)	(78)	(80)	(12,7)	(143)	(158)	(10,5)
= EBITDA			**460**	**415**	**176**	**1.808**	**227**	**228**	**(50,4)**	**1.217**	**455**	**(62,6)**
EBITDA margin	%		81,9	76,1	31,4	79,9	43,0	42,6	(39,9p)	n.a.	42,8	**n.a.**
- Special factors affecting EBITDA			223	195	(44)	893	(5)	(5)	n.a.	742	(9)	n.a.
= EBITDA (ADJUSTED FOR SPECIAL FACTORS)			**236**	**220**	**220**	**915**	**231**	**233**	**(1,3)**	**475**	**464**	**(2,3)**
EBITDA margin (adjusted for special factors)	%		42,0	40,4	39,2	40,4	43,8	43,6	1,6p	41,1	43,7	2,6p

SPECIAL FACTORS[1, 2]

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
EFFECTS ON EBITDA		**223**	**195**	**(44)**	**893**	**(5)**	**(5)**	**n.a.**	**742**	**(9)**	**n.a.**
- of which personnel		(1)	(1)	(3)	1	(2)	(2)	(100,0)	4	(3)	n.a.
- of which other		224	196	(41)	892	(3)	(3)	n.a.	738	(6)	n.a.
EFFECTS ON PROFIT (LOSS) FROM OPERATIONS = EBIT		**223**	**195**	**(44)**	**893**	**(5)**	**(5)**	**n.a.**	**742**	**(9)**	**n.a.**
- of which personnel		(1)	(1)	(3)	1	(2)	(2)	(100,0)	4	(3)	n.a.
- of which other		224	196	(41)	892	(3)	(3)	n.a.	738	(6)	n.a.

1 Q2/17: Income from the sale of stake in Scout24.
2 Q3/17: Income from settlement agreement with BT.

NETHERLANDS

FINANCIALS (ADJUSTED FOR SPECIAL FACTORS)

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE		**345**	**327**	**342**	**1.355**	**309**	**318**	**(7,8)**	**687**	**627**	**(8,7)**
PRODUCT VIEW		**345**	**327**	**342**	**1.355**	**309**	**318**	**(7,8)**	**687**	**627**	**(8,7)**
- Fixed network		22	23	23	89	23	24	9,1	44	47	6,8
- Mobile communications		323	304	319	1.266	286	294	(9,0)	643	580	(9,8)
SEGMENT VIEW		**345**	**327**	**342**	**1.355**	**309**	**318**	**(7,8)**	**687**	**627**	**(8,7)**
- of which Consumer		229	210	223	786	201	218	(4,8)	457	419	(8,3)
- of which Business		64	59	65	252	59	61	(4,7)	127	120	(5,5)
EBITDA		**119**	**98**	**94**	**421**	**108**	**109**	**(8,4)**	**229**	**217**	**(5,2)**
EBITDA MARGIN (EBITDA / TOTAL REVENUE) %		**34,5**	**30,0**	**27,5**	**31,1**	**35,0**	**34,3**	**(0,2p)**	**33,3**	**34,6**	**1,3p**
CASH CAPEX (AS REPORTED)		**36**	**48**	**47**	**172**	**57**	**35**	**(2,8)**	**77**	**92**	**19,5**

NETHERLANDS
OPERATIONALS

		Note	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Change %	H1 2017	H1 2018	Change %
FIXED NETWORK (END OF PERIOD)												
Fixed network Access Lines	('000)		184	188	191	191	198	210	14,2	184	210	14,2
- IP	('000)		184	188	191	191	198	210	14,2	184	210	14,2
Broadband Customers	('000)		184	188	191	191	198	210	14,2	184	210	14,2
MOBILE COMMUNICATIONS (END OF PERIOD)												
Service revenue	(€ million)		228	220	213	888	193	194	(14,9)	454	387	(14,8)
Service Revenues EXCL. IFRS 15	(€ million)						207	207	n.a.		413	n.a.
CUSTOMERS	**('000)**		**3.830**	**3.876**	**3.850**	**3.850**	**3.905**	**3.967**	**3,6**	**3.830**	**3.967**	**3,6**
- contract	('000)		3.112	3.178	3.254	3.254	3.337	3.424	10,0	3.112	3.424	10,0
- prepaid	('000)		719	698	596	596	568	543	(24,5)	719	543	(24,5)
NET ADDS	**('000)**		**41**	**45**	**(26)**	**104**	**55**	**62**	**51,2**	**84**	**117**	**39,3**
- contract	('000)		61	66	77	272	83	87	42,6	130	170	30,8
- prepaid	('000)		(19)	(20)	(102)	(168)	(28)	(25)	31,6	(45)	(53)	17,8
AVERAGE MONTHLY CHURN	**(%)**		**1,2**	**1,2**	**2,0**	**1,4**	**1,3**	**1,2**	**0,0p**	**1,2**	**1,3**	**0,1p**
- contract	(%)		0,9	1,0	1,0	1,0	1,0	0,9	0,0p	0,9	1,0	0,1p
ARPU	**€**		**20**	**19**	**18**	**19**	**16**	**16**	**(18,1)**	**20**	**16**	**(18,0)**
- contract	€		23	22	20	22	19	19	(19,3)	24	19	(22,3)
- prepaid	€		3	3	4	4	4	4	22,5	4	4	(10,3)
MOU PER CUSTOMER	**(min)**		**189**	**192**	**216**	**263**	**219**	**221**	**16,9**	**189**	**220**	**16,4**
- contract	(min)		226	228	251	309	250	249	10,3	227	249	9,7

NOTES

CONTENT

GROUP HEADQUARTERS & GROUP SERVICES

FINANCIALS (ADJUSTED FOR SPECIAL FACTORS)

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE		**785**	**741**	**674**	**2.935**	**651**	**767**	**(2,3)**	**1.521**	**1.418**	**(6,8)**
NET REVENUE		**83**	**52**	**55**	**278**	**48**	**43**	**(48,2)**	**171**	**91**	**(46,8)**
EBITDA		**(76)**	**(102)**	**(370)**	**(661)**	**(70)**	**41**	**n.a.**	**(189)**	**(29)**	**84,7**
EBITDA margin (EBITDA / total revenue) %		(9,7)	(13,8)	(54,9)	(22,5)	(10,8)	5,3	15,0p	(12,4)	(2,0)	10,4p
Depreciation, amortization and impairment losses		(192)	(159)	(158)	(657)	(162)	(269)	(40,1)	(341)	(431)	(26,4)
Profit (loss) from operations = EBIT		(268)	(261)	(528)	(1.318)	(232)	(227)	15,3	(529)	(459)	13,2
CASH CAPEX		**239**	**231**	**294**	**1.005**	**248**	**247**	**3,3**	**481**	**495**	**2,9**

FINANCIALS (AS REPORTED)

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE		**785**	**741**	**674**	**2.935**	**651**	**767**	**(2,3)**	**1.521**	**1.418**	**(6,8)**
NET REVENUE		**83**	**52**	**55**	**278**	**48**	**43**	**(48,2)**	**171**	**91**	**(46,8)**
EBITDA		**(76)**	**(148)**	**(428)**	**(780)**	**(162)**	**(12)**	**84,2**	**(204)**	**(174)**	**14,7**
EBITDA margin (EBITDA / total revenue) %		(9,7)	(20,0)	(63,5)	(26,6)	(24,9)	(1,6)	8,1p	(13,4)	(12,3)	1,1p
Depreciation, amortization and impairment losses		(192)	(159)	(158)	(657)	(162)	(269)	(40,1)	(341)	(431)	(26,4)
Profit (loss) from operations = EBIT		(268)	(307)	(586)	(1.437)	(324)	(281)	(4,9)	(544)	(605)	(11,2)
CASH CAPEX		**239**	**231**	**294**	**1.005**	**248**	**247**	**3,3**	**481**	**495**	**2,9**

GROUP HEADQUARTERS & GROUP SERVICES

EBITDA RECONCILIATION

		Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
TOTAL REVENUE			**785**	**741**	**674**	**2.935**	**651**	**767**	**(2,3)**	**1.521**	**1.418**	**(6,8)**
Profit (loss) from operations = EBIT			(268)	(307)	(586)	(1.437)	(324)	(281)	(4,9)	(544)	(605)	(11,2)
- Depreciation, amortization and impairment losses			(192)	(159)	(158)	(657)	(162)	(269)	(40,1)	(341)	(431)	(26,4)
= EBITDA			**(76)**	**(148)**	**(428)**	**(780)**	**(162)**	**(12)**	**84,2**	**(204)**	**(174)**	**14,7**
EBITDA margin	%		(9,7)	(20,0)	(63,5)	(26,6)	(24,9)	(1,6)	8,1p	(13,4)	(12,3)	1,1p
- Special factors affecting EBITDA			1	(46)	(58)	(119)	(92)	(54)	**n.a.**	(15)	(146)	**n.a.**
= EBITDA (ADJUSTED FOR SPECIAL FACTORS)			**(76)**	**(102)**	**(370)**	**(661)**	**(70)**	**41**	**n.a.**	**(189)**	**(29)**	**84,7**
EBITDA margin (adjusted for special factors)	%		(9,7)	(13,8)	(54,9)	(22,5)	(10,8)	5,3	15,0p	(12,4)	(2,0)	10,4p

SPECIAL FACTORS

	Note	Q2 2017 millions of €	Q3 2017 millions of €	Q4 2017 millions of €	FY 2017 millions of €	Q1 2018 millions of €	Q2 2018 millions of €	Change %	H1 2017 millions of €	H1 2018 millions of €	Change %
EFFECTS ON EBITDA		**1**	**(46)**	**(58)**	**(119)**	**(92)**	**(54)**	**n.a.**	**(15)**	**(146)**	**n.a.**
- of which personnel		(25)	(32)	(31)	(107)	(76)	(106)	n.a.	(44)	(182)	n.a.
- of which other		26	(14)	(27)	(12)	(16)	52	100,0	29	36	24,1
EFFECTS ON PROFIT (LOSS) FROM OPERATIONS = EBIT		**1**	**(46)**	**(58)**	**(119)**	**(92)**	**(54)**	**n.a.**	**(15)**	**(146)**	**n.a.**
- of which personnel		(25)	(32)	(31)	(107)	(76)	(106)	n.a.	(44)	(182)	n.a.
- of which other		26	(14)	(27)	(12)	(16)	52	100,0	29	36	24,1

NOTES

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GLOSSARY AND DISCLAIMER

In addition to financial information presented in accordance with IFRS, this presentation contains non-GAAP financial measures,	
such as …	which is defined as …
EBIT	Abbreviation for EARNINGS BEFORE INTEREST AND TAXES. EBIT is equivalent to the P&L-line "Profit from operations".
Adj. EBIT	EBIT adjusted for special factors.
EBT	Abbreviation for EARNINGS BEFORE TAXES. EBT is equivalent to the P&L-line "Profit before income taxes".
Adj. EBT	EBT adjusted for special factors.
EBITDA	Abbreviation for EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION. EBITDA is equivalent to EBIT before Depreciation and Amortization. Depreciation and Amortization is not a line in the P&L but provided in the notes as "Other disclosures".
Adj. EBITDA	EBITDA adjusted for special factors.
	Net profit/loss adjusted for special factors.
Special factors	Special factors impair the comparability of the results with previous periods. Details on the special factors are given for the group and each operating segment.
Cash capex	Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment.
Cash contribution	EBITDA minus capex.
Free cash flow	Net cash from operating activities minus net cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment.
Gross debt	Gross debt includes not only bonds and liabilities to banks, but also liabilities to non-banks from promissory notes, lease liabilities, liabilities arising from ABS transactions (capital market liabilities), liabilities from derivatives and cash collateral.
Net debt	Net debt is calculated by deducting cash and cash equivalents as well as financial assets classified as held for trading and available for sale (due ≤ 1 year). In addition, receivables from derivatives and other financial assets are deducted from gross debt.
n.a.	not applicable
n.m.	not meaningful
ARPU	Abbreviation for AVERAGE REVENUE PER USER. Calculation: Service fee, as well as voice, non voice, roaming and visitor revenues, divided by the average number of customers in the period. Visitor revenues are allocated exclusively to contract customers.

The figures in this presentation are unaudited. These and the other non-GAAP financial measures used by Deutsche Telekom are derived from our IFRS financial information but do not comply with IFRS and should not be viewed as a substitute for our IFRS figures.