JANUARY 1 TO JUNE 30, 2015

INTERIM GROUP REPORT

LIFE IS FOR SHARING.

SELECTED FINANCIAL DATA OF THE GROUP

millions of €

		Q2 2015	Q2 2014	Change %	H1 2015	H1 2014	Change %	FY 2014
REVENUE AND EARNINGS								
Net revenue		17,428	15,114	15.3 %	34,270	30,008	14.2 %	62,658
Of which: domestic	%	35.8	40.4		36.4	40.9		39.9
Of which: international	%	64.2	59.6		63.6	59.1		60.1
Profit from operations (EBIT)		1,806	1,776	1.7 %	3,272	4,918	(33.5) %	7,247
Net profit (loss)		712	711	0.1 %	1,499	2,528	(40.7) %	2,924
Net profit (loss) (adjusted for special factors)		1,078	636	69.5 %	2,114	1,223	72.9 %	2,422
EBITDA		4,534	4,417	2.6 %	8,694	10,055	(13.5) %	17,821
EBITDA (adjusted for special factors)		5,026	4,429	13.5 %	9,600	8,550	12.3 %	17,569
EBITDA margin (adjusted for special factors)	%	28.8	29.3		28.0	28.5		28.0
Earnings per share basic/diluted	€	0.16	0.16	0.0 %	0.33	0.57	(42.1) %	0.65
STATEMENT OF FINANCIAL POSITION								
Total assets					134,978	118,028	14.4 %	129,360
Shareholders' equity					35,961	32,501	10.6 %	34,066
Equity ratio	%				26.6	27.5		26.3
Net debt					48,835	41,385	18.0 %	42,500
CASH FLOWS								
Net cash from operating activities		3,871	3,187	21.5 %	7,179	6,149	16.8 %	13,393
Cash capex		(4,330)	(3,946)	(9.7) %	(8,759)	(6,143)	(42.6) %	(11,844)
Free cash flow (before dividend payments and spectrum investment)		1,375	1,049	31.1 %	2,240	2,032	10.2 %	4,140
Net cash used in investing activities		(3,824)	(4,688)	18.4 %	(6,761)	(5,036)	(34.3) %	(10,761)
Net cash used in financing activities		(394)	(1,844)	78.6 %	(3,530)	(4,750)	25.7 %	(3,434)

NUMBER OF FIXED-NETWORK AND MOBILE CUSTOMERS

millions

	June 30, 2015	Dec. 31, 2014	Change June 30, 2015/ Dec. 31, 2014 %	June 30, 2014	Change June 30, 2015/ June 30, 2014 %
Mobile customers	154.7	150.5	2.8 %	146.9	5.3 %
Fixed-network lines	29.3	29.8	(1.7) %	30.2	(3.0) %
Broadband lines [a]	17.6	17.4	1.1 %	17.2	2.3 %

[a] Excluding wholesale.

The key parameters used by Deutsche Telekom are defined in the glossary of the 2014 Annual Report (page 277 et seq.).

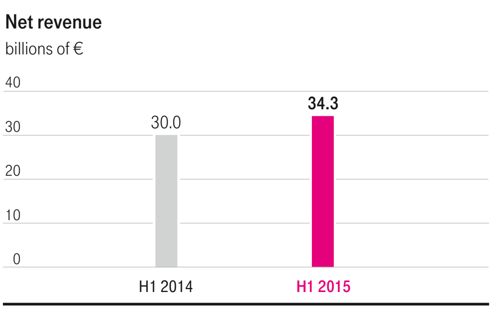
CONTENTS

TO OUR SHAREHOLDERS

DEVELOPMENTS IN THE GROUP

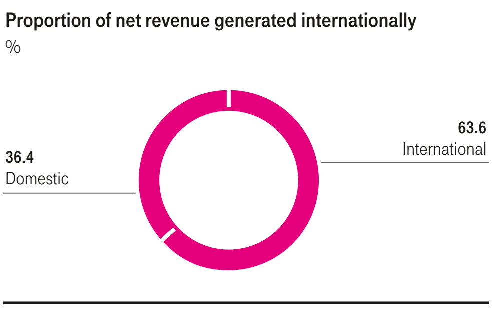
NET REVENUE

- Net revenue increased substantially by 14.2 percent. In addition to exchange rate effects, our United States operating segment in particular contributed to this trend thanks to continued strong customer additions.
- In our home market of Germany, we increased our revenue by 2.0 percent thanks to the strong development in mobile business.
- Our Europe operating segment generated revenue of EUR 6.2 billion, which was almost on a par with the prior-year level despite intense competition.
- The revenue contribution of our Systems Solutions operating segment was down 1.7 percent year-on-year as a result of the realignment of our business model.
- On a like-for-like basis, i.e., excluding exchange rate effects and effects from changes in the composition of the Group, net revenue increased by EUR 1.7 billion or 5.2 percent.



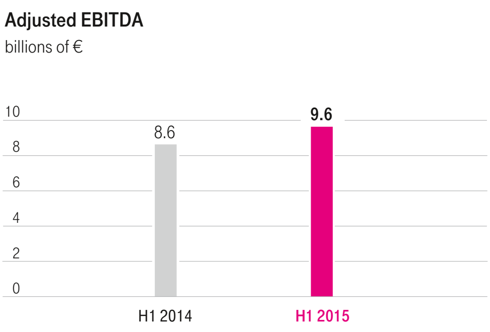
PROPORTION OF NET REVENUE GENERATED INTERNATIONALLY

- The proportion of net revenue generated internationally increased to 63.6 percent, compared with 59.1 percent in the first half of 2014.
- The proportion of net revenue generated by our United States operating segment increased substantially by 7.4 percentage points, such that it made the largest contribution to net revenue.
- By contrast, the proportions contributed by our Germany, Europe, and Systems Solutions operating segments as well as the Group Headquarters & Group Services segment shrank.



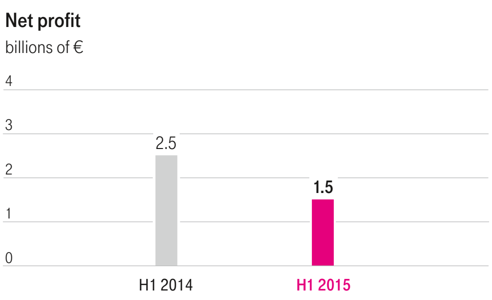
ADJUSTED EBITDA

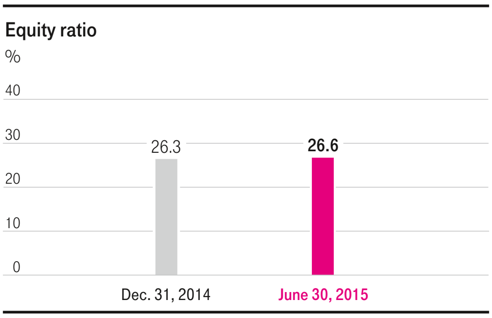
- Adjusted EBITDA grew by EUR 1.1 billion or 12.3 percent.
- Our United States operating segment made the biggest contribution, increasing by around EUR 1.0 billion or 49.3 percent compared with the prior-year period. The trend was accompanied by positive exchange rate effects of around EUR 0.5 billion.
- Adjusted EBITDA was reduced by higher expenses incurred for market investments in particular in Germany and the United States, and operational EBITDA decreases in some European countries. The negative effects were partially offset by our comprehensive cost management.
- The adjusted EBITDA margin decreased slightly from 28.5 to 28.0 percent in the reporting period. The operating segments with the strongest margins are still Germany with 39.7 percent and Europe with 33.3 percent.



NET PROFIT

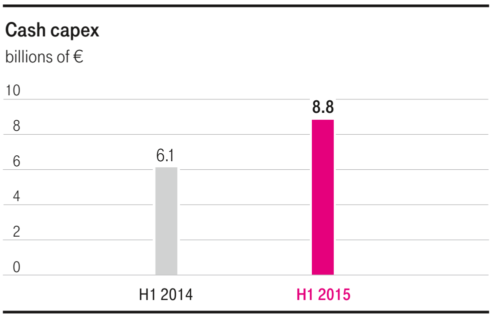
- Net profit decreased by EUR 1.0 billion to EUR 1.5 billion.
- This decline is primarily attributable to income of EUR 2.1 billion recorded in the prior year – EUR 1.7 billion resulting from divestitures in connection with the sale of the Scout24 group and EUR 0.4 billion from a spectrum transaction between T-Mobile US and Verizon Communications. It was also attributable to the increase of EUR 0.3 billion in depreciation and amortization compared with the prior-year period, primarily due to the roll-out of the LTE network as part of T-Mobile US' network modernization program.
- This decrease was partially offset by a EUR 0.3 billion lower tax expense and a EUR 0.2 billion lower loss from financial activities.





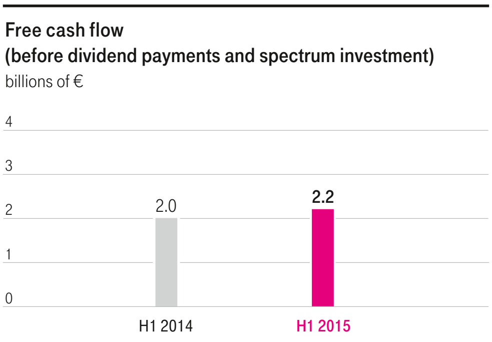
EQUITY RATIO

- Total assets increased by EUR 5.6 billion compared with the end of 2014, mainly due to exchange rate effects.
- Shareholders' equity increased by EUR 1.9 billion compared with December 31, 2014 to EUR 36.0 billion.
- This increase was attributable in particular to a profit (EUR 1.5 billion) and to currency translation effects, which were recognized directly in equity (EUR 1.9 billion).
- Dividend payments to our shareholders for the 2014 financial year (EUR 2.3 billion) had a decreasing effect. The capital increase carried out to grant our shareholders the option of converting their dividend entitlements into shares, increased our equity by EUR 1.1 billion. The cash dividend paid out to our shareholders amounted to around EUR 1.2 billion.
- The acquisition of the remaining shares in Slovak Telekom for EUR 0.9 billion also had a decreasing effect.



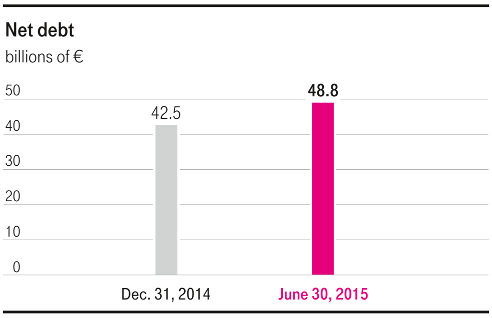
CASH CAPEX

- Cash capex (including spectrum investment) increased to EUR 8.8 billion.
- This was mainly due to spectrum acquired for EUR 3.7 billion, primarily in the United States and in Germany. In the prior-year period, a total of EUR 1.9 billion had been invested in mobile spectrum (primarily in the United States, the Czech Republic, and Slovakia).
- Adjusted for the effects of spectrum acquisition, cash capex was up on the prior-year level by EUR 0.8 billion. In the Germany and United States operating segments, cash capex increased as a result of the investments made in connection with the network roll-out and the network modernization.



FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)

- Free cash flow increased by EUR 0.2 billion compared with the prior-year level.
- This was attributable to a year-on-year increase of EUR 1.0 billion in net cash from operating activities, driven mainly by the positive business development of the United States operating segment.
- The year-on-year increase of EUR 0.8 billion in cash capex (before spectrum investment) had an offsetting effect.



NET DEBT

- Net debt increased by EUR 6.3 billion compared with the end of 2014.
- The acquisition of mobile spectrum (EUR 3.7 billion), dividend payments – including to non-controlling interests – (EUR 1.2 billion), the acquisition of the remaining shares in Slovak Telekom (EUR 0.9 billion), exchange rate effects (EUR 1.4 billion), and a large number of other effects increased net debt.
- Free cash flow of EUR 2.2 billion reduced net debt.

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

DEUTSCHE TELEKOM AT A GLANCE

The positive trend from the first quarter of 2015 held its course, even accelerating, in the second quarter. Net revenue increased by 14.2 percent overall to EUR 34.3 billion. The U.S. business continued to be the main driver of our revenue growth, growing by around 39 percent. This exceptionally high level of growth was bolstered by both the persistently high rate of new customer acquisition and the strong U.S. dollar. However even excluding the United States operating segment, net revenue in the Group increased slightly in the first half of the year. Revenue generated in the Germany operating segment grew by 2.0 percent, while the Europe and Systems Solutions operating segments reported slight declines.

Growth in adjusted EBITDA was equally dynamic, rising by 12.3 percent in the first half of 2015 to EUR 9.6 billion. As with revenue, the U.S. business was the main driver, growing by 49.3 percent. Adjusted EBITDA decreased slightly in the Germany and Europe operating segments. In Germany this decrease was primarily due to higher customer acquisition and retention expenses and in Europe it was mainly attributable to the revenue decline.

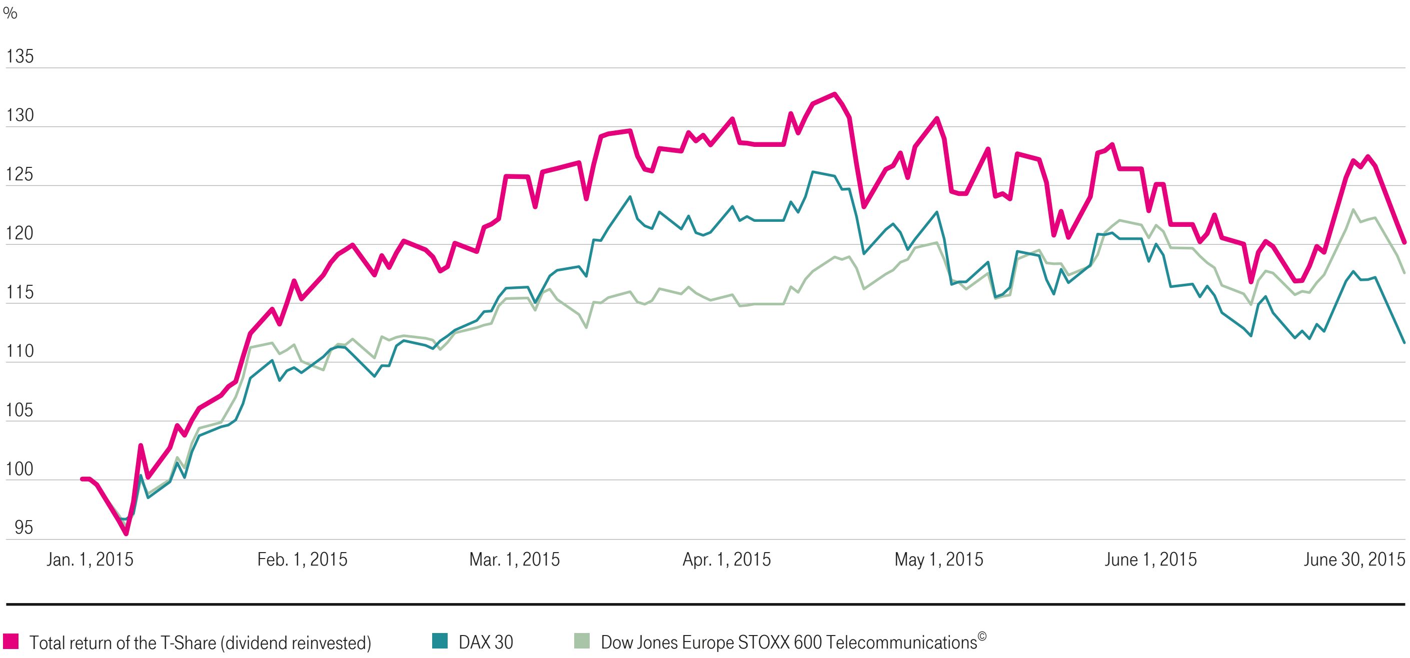
Cash outflow for investments in intangible assets and property, plant and equipment (cash capex) was up 42.6 percent on the prior-year period at around EUR 8.8 billion. The acquisition of mobile spectrum, primarily in Germany and the United States, had an impact of EUR 3.7 billion, and was the main factor driving the increase of EUR 1.8 billion. Excluding the effects of spectrum acquisition, cash capex increased by around EUR 0.8 billion in the first half of 2015. Despite this increase before investments in spectrum, free cash flow was up 10.2 percent to EUR 2.2 billion.

In the first half of 2015, net profit stood at EUR 1.5 billion, around EUR 1.0 billion down on the same period in the prior year. This decrease was mainly attributable to income of EUR 1.7 billion recorded in the prior year from divestitures in connection with the disposal of the Scout24 group. Adjusted for this and other special factors, net profit increased by approximately EUR 0.9 billion to a total of EUR 2.1 billion.

In view of the business development in the first half of the year, Deutsche Telekom confirms its guidance for the full year. For further information, please refer to the section "Forecast," page 33.

THE T-SHARE

Total return of the T-Share in the first half of 2015



T-Share performance

		H1 2015	H1 2014	FY 2014
XETRA CLOSING PRICES				
Share price on the last trading day	€	15.45	12.80	13.25
Year high	€	17.60	13.12	13.71
Year low	€	12.63	11.05	10.35
WEIGHTING OF THE T-SHARE IN MAJOR STOCK INDEXES				
DAX 30	%	5.4	4.9	5.1
Dow Jones Euro STOXX 50©	%	2.2	1.9	2.1
Dow Jones Europe STOXX 600 Telecommunications©	%	12.4	12.7	12.6
Market capitalization	billions of €	71.2	58.1	60.1
Number of shares issued	millions	4,607	4,536	4,536

Historical performance of the T-Share as of June 30, 2015
%

	Since the beginning of the year	1 year	3 years	5 years
Total return of the T-Share (dividend reinvested)	20.2	24.4	105.9	112.7
DAX 30	11.6	11.3	70.6	83.5
Dow Jones Europe STOXX 600 Telecommunications©	17.6	27.0	72.0	92.3

The first half of 2015 proved to be another good six months for investments in stocks in Europe. The DAX 30 and the Dow Jones Euro STOXX 50© increased by 11.6 percent and 11.0 percent respectively. However, the majority of share price gains in Europe occurred in the first quarter. In the second quarter, prices were adversely affected by the discussion around Greece's potential exit from the European Monetary Union. Compared with Europe and Japan – the Nikkei rose 16.8 percent – trends on the U.S. stock markets were much weaker, with the Dow Jones closing the first half of the year more or less unchanged.

The European telecommunications sector outperformed the overall market in Europe. The Dow Jones Europe STOXX 600 Telecommunications© increased by 17.6 percent in the first half of 2015.

The T-Share repeatedly exceeded the positive trend in Europe. As of June 30, 2015, growth stood at 20.2 percent on a total return basis. As with the European indexes, T-Share price gains were also generated primarily in the first three months of the year.

Our shareholders made even greater use than in previous years of the option of converting the dividend into shares instead of receiving it as a cash payment. The acceptance rate stood at almost 49 percent of dividend-bearing shares after a good 45 percent in the prior year. Overall, 71.1 million new shares were issued, pushing up the total number of shares to just under 4,607 million. The cash dividend paid out to our shareholders who did not choose this option totaled around EUR 1.2 billion.

HIGHLIGHTS IN THE SECOND QUARTER OF 2015

CORPORATE TRANSACTIONS

Acquisition of residual non-controlling interest in Slovak Telekom. On May 19, 2015 we signed a purchase agreement for the acquisition of the remaining 49 percent of shares in Slovak Telekom which we did not yet own, for a purchase price of EUR 0.9 billion. Previously, the shares had been held by the National Property Fund of the Slovak Republic. As part of the agreement, EUR 0.1 billion of the purchase price was paid into a trust account for a certain period to hedge certain risks. The transaction was closed on June 18, 2015. It did not require approval from the supervisory authorities. The acquisition of the remaining shares is in line with our Group strategy of becoming the leading European telecommunications provider. Slovak Telekom had already been fully consolidated in our Europe operating segment.

INVESTMENTS IN NETWORKS AND SPECTRUM

In June 2015, we successfully participated in the **frequency auction in Germany.** Of the total 270 MHz from four ranges between 0.7 and 1.8 GHz that the Federal Network Agency put up for auction, we secured 100 MHz at a price of just under EUR 1.8 billion. The purchased frequencies will help us further advance digitization in Germany. We will primarily use the frequencies in the 1.5 and 1.8 GHz bands to improve broadband coverage in cities and metropolitan areas. The auctioned blocks in the 0.7 GHz band will mainly be used for coverage in rural areas with mobile bandwidths. As a result, the goal of offering bandwidths of 50 Mbit/s in all of Germany is moving closer. We paid a deposit of EUR 0.6 billion to the Federal Network Agency in the course of the frequency auction. A further payment of EUR 1.0 billion was made at the end of June 2015. The remaining amount of EUR 0.2 billion is scheduled to be paid in mid-2017 in accordance with the award rules.

A test under real conditions in Bratislava achieved a top speed of 375 Mbit/s in Slovak Telekom's 4G/LTE network. This makes Slovak Telekom the first mobile provider in Slovakia to achieve this high speed. Also, in June 2015, Slovak Telekom launched its 4G mobile network on the market with speeds of up to 225 Mbit/s in five cities. This speed is made possible by making simultaneous use of two bands in the 2.6 and 1.8 GHz ranges. Since May 2015, T-Mobile Czech Republic has been the first network operator in the Czech Republic to offer its customers Voice over LTE (VoLTE). The biggest advantages of VoLTE are the very short time it takes to establish calls, improved voice quality, and lower energy consumption per call.

EXPANSION OF BRAND PRESENCE

With the international communications campaign "We connect people in Europe" we are now converging the communication activities used for our markets in Europe. This integrated campaign which was launched in twelve European countries supports our Group strategy on the road to becoming the leading European telecommunications provider. In addition to the broadcast of a TV commercial and publication in print media, the campaign will also be supported by a campaign website that contains all important information on our Europe strategy.

PARTNERSHIPS

Together with Intel Security, we announced at the end of June 2015 a research alliance for early-warning sensors for detecting cyber attacks. The partnership aims to develop better sensors that give users detailed real-time information about attacks on the Net. The main focus is on "honeypots" – i.e., digital traps on the Internet. We operate some 180 honeypots around the world. It is hoped that the new research alliance will lead to further sensors being set up, as well as joint research being carried out into how honeypots can be further enhanced and developed into specific customer products.

NEW PRODUCTS

In May 2015, the green light was given to the new end-to-end encryption of De-Mails based on the globally recognized standard "Pretty Good Privacy" (PGP). De-Mail providers Deutsche Telekom, Francotyp-Postalia, and United Internet have simplified the hitherto highly complex use of PGP to such an extent that De-Mail users without special knowledge can easily protect confidential messages and documents against third-party access end-to-end.

In May 2015, we launched a Mobile Device Management (MDM) solution specifically designed for smaller SMEs in collaboration with MobileIron and EBF. The "hosted MDM basic" software allows companies to manage their smartphones and tablets, including apps, on a central platform, upload new applications centrally, and protect stored data. The MDM solution is provided from the cloud and backed up in our protected data centers.

In June 2015, T-Mobile US updated Un-carrier 2.0 JUMP! by introducing JUMP! On Demand. With JUMP! On Demand, one monthly payment covers the cost of a new device and gives customers the freedom to upgrade their phone up to three times per year at no extra cost.

AWARDS

At this year's Victor Awards, we took two top spots. More than 21,000 readers of the trade magazines PC Magazin and PCgo voted us the best IT company in Germany in the "Hoster" and "Internet provider" categories. We also took third place in the other categories, "IT service provider" and "Streaming services." The Victors are one of the most important IT awards in Germany. Slovak Telekom's mobile network was named "Best in Test" by P3 Communications. In the Netherlands, the 4G network of T-Mobile Netherlands performed very well in direct comparison with other competitors. This was confirmed by the DIKW report, which evaluated more than 84,000 speed tests.

In the Experton Group's Cloud Vendor Benchmark in June 2015, we achieved top spots among the leading cloud providers in Germany in more than ten categories. The study rated 160 companies in total. The Experton analysts highlighted in particular our high data security and data privacy standards. We also performed very well in the area of cloud transformation, which is especially important for customers entering the cloud and cloud infrastructure management.

The Telekom brand was once again recognized with two top rankings in the second quarter of 2015: Following the excellent result in the Brand Finance study at the start of the year, the Telekom brand's top position has now also been confirmed by the BrandZ study and the "Best German Brand" benchmark conducted by Interbrand. All three studies named us as one of the top three most valuable German brands in the world. Furthermore, all studies attest to a significant increase in value for our Telekom brand between 2014 and 2015.

Our Investor Relations (IR) unit once again won the most important awards in the industry: We were awarded the German Investor Relations Award 2015 for the best IR communications of all DAX 30 companies. In London, we received recognition in the Pan-European Extel Survey for the best IR work out of some 1,700 listed companies in Europe.

INTERIM GROUP MANAGEMENT REPORT

GROUP STRUCTURE, STRATEGY, AND MANAGEMENT

With regard to our **Group structure, strategy, and management**, please refer to the notes in the 2014 combined management report (2014 Annual Report, page 67 et seq.). No significant changes were recorded in this area from the Group's point of view.

THE ECONOMIC ENVIRONMENT

This section provides additional information on and explains recent changes in the economic situation as described in the combined management report for the 2014 financial year, focusing on macroeconomic developments in the first half of 2015, the outlook, the currently prevailing economic risks, the telecommunications market, and the regulatory environment. The overall economic outlook is subject to the precondition that there are no major unexpected occurrences in the forecast period.

MACROECONOMIC DEVELOPMENT

There was modest global economic growth in the first six months of 2015. The factors driving this growth, such as low energy prices and an investment-friendly monetary policy, were partially offset by negative factors, such as a decline in demand in the major emerging economies.

In our core markets, growth rates in the majority of economies recorded positive trends again in the first six months of 2015. The situation on the labor market has also further improved. In Germany, gross domestic product (GDP) grew 1.7 percent compared with the prior-year quarter. The German labor market once again proved highly robust, with the unemployment rate currently standing at 6.3 percent. The U.S. economy recorded solid growth of 2.2 percent in the second quarter of 2015: After a weak first quarter on account of the winter weather, the second quarter saw a significant upturn. The ongoing positive trend in the labor market saw a fall in unemployment in the United States to 5.3 percent in June 2015.

Economic development in our Europe operating segment was positive on the whole; only the Greek economy recorded a significant negative trend as a result of the political uncertainties of the last few months. The labor market situation continued to improve in most countries.

OUTLOOK

Barring any significant escalations in geopolitical hotspots or a further Europe-wide sovereign debt or banking crisis, we expect global economic growth to accelerate in the course of 2015 and 2016. We continue to expect positive economic growth in our core markets. The currently negative economic trend in Greece could improve if agreement is reached with the institutions.

OVERALL ECONOMIC RISKS

The economic development and outlook for our markets have improved, in part through the ECB's ongoing expansive monetary policy. However, a renewed intensification of the sovereign debt crisis with an impact on banks and financial markets remains the greatest economic risk for our European footprint countries in particular, shown above all by the events and discussions to date in relation to an extension of the bailout packages for Greece.

TELECOMMUNICATIONS MARKET

Consolidation pressure remains high in the European telecommunications industry. This is primarily due to declining revenues, among other factors, due to growing competition. At the same time, high investments are needed for the network roll-out: Ultimately, what is needed is to keep pace with the fast rising data volumes and speeds. In June 2015, the shareholders of the Spanish telecommunications provider Jazztel approved the takeover by Orange. The European Commission's Directorate General for Competition had already conditionally approved the merger on May 19, 2015. In addition, BT intends to acquire our EE joint venture, and Hutchison 3G has announced its intention to take over O_2 UK from Telefónica.

REGULATION

Final Federal Network Agency rulings on interconnection charges in Germany published. On April 1 and April 24, 2015, the Federal Network Agency published its final rulings on fixed-network and mobile termination rates, thereby finally setting the charges that had already been provisionally approved as of December 1, 2014.

AWARDING OF FREQUENCIES

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

- On May 27, 2015, the Federal Network Agency in Germany began the auction of the 0.9 and 1.8 GHz frequency rights from the GSM licenses of German network operators as well as of further spectrum from the 0.7 GHz (Digital Dividend II) and 1.5 GHz ranges. Following 16 days and 181 rounds of bidding, the process came to a close on June 19, 2015. Telekom Deutschland reached its spectrum targets and acquired 100 MHz of the available 270 MHz in the four bands for a price of just under EUR 1.8 billion.

- In Albania, AMC, a subsidiary of our Greek subsidiary OTE, applied for the extension of its GSM license with frequencies in the 0.9 and 1.8 GHz ranges, which expired in August 2014. Since all requirements were met, the extension of the license was approved in January 2015. Furthermore, in April 2015, the Albanian regulatory authority AKEP started a process for awarding frequencies in the 1.8 GHz range, in which AMC successfully participated. In May 2015, the Albanian regulatory authority then awarded frequencies in the 2.6 GHz range. In this process, AMC acquired two lots of 20 MHz in the 2.6 GHz range for the equivalent of approximately EUR 3 million. AMC plans to use the purchased spectrum to launch LTE services in September 2015.

- In Poland, the regulator UKE began the process for awarding frequencies from the 0.8 and 2.6 GHz ranges in the form of a simultaneous multi-round auction on February 10, 2015. T-Mobile Polska and five other companies applied to take part. In the meantime, one bidder has left the proceedings. There is no foreseeable end to the bidding phase at present.

- There were further delays in preparations for the frequency auctions in Montenegro, where the publication of the final award rules and the start of the bidding phase had been expected for the first half of 2014. In May 2015, the regulatory authority published a consultation on the conditions of award. Following completion of the comments phase, the market is now waiting for the second consultation announced for July 2015 on the auction rules and other details. Meanwhile, the authority issued a call for tenders for auction consultancy services. The auction rules are expected to be finalized by November 2015 and the auction to take place in the first quarter of 2016.

- On April 8, 2015, the U.S. telecommunications regulator FCC officially assigned to T-Mobile US the AWS-3 spectrum it had acquired at auction for EUR 1.6 billion in January 2015.

- In Hungary the regulatory authority NMHH announced its intention to issue new regulation of usage rights of spectrum in the 3.4 to 3.6 and 3.6 to 3.8 GHz ranges. The frequencies are expected to be released shortly for digital mobile communications purposes and the award process for the spectrum is set to begin in fall 2015.

DEVELOPMENT OF BUSINESS IN THE GROUP

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

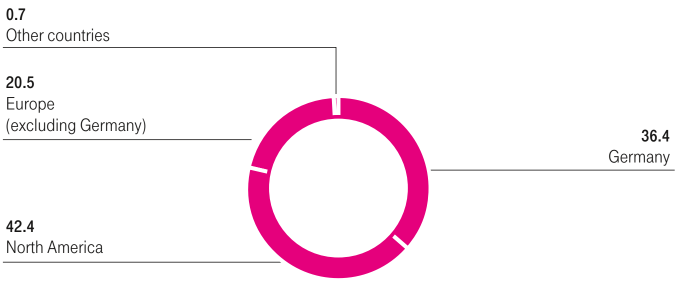
In the first six months of the 2015 financial year, we generated net revenue of EUR 34.3 billion, up by a substantial EUR 4.3 billion or 14.2 percent compared with the same period in the prior year. In addition to exchange rate effects, our United States operating segment in particular contributed to this revenue trend thanks to continued strong customer additions as a result of its Un-carrier initiatives. Our Germany operating segment held its own, particularly in the mobile market, recording an overall increase of 2.0 percent. In our Europe operating segment, revenue remained almost unchanged at the prior-year level despite competition-induced price reductions in mobile and fixed-network communications, and regulatory decisions, thanks in part to the consistent focus on growth areas at our national companies. The realignment of T-Systems' business model had a negative impact on revenue in our Systems Solutions operating segment, as did the general downward trend in prices for IT and communications services.

Excluding the positive exchange rate effects of EUR 2.5 billion in total – in particular from the translation of U.S. dollars into euros – and positive effects of changes in the composition of the Group of EUR 0.1 billion, revenue increased by EUR 1.7 billion or 5.2 percent year-on-year. For details on the revenue trends in our Germany, United States, Europe, and Systems Solutions operating segments as well as in the Group Headquarters & Group Services segment, please refer to the section "Development of business in the operating segments," page 16 et seq.

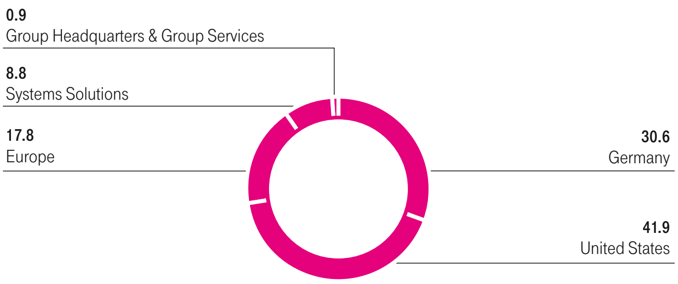
Contribution of the segments to net revenue
millions of €

	Q1 2015	Q2 2015	Q2 2014	Change %	H1 2015	H1 2014	Change %	FY 2014
NET REVENUE	**16,842**	**17,428**	**15,114**	**15.3 %**	**34,270**	**30,008**	**14.2 %**	**62,658**
Germany	5,589	5,580	5,464	2.1 %	11,169	10,947	2.0 %	22,257
United States	6,905	7,443	5,270	41.2 %	14,348	10,344	38.7 %	22,408
Europe	3,106	3,136	3,163	(0.9) %	6,242	6,288	(0.7) %	12,972
Systems Solutions	2,001	2,166	2,187	(1.0) %	4,167	4,239	(1.7) %	8,601
Group Headquarters & Group Services	565	584	610	(4.3) %	1,149	1,232	(6.7) %	2,516
Intersegment revenue	(1,324)	(1,481)	(1,580)	6.3 %	(2,805)	(3,042)	7.8 %	(6,096)

Breakdown of revenue by regions
%



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, page 45.

At 41.9 percent, our United States operating segment provided the largest contribution to net revenue of the Group. This was a substantial increase of 7.4 percentage points compared with the prior-year period, due in particular to ongoing strong customer additions. By contrast, the contribution by our Germany, Europe, and Systems Solutions operating segments and the Group Headquarters & Group Services segment decreased. The proportion of net revenue generated internationally continued to increase, rising from 59.1 percent in the prior-year period to 63.6 percent.

EBITDA, ADJUSTED EBITDA

Our **EBITDA** decreased year-on-year by EUR 1.4 billion to EUR 8.7 billion, mainly due to income of EUR 1.7 billion from the deconsolidation of the Scout24 group recognized as a special factor in the prior year, and to a spectrum transaction of EUR 0.4 billion concluded between T-Mobile US and Verizon Communications. Negative special factors amounting to EUR 0.9 billion were included in EBITDA in the first half of 2015. They mainly comprised expenses incurred in connection with staff-related measures and non-staff related restructuring expenses of EUR 0.7 billion, which on a netted basis were EUR 0.3 billion higher than in the prior-year period. Furthermore, expenses of around EUR 0.1 billion from the decommissioning of the MetroPCS CDMA network had a negative effect in the first half of 2015.

Excluding special factors, **adjusted EBITDA** increased year-on-year by EUR 1.1 billion to EUR 9.6 billion in the first half of 2015. Our United States operating segment in particular contributed to this trend, with a EUR 1.0 billion increase in its contribution to adjusted EBITDA. Exchange rate effects amounting to EUR 0.5 billion had a positive effect on the development of adjusted EBITDA. The agreement to settle an ongoing complaints procedure under anti-trust law resulted in income of EUR 175 million in the Group Headquarters & Group Services segment. 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 16 et seq.

Contribution of the segments to adjusted Group EBITDA
millions of €

	Q1 2015	Q2 2015	Q2 2014	Change %	H1 2015	H1 2014	Change %	FY 2014
EBITDA (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	**4,574**	**5,026**	**4,429**	**13.5%**	**9,600**	**8,550**	**12.3%**	**17,569**
Germany	2,211	2,224	2,256	(1.4)%	4,435	4,486	(1.1)%	8,810
United States	1,225	1,652	1,083	52.5%	2,877	1,927	49.3%	4,296
Europe	1,008	1,069	1,098	(2.6)%	2,077	2,125	(2.3)%	4,432
Systems Solutions	154	214	288	(25.7)%	368	426	(13.6)%	835
Group Headquarters & Group Services	(22)	(76)	(160)	52.5%	(98)	(278)	64.7%	(667)
Reconciliation	(2)	(57)	(136)	58.1%	(59)	(136)	56.6%	(137)

EBIT

Group EBIT decreased substantially by EUR 1.6 billion to EUR 3.3 billion compared with the first half of 2014, primarily due to income recorded in the prior year from divestitures in connection with the disposal of the Scout24 group. A EUR 0.3 billion increase in depreciation and amortization compared with the prior-year period, mainly attributable to the roll-out of the 4G/LTE network as part of T-Mobile US' network modernization program, also had a negative impact on the development of EBIT.

PROFIT BEFORE INCOME TAXES

Profit before income taxes decreased significantly by EUR 1.5 billion year-on-year to EUR 2.1 billion as a result of the aforementioned effects. Loss from financial activities decreased by EUR 0.2 billion year-on-year, mainly due to the dividend payment of EUR 0.4 billion received from the EE joint venture. The dividend payment recognized in profit or loss related to the reclassification in December 2014 of our stake in the joint venture as non-current assets and disposal groups held for sale. A remeasurement loss of EUR 0.3 billion resulting from the subsequent measurement of embedded derivatives contained in the Mandatory Convertible Preferred Stock issued by T-Mobile US had an offsetting effect. The remeasurement loss is largely attributable to the rise in T-Mobile US' share price.

NET PROFIT

Net profit decreased by EUR 1.0 billion to EUR 1.5 billion. The tax expense for the current financial year amounted to EUR 0.5 billion, down EUR 0.3 billion compared with the same period in the prior year. For further information, please refer to the interim consolidated financial statements, page 44. Profit attributable to non-controlling interests decreased compared with the prior-year period by EUR 0.2 billion. The aforementioned remeasurement loss recorded in the United States operating segment was one of the factors negatively impacting on profit/loss from financial activities at T-Mobile US and, consequently, on profit attributable to non-controlling interests. The acquisition of the remaining shares in T-Mobile Czech Republic in February 2014 and in Slovak Telekom in May 2015 also had a decreasing effect.

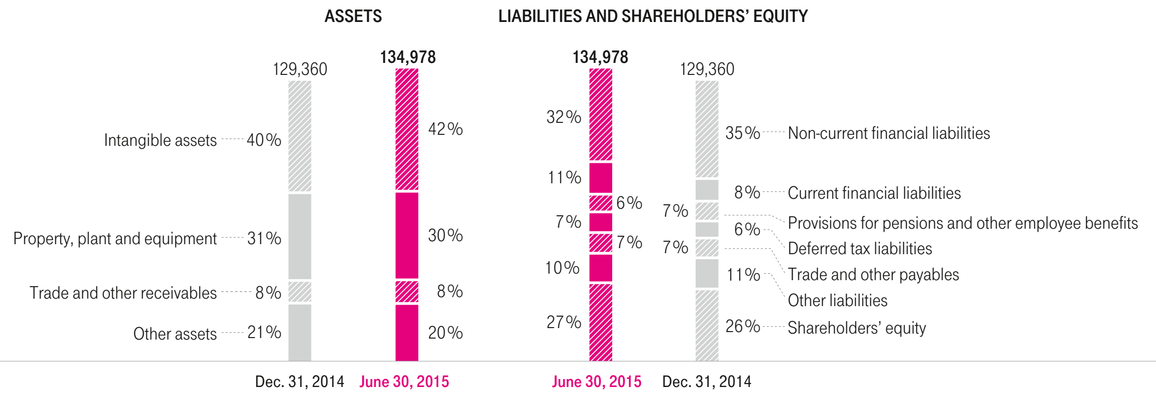
Number of employees (at the reporting date)

	June 30, 2015	Dec. 31, 2014
Germany	69,607	68,754
United States	41,212	39,683
Europe	50,505	51,982
Systems Solutions	46,434	47,762
Group Headquarters & Group Services	17,839	19,631
NUMBER OF EMPLOYEES IN THE GROUP	**225,596**	**227,811**
Of which: civil servants (in Germany, with an active service relationship)	19,077	19,881

The Group's headcount decreased slightly by 1.0 percent compared with the end of 2014. Our segments showed countervailing trends to some extent. In the Germany operating segment, we increased the headcount by 1.2 percent in the first half of 2015 compared with the end of 2014 as staff were taken on primarily for the build-out and upgrade of our "networks of the future." The total number of employees increased by 3.9 percent in the first half of 2015, compared to December 31, 2014, due to an increase in retail, customer support and administrative employees to support the growing T-Mobile US customer base. In our Europe operating segment, staff levels decreased by 2.8 percent compared with December 31, 2014, due in particular to efficiency enhancement measures in several countries in our operating segment. Headcount in our Systems Solutions operating segment declined by 2.8 percent, largely due to staff restructuring measures in Germany. The number of employees in the Group Headquarters & Group Services segment was down 9.1 percent compared with the end of 2014, mainly due to the continued staff restructuring program including the placement of employees within the Group.

FINANCIAL POSITION OF THE GROUP

Structure of the consolidated statement of financial position
millions of €



Total assets increased by EUR 5.6 billion compared with December 31, 2014, primarily influenced by the following factors:

Intangible assets increased by EUR 5.6 billion to EUR 57.2 billion, mainly due to capital expenditure totaling EUR 5.4 billion. This includes EUR 2.2 billion for the purchase of mobile licenses by T-Mobile US, in particular in the auction organized by the U.S. Federal Communications Commission (FCC) and completed in January 2015. The 100 MHz spectrum acquired in the frequency auction completed in Germany in June 2015 for EUR 1.8 billion also contributed to the increase. Exchange rate effects of EUR 2.2 billion, in particular from the translation of U.S. dollars into euros, also increased the carrying amount of intangible assets. Amortization of EUR 2.0 billion had an offsetting effect.

Property, plant and equipment increased by EUR 1.4 billion compared to December 31, 2014 to EUR 41.0 billion. Capital expenditure of EUR 4.3 billion and exchange rate effects of EUR 0.9 billion, in particular from the translation of U.S. dollars into euros, increased the carrying amount. It was reduced by depreciation of EUR 3.4 billion and disposals of EUR 0.2 billion, as well as the reclassification of assets worth EUR 0.1 billion to non-current assets and disposal groups held for sale.

Trade and other receivables increased by EUR 0.1 billion to EUR 10.6 billion. This increase was primarily due to exchange rate effects from the translation of U.S. dollars into euros, customer growth, and an increased percentage of terminal equipment sold under installment plans in our United States operating segment. By contrast, factoring agreements concluded in the reporting period concerning monthly revolving sales of current trade receivables decreased our trade receivables by EUR 0.8 billion.

As of June 30, 2015, other assets included the following significant effects: The increase of EUR 0.6 billion in the carrying amounts of assets and disposal groups held for sale resulted from exchange rate effects from the translation of pounds sterling into euros. Our stake in the EE joint venture was reclassified in December 2014. In addition, as part of the intended sale of the remaining T-Mobile US portfolio of cell towers, assets of EUR 0.1 billion were reclassified from property, plant and equipment to non-current assets and disposal groups held for sale. Inventories increased by EUR 0.2 billion, mainly due to increased stock levels of terminal equipment (in particular smartphones) at T-Mobile US and exchange rate effects from the translation of U.S. dollars into euros.

Our current and non-current financial liabilities increased by EUR 3.0 billion compared with the end of 2014 to EUR 58.2 billion in total. For the main effects on financial liabilities, please refer to net cash used in financing activities, pages 44 and 45, in the interim consolidated financial statements.

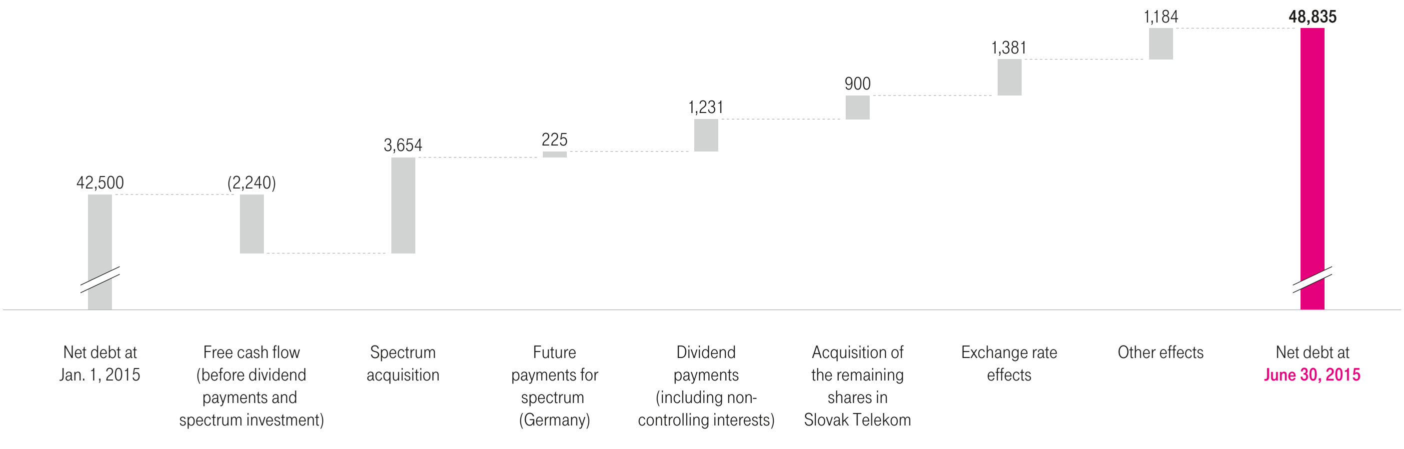
The EUR 0.4 billion decrease in provisions for pensions and other employee benefits to EUR 8.0 billion was primarily the result of interest rate adjustments. After interest levels initially declined in the first quarter of 2015, resulting in an actuarial loss of EUR 0.8 billion recognized directly in equity, and then increased in the second quarter of 2015, a net actuarial gain of EUR 1.2 billion was recorded.

Deferred tax liabilities increased by EUR 1.2 billion to EUR 8.9 billion, especially due to exchange rate effects from the translation of U.S. dollars into euros.

Trade and other payables decreased by EUR 0.5 billion compared with the end of 2014. This decrease is primarily due to seasonal factors resulting in lower procurement volumes in our Germany and Europe operating segments. Exchange rate effects from the translation of U.S. dollars into euros had an offsetting effect.

Shareholders' equity increased by EUR 1.9 billion compared with December 31, 2014 to EUR 36.0 billion, due to profit after taxes of EUR 1.5 billion, currency translation effects recognized directly in equity of EUR 1.9 billion, the recognition of actuarial losses (after taxes) of EUR 0.3 billion, and the measurement of hedging instruments directly in equity of EUR 0.3 billion. In addition, in connection with the option granted to our shareholders to have their dividend entitlements converted into shares, a capital increase of EUR 1.1 billion was carried out involving the contribution of the dividend entitlements. Dividend payments for the 2014 financial year to Deutsche Telekom AG shareholders of EUR 2.3 billion and to non-controlling interests of EUR 0.1 billion had an offsetting effect. Furthermore, shareholders' equity was also reduced by the acquisition of the remaining shares in Slovak Telekom for EUR 0.9 billion.

Changes in net debt
millions of €



Other effects of EUR 1.2 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. These payables are now shown under financial liabilities in the statement of financial position. For more information on net debt, please refer to the disclosures on the reconciliation of the pro forma figures in the section "Additional information," pages 54 and 55.

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

	Q1 2015	Q2 2015	Q2 2014	Change %	H1 2015	H1 2014	Change %	FY 2014
CASH GENERATED FROM OPERATIONS	4,288	4,521	3,831	18.0 %	8,809	7,691	14.5 %	15,911
Interest received (paid)	(980)	(650)	(644)	(0.9) %	(1,630)	(1,542)	(5.7) %	(2,518)
NET CASH FROM OPERATING ACTIVITIES	3,308	3,871	3,187	21.5 %	7,179	6,149	16.8 %	13,393
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment (CASH CAPEX)	(2,530)	(2,575)	(2,197)	(17.2) %	(5,105)	(4,262)	(19.8) %	(9,534)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	87	79	59	33.9 %	166	145	14.5 %	281
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)	865	1,375	1,049	31.1 %	2,240	2,032	10.2 %	4,140

Free cash flow. Free cash flow of the Group before dividend payments and spectrum investment increased by EUR 0.2 billion year-on-year. On the one hand, net cash from operating activities increased by EUR 1.0 billion. On the other hand, cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment also increased by EUR 0.8 billion.

The increase in net cash from operating activities was mainly attributable to the positive business development of the United States operating segment. The agreement to settle an ongoing complaints procedure under anti-trust law also resulted in a cash inflow of EUR 175 million. Also during the reporting period, factoring agreements were concluded concerning monthly revolving sales of current trade receivables. Factoring agreements resulted in positive effects of EUR 0.6 billion on net cash from operating activities in the first half of 2015. This primarily related to a factoring agreement that was terminated in 2014 and renewed in 2015. The effect from factoring agreements in the prior-year period totaled EUR 0.5 billion. The dividend payment received for the first time from the Scout24 group of EUR 0.1 billion and a year-on-year increase of EUR 0.1 billion in the dividend from the EE joint venture also increased net cash from operating activities.

The increase in cash capex (excluding goodwill and before spectrum investment) compared with the prior-year period was mainly attributable to the Germany and United States operating segments, where cash capex increased as a result of the investments made in connection with the network roll-out and the network modernization.

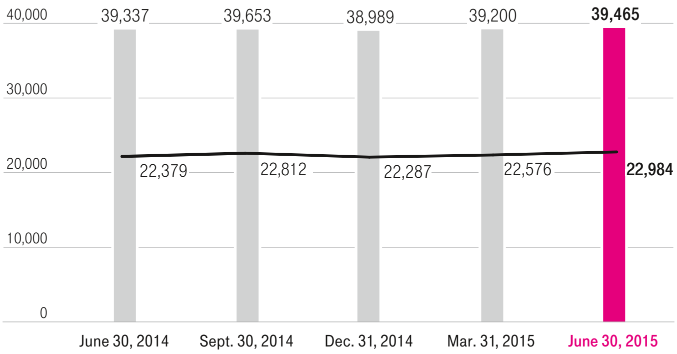
For further information on the statement of cash flows, please refer to the interim consolidated financial statements, pages 44 and 45.

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS

GERMANY

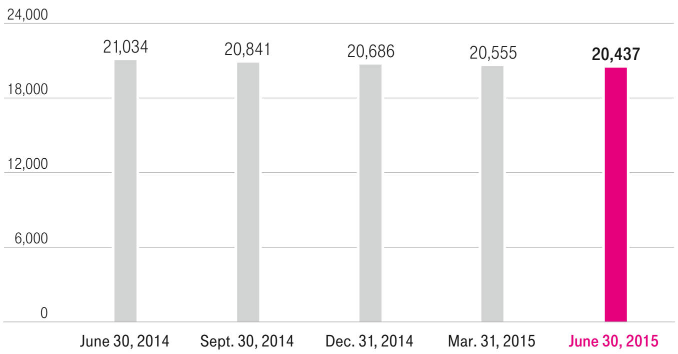
CUSTOMER DEVELOPMENT

Mobile customers
thousands

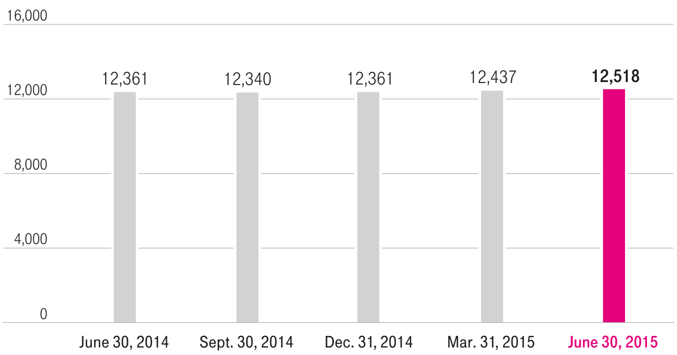


– Contract customers

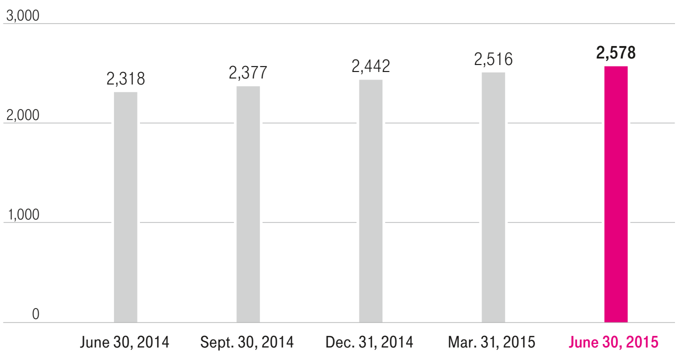
Fixed-network lines
thousands



Broadband lines
thousands



Television (IPTV, satellite)[a]
thousands



[a] Customers connected.

thousands

	June 30, 2015	Mar. 31, 2015	Change June 30, 2015/ Mar. 31, 2015 %	Dec. 31, 2014	Change June 30, 2015/ Dec. 31, 2014 %	June 30, 2014	Change June 30, 2015/ June 30, 2014 %
TOTAL							
Mobile customers	39,465	39,200	0.7 %	38,989	1.2 %	39,337	0.3 %
Contract customers	22,984	22,576	1.8 %	22,287	3.1 %	22,379	2.7 %
Prepay customers	16,482	16,624	(0.9) %	16,701	(1.3) %	16,957	(2.8) %
Fixed-network lines	20,437	20,555	(0.6) %	20,686	(1.2) %	21,034	(2.8) %
Of which: retail IP-based	5,763	5,120	12.6 %	4,383	31.5 %	3,167	82.0 %
Broadband lines	12,518	12,437	0.7 %	12,361	1.3 %	12,361	1.3 %
Of which: optical fiber	2,365	2,094	12.9 %	1,799	31.5 %	1,494	58.3 %
Television (IPTV, satellite)	2,578	2,516	2.5 %	2,442	5.6 %	2,318	11.2 %
Unbundled local loop lines (ULLs)	8,432	8,619	(2.2) %	8,801	(4.2) %	9,101	(7.4) %
Wholesale unbundled lines	2,541	2,353	8.0 %	2,153	18.0 %	1,812	40.2 %
Of which: optical fiber	1,045	886	17.9 %	718	45.5 %	475	n. a.
Wholesale bundled lines	268	287	(6.6) %	305	(12.1) %	341	(21.4) %
OF WHICH: CONSUMERS							
Mobile customers	28,845	28,945	(0.3) %	29,068	(0.8) %	30,064	(4.1) %
Contract customers	16,625	16,303	2.0 %	16,040	3.6 %	16,316	1.9 %
Prepay customers	12,219	12,642	(3.3) %	13,027	(6.2) %	13,748	(11.1) %
Fixed-network lines	16,068	16,158	(0.6) %	16,260	(1.2) %	16,556	(2.9) %
Of which: retail IP-based	5,161	4,610	12.0 %	3,974	29.9 %	2,882	79.1 %
Broadband lines	10,093	10,012	0.8 %	9,938	1.6 %	9,934	1.6 %
Of which: optical fiber	2,046	1,806	13.3 %	1,547	32.3 %	1,275	60.5 %
Television (IPTV, satellite)	2,387	2,326	2.6 %	2,254	5.9 %	2,133	11.9 %
OF WHICH: BUSINESS CUSTOMERS							
Mobile customers	10,620	10,256	3.5 %	9,921	7.0 %	9,273	14.5 %
Contract customers [a]	6,358	6,273	1.4 %	6,247	1.8 %	6,064	4.8 %
Prepay customers (M2M)	4,262	3,982	7.0 %	3,674	16.0 %	3,209	32.8 %
Fixed-network lines	3,352	3,375	(0.7) %	3,402	(1.5) %	3,442	(2.6) %
Of which: retail IP-based	572	482	18.7 %	387	47.8 %	268	n. a.
Broadband lines	2,088	2,090	(0.1) %	2,096	(0.4) %	2,102	(0.7) %
Of which: optical fiber	312	283	10.2 %	248	25.8 %	215	45.1 %
Television (IPTV, satellite)	189	188	0.5 %	186	1.6 %	184	2.7 %

[a] As of January 1, 2015, figures without internal framework agreements (approximately 61 thousand SIM cards). Prior-year figures have not been adjusted.

Total

In Germany, we defended our position as market leader in the fixed network and, in mobile communications, we extended our market lead in service revenues compared with the end of 2014. This success is attributable to our outstanding network. Last year, we once again won all major network tests in both fixed-network and mobile communications, for example, the network test by trade journal “connect” and for the first time also the “connect” service test of mobile hotlines. In February 2015, we were also awarded the TÜV seal with the overall score of “good” for the third year in a row.

In September 2014, we launched MagentaEINS – our first integrated product comprising fixed-network and mobile components, with which we have won 1.3 million customers so far.

With our “network of the future,” we provide state-of-the-art connection technology. By 2018, we want to convert our entire network to IP technology. To date, we have migrated 7.8 million retail and wholesale lines to IP, which corresponds to a migration rate of 33 percent.

In mobile communications, we won another 697 thousand contract customers in the first half of 2015, in particular high-value mobile customers under our Telekom brand and the “congstar” brand. There was also a positive development in the contract customer base in the business customer segment, thanks to demand for integrated mobile rate plans with data volumes.

We continued to record strong demand for our fiber-optic products: For example, the number of these lines rose by 893 thousand in the first half of 2015 to a total of 3.4 million. With the progress in fiber-optic roll-out and innovative vectoring technology, we will drive forward the marketing of substantially higher bandwidths. With our contingent model and its future refinement, we are creating incentives for the migration from traditional wholesale products – such as bundled wholesale lines or unbundled local loop lines – to higher-quality fiber-optic wholesale lines.

Our partnerships in the housing sector were also successful: Around 132 thousand apartments were connected to our network in total, 13 thousand of them in the first half of 2015 alone.

Mobile communications

Mobile telephony and data services. Our excellent network quality and the new product portfolio for high-value contract customers and new customers provide fresh impetus. Since the end of 2014, we have won a total of 697 thousand new contract customers. We recorded 316 thousand branded contract customer additions under the Telekom and “congstar” brands. At the end of the second quarter of 2015, Telekom Deutschland Multibrand GmbH, which was established on January 15, 2015 and entails the marketing partnership for the use of the Turkcell brand in Germany, reported 338 thousand mobile customers. The reseller business (service providers) rose only marginally by 42 thousand net additions following the integration of the Turkcell customers in the first quarter. The number of prepay customers decreased by 219 thousand.

With 476 thousand mobile customer net additions in the first half of 2015, growth in contract customers more than offset the decline in prepay customers. A total of 277 thousand customers used a mobile broadband connection.

Smartphones accounted for 85.2 percent of revenue from mobile devices. They were primarily Android and iOS devices (iPhones) – with high-priced devices in particular demand.

Fixed network

Telephony, Internet, and television. 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 with integrated offers and a focus on television and fiber-optic lines. The success bears us out: The number of broadband lines increased by 157 thousand in the first half of 2015, a further substantial improvement against December 31, 2014. In total, 20.6 percent of our broadband customers are television customers, an increase of 0.8 percentage points compared with December 31, 2014. In the traditional fixed network, the number of lines decreased by 249 thousand. In terms of line losses per quarter, the overall trend is positive.

We have been marketing the MagentaZuhause rate plans, our new product portfolio for the fixed network based on IP technology and rate plan-specific bandwidths, since October 2014. A total of 58 thousand customers, the majority of whom live in rural areas, have already subscribed to MagentaZuhause-Hybrid, our new product launched in Germany in March 2015 which combines fixed-network and mobile technology in a single router.

Consumers

Connected life across all screens. We added 585 thousand mobile contract customers in the first half of 2015, with 205 thousand of these net additions under the Telekom and "congstar" brands. The high acceptance of the MagentaMobile rate plans launched in September 2014 and the AllnetFlat rate plans at "congstar" resulted in this customer growth. In addition, since January 15, 2015, Turkcell customers have been recorded as contract customers in the newly established company, Telekom Deutschland Multibrand GmbH, totaling 338 thousand as of the end of the first half of 2015. Business with resellers (service providers) rose only marginally by 42 thousand in the first half of 2015 following the integration of the Turkcell customers in the first quarter. The number of prepay customers declined by 808 thousand. Overall, the number of mobile customers decreased slightly by 0.8 percent in the first half of 2015 compared with the end of 2014.

We migrated 1.2 million customers to IP-based retail lines in the first half of 2015. We won 133 thousand new television customers compared with the end of 2014. Of the 10.1 million broadband lines, around 2.0 million customers use a fiber-optic line – 499 thousand of which were added in the first half of 2015 alone. The line losses in the fixed network totaled 192 thousand, i.e., significantly less than the 367 thousand recorded in the prior-year period.

Business Customers

Connected work with innovative solutions. The positive trend in the Business Customers segment from the prior year continued: We recorded 699 thousand mobile customer additions in the first half of 2015, 111 thousand of whom were high-value contract customers. We added 588 thousand new M2M SIM cards in a very aggressively priced market. This growth was due to the increased use of SIM cards, especially in the automotive and logistics industries. In mobile Internet, customers are increasingly opting for plans with higher bandwidths, in conjunction with higher-quality terminal equipment. The number of fixed-network lines remained stable compared with the end of 2014 at 3.4 million. Broadband lines remained at the level of 2.1 million recorded at the end of 2014, with the number of fiber-optic customers increasing by 25.8 percent.

Products in the area of connected work developed positively, demand grew in particular for IT cloud products. We also recorded further growth in our rate plans "DeutschlandLAN – Complete Solution for your Office."

Wholesale

The number of lines in the wholesale sector remained stable overall compared with the end of 2014 at 11.2 million. At the end of the first half of 2015, fiber-optic lines accounted for 9.3 percent of all lines – 2.9 percentage points more than at the end of 2014. The increased growth in our wholesale unbundled lines by 388 thousand or 18.0 percent compared with the end of 2014 was primarily attributable to the strong demand in connection with the contingent model. However, the number of bundled wholesale lines declined by 37 thousand. This trend is likely to continue for the next few years due to the fact that our competitors are switching from bundled to unbundled wholesale products with more bandwidth or to their own infrastructure. The number of unbundled local loop lines (ULLs) decreased by 369 thousand or 4.2 percent compared with the end of 2014. This is due first to the move to higher-quality fiber-optic wholesale lines, and second to customers switching to cable operators and competitors migrating some of their retail customers to mobile-based lines.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2015	Q2 2015	Q2 2014	Change %	H1 2015	H1 2014	Change %	FY 2014
TOTAL REVENUE		5,589	5,580	5,464	2.1 %	11,169	10,947	2.0 %	22,257
Consumers		3,024	3,034	2,918	4.0 %	6,058	5,846	3.6 %	11,970
Business Customers		1,440	1,425	1,418	0.5 %	2,865	2,822	1.5 %	5,726
Wholesale		928	932	942	(1.1) %	1,860	1,894	(1.8) %	3,775
Value-Added Services		60	55	57	(3.5) %	115	120	(4.2) %	242
Other		137	134	129	3.9 %	271	265	2.3 %	544
Profit from operations (EBIT)		1,190	1,156	1,239	(6.7) %	2,346	2,488	(5.7) %	4,663
EBIT margin	%	21.3	20.7	22.7		21.0	22.7		21.0
Depreciation, amortization and impairment losses		(935)	(946)	(978)	3.3 %	(1,881)	(1,934)	2.7 %	(3,893)
EBITDA		2,125	2,102	2,217	(5.2) %	4,227	4,422	(4.4) %	8,556
Special factors affecting EBITDA		(86)	(122)	(39)	n. a.	(208)	(64)	n. a.	(254)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		2,211	2,224	2,256	(1.4) %	4,435	4,486	(1.1) %	8,810
EBITDA margin (adjusted for special factors)	%	39.6	39.9	41.3		39.7	41.0		39.6
CASH CAPEX		(949)	(2,622)	(1,018)	n. a.	(3,571)	(1,723)	n. a.	(3,807)

Total revenue

Revenue increased by 2.0 percent in the first half of 2015 compared with the prior-year period. This successful development was mainly driven by revenue from mobile business, which grew by 9.5 percent, especially in non-contract terminal equipment business and the ongoing positive revenue trend recorded for our second brand "congstar." Increased television, IT, and terminal equipment revenues had a positive impact on the fixed-network revenue trend, although they were not sufficient to fully compensate for the revenue decline in other areas. Revenue in the fixed-network business thus decreased by 2.4 percent.

Revenue from Consumers increased by 3.6 percent, in particular due to the 12.0-percent growth in mobile revenue compared with the prior-year period. This was primarily driven by increased terminal equipment revenue from the marketing of smartphones. Our mobile service revenues also grew by 1.4 percent. Data revenues increased by 7.8 percent compared with the first half of the prior year. By contrast, prepay revenues, especially from our Telekom brand, had a negative effect. Traditional fixed-network business continued to be dominated by volume- and price-related reductions in revenue, which was down by 2.8 percent compared with the prior-year period.

Revenue from Business Customers increased by 1.5 percent, mainly due to the increase of 4.2 percent in mobile revenues. This increase was primarily driven by service and terminal equipment revenues. The effect was offset by declining fixed-network revenues in traditional voice telephony, which were not fully compensated by the positive trend in IT revenues.

Wholesale revenue declined slightly by 1.8 percent in the first half of 2015, mainly due to lower volumes of minutes and regulation-induced reductions in prices for interconnection calls (from December 1, 2014), as well as falling numbers of unbundled local loop lines. This revenue decline was partially offset by the positive trend in unbundled lines, mainly due to the contingent model.

Revenue from Value-Added Services decreased by 4.2 percent, primarily as a result of expiring business models such as public phones and directory inquiries as well as decreased use of premium rate numbers.

EBITDA, adjusted EBITDA

EBITDA adjusted for special factors decreased slightly by 1.1 percent year-on-year in the first half of 2015 to EUR 4.4 billion. The decline is mainly due to higher market investments in new, high-value customers as well as collectively agreed pay increases and to the increased headcount required for the network restructuring and upgrade. With an adjusted EBITDA margin of 39.7 percent, we are at our expected target level for the entire year of 40 percent. EBITDA in the reporting period amounted to EUR 4.2 billion, a decrease of 4.4 percent on the first six months of 2014, due in particular to higher special factors for expenses in connection with our staff restructuring.

EBIT

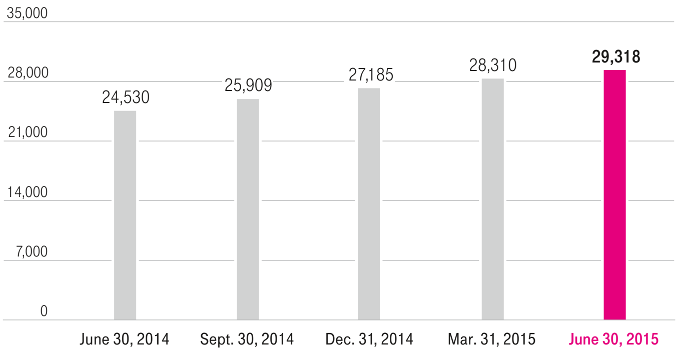
Profit from operations decreased by 5.7 percent to EUR 2.3 billion compared with the first six months of the prior year. This was mainly attributable to higher expenses incurred in connection with staff-related measures and non-staff-related restructuring expenses. Offsetting effects resulted from slightly lower depreciation and amortization.

Cash capex

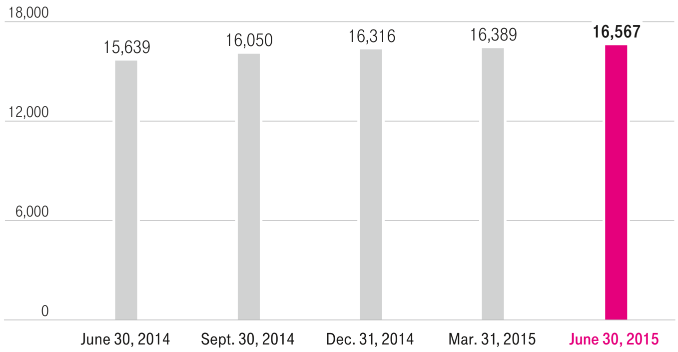
Cash capex increased by EUR 1.8 billion year-on-year, due in particular to the spectrum auction in June 2015. Excluding spectrum investments, our cash capex rose by EUR 0.2 billion compared with the prior-year period. During 2015, we again made significant investments in the vectoring/fiber-optic cable roll-out, our IP transformation, and our LTE infrastructure as part of our integrated network strategy.

UNITED STATES
CUSTOMER DEVELOPMENT

Branded postpaid customers
thousands



Branded prepay customers
thousands



thousands

	June 30, 2015	Mar. 31, 2015	Change June 30, 2015/ Mar. 31, 2015 %	Dec. 31, 2014	Change June 30, 2015/ Dec. 31, 2014 %	June 30, 2014	Change June 30, 2015/ June 30, 2014 %
UNITED STATES							
Mobile customers	58,908	56,836	3.6 %	55,018	7.1 %	50,545	16.5 %
Branded customers	45,885	44,699	2.7 %	43,501	5.5 %	40,169	14.2 %
Branded postpaid	29,318	28,310	3.6 %	27,185	7.8 %	24,530	19.5 %
Branded prepay	16,567	16,389	1.1 %	16,316	1.5 %	15,639	5.9 %
Wholesale customers	13,023	12,137	7.3 %	11,517	13.1 %	10,376	25.5 %
M2M	4,529	4,562	(0.7) %	4,421	2.4 %	4,047	11.9 %
MVNOs	8,494	7,575	12.1 %	7,096	19.7 %	6,329	34.2 %

At June 30, 2015, the United States operating segment (T-Mobile US) had 58.9 million customers compared to 55.0 million customers at December 31, 2014. This increase in net customers of 3.9 million for the six months ended June 30, 2015 was consistent with 3.9 million net customer additions for the six months ended June 30, 2014 due to the factors described below.

Branded customers. Branded postpaid net customer additions were 2,133 thousand for the six months ended June 30, 2015, compared to 2,231 thousand branded postpaid net customer additions for the six months ended June 30, 2014. The branded postpaid net customer additions remained strong driven by customer response to T-Mobile US' Un-carrier initiatives, ongoing network improvements, and promotional activities. The decrease in branded postpaid net customer additions was primarily attributable to lower gross customer additions compared to the six months ended June 30, 2014, which included the introduction of Un-carrier 4.0 Contract Freedom, where T-Mobile US offered to reimburse the early termination fees from other carriers when customers switch to T-Mobile US, partially offset by more qualified branded prepay customers upgrading to branded postpaid plans due to attractive family rate plan promotions.

Branded prepay net customer additions were 251 thousand for the six months ended June 30, 2015, compared to 567 thousand branded prepay net customer additions for the six months ended June 30, 2014. The lower level of branded prepay net customer additions was primarily driven by higher deactivations resulting from ongoing competitive activity in the marketplace and more qualified branded prepay customers upgrading to branded postpaid plans due to attractive family rate plan promotions.

Wholesale customers. Wholesale net customer additions were 1,506 thousand for the six months ended June 30, 2015, compared to wholesale net customer additions of 1,063 thousand for the six months ended June 30, 2014. The increase was primarily attributable to growth in customers of certain MVNO partnerships, offset in part by higher MVNO deactivations from ongoing competitive activity.

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2015	Q2 2015	Q2 2014	Change %	H1 2015	H1 2014	Change %	FY 2014
TOTAL REVENUE	6,905	7,443	5,270	41.2 %	14,348	10,344	38.7 %	22,408
Profit from operations (EBIT)	273	728	707	3.0 %	1,001	861	16.3 %	1,405
EBIT margin %	4.0	9.8	13.4		7.0	8.3		6.3
Depreciation, amortization and impairment losses	(838)	(853)	(704)	(21.2) %	(1,691)	(1,345)	(25.7) %	(2,839)
EBITDA	1,111	1,581	1,411	12.0 %	2,692	2,206	22.0 %	4,244
Special factors affecting EBITDA	(114)	(71)	328	n. a.	(185)	279	n. a.	(52)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	1,225	1,652	1,083	52.5 %	2,877	1,927	49.3 %	4,296
EBITDA margin (adjusted for special factors) %	17.7	22.1	20.6		20.0	18.6		19.2
CASH CAPEX	(2,729)	(1,230)	(2,397)	48.7 %	(3,959)	(3,087)	(28.2) %	(5,072)

Total revenue

Total revenue for our United States operating segment of EUR 14.3 billion in the first half of 2015 increased by 38.7 percent compared to EUR 10.3 billion in the first half of 2014 mainly due to fluctuations in the currency exchange rate. In U.S. dollars, T-Mobile US' total revenues increased by 12.7 percent year-on-year due primarily to service revenue growth resulting from increases in the customer base from the continued success of T-Mobile US' Un-carrier initiatives and strong customer response to promotional activities targeting families. In addition, equipment revenues increased driven by growth in the number of devices sold from higher branded gross customer additions and higher device upgrade volumes. The increase was partially offset by a reduction of total revenues from the non-cash net revenue deferral for T-Mobile US' Data Stash program, to give customers the option to roll their unused high-speed data automatically each month into a personal Data Stash. In addition, lower average revenue per branded postpaid customer due to dilution from attractive family rate plan promotions reduced total revenues.

EBITDA, adjusted EBITDA, adjusted EBITDA margin

Adjusted EBITDA increased by 49.3 percent to EUR 2.9 billion compared with EUR 1.9 billion in first half of 2014 mainly due to fluctuations in the currency exchange rate. In U.S. dollars, adjusted EBITDA increased by 20.8 percent in the first half of 2015. Adjusted EBITDA was positively impacted by increased branded postpaid and prepay service revenues resulting from the continued success of Un-carrier initiatives and strong customer response to promotional activities. Additionally, synergies realized from the decommissioning of the MetroPCS CDMA network contributed to the increase during the first half of 2015. These effects were partially offset by higher promotional costs, higher employee-related costs, increased commission expenses and a reduction of revenues from the impact of Data Stash. EBITDA in the first half of 2015 excludes EUR 0.2 billion special factors primarily relating to the decommissioning of the MetroPCS CDMA network and stock-based compensation costs. The adjusted EBITDA margin increased year-on-year due to the factors described above.

EBIT

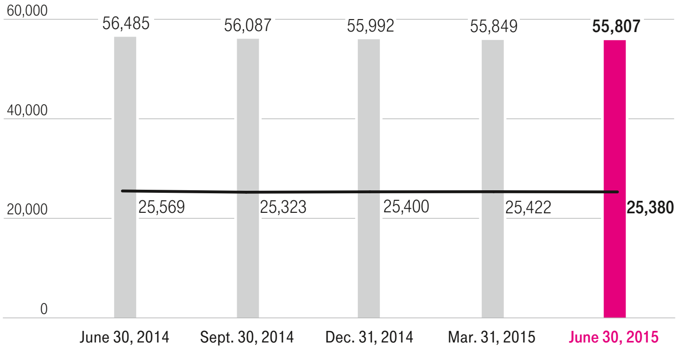
EBIT increased by 16.3 percent to EUR 1.0 billion in the reporting period compared to EUR 0.9 billion in the first half of 2014. This was driven by higher adjusted EBITDA partially offset by higher depreciation expense and the recognition of costs associated with the decommissioning of the MetroPCS CDMA network. Higher depreciation expense was due to the deployment of 4G/LTE network assets related to the modernization of the T-Mobile US network.

Cash capex

Cash capex increased to EUR 4.0 billion in the first half of 2015 compared to EUR 3.1 billion in the first half of 2014 due primarily to the modernization of the T-Mobile US network, including the build-out of the 4G/LTE network. Additionally, in the first half of 2015, T-Mobile US purchased AWS and 700 MHz A-Block spectrum licenses totaling EUR 2.1 billion, the majority of which was related to the AWS spectrum licenses acquired through the U.S. FCC auction in January 2015.

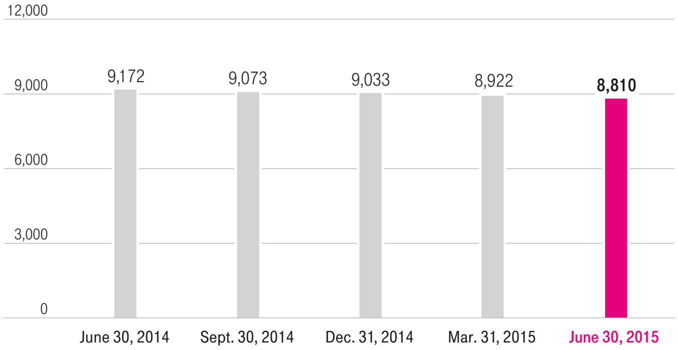
EUROPE
CUSTOMER DEVELOPMENT

Mobile customers
thousands

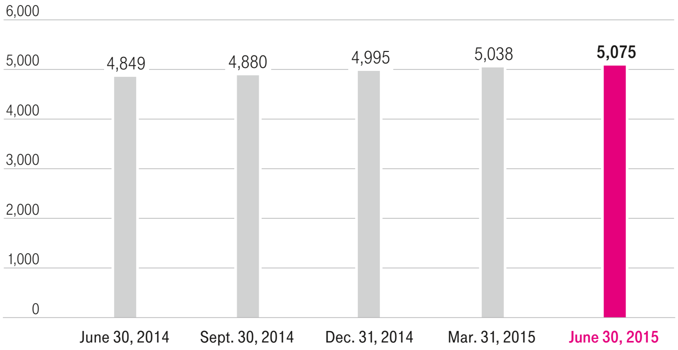


— Contract customers

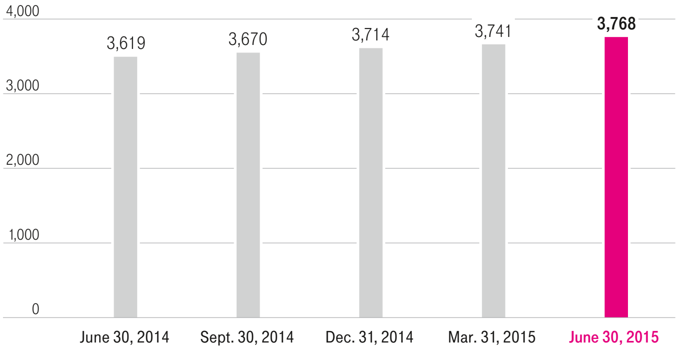
Fixed-network lines
thousands



Retail broadband lines
thousands



Television (IPTV, satellite, cable)
thousands



thousands

		June 30, 2015	Mar. 31, 2015	Change June 30, 2015/ Mar. 31, 2015 %	Dec. 31, 2014	Change June 30, 2015/ Dec. 31, 2014 %	June 30, 2014	Change June 30, 2015/ June 30, 2014 %
EUROPE, TOTAL	Mobile customers	55,807	55,849	(0.1) %	55,992	(0.3) %	56,485	(1.2) %
	Fixed-network lines	8,810	8,922	(1.3) %	9,033	(2.5) %	9,172	(3.9) %
	Of which: IP-based	3,779	3,606	4.8 %	3,486	8.4 %	2,934	28.8 %
	Retail broadband lines	5,075	5,038	0.7 %	4,995	1.6 %	4,849	4.7 %
	Television (IPTV, satellite, cable)	3,768	3,741	0.7 %	3,714	1.5 %	3,619	4.1 %
	Unbundled local loop lines (ULLs)/ wholesale PSTN	2,257	2,279	(1.0) %	2,325	(2.9) %	2,328	(3.0) %
	Wholesale bundled lines	126	136	(7.4) %	140	(10.0) %	156	(19.2) %
	Wholesale unbundled lines	167	156	7.1 %	144	16.0 %	127	31.5 %
GREECE	Mobile customers	7,387	7,308	1.1 %	7,280	1.5 %	7,398	(0.1) %
	Fixed-network lines	2,591	2,599	(0.3) %	2,624	(1.3) %	2,675	(3.1) %
	Broadband lines	1,448	1,413	2.5 %	1,388	4.3 %	1,333	8.6 %
ROMANIA	Mobile customers	6,015	6,008	0.1 %	6,047	(0.5) %	6,046	(0.5) %
	Fixed-network lines	2,153	2,189	(1.6) %	2,239	(3.8) %	2,308	(6.7) %
	Broadband lines	1,186	1,192	(0.5) %	1,199	(1.1) %	1,200	(1.2) %
HUNGARY [a]	Mobile customers	4,938	4,948	(0.2) %	4,964	(0.5) %	4,898	0.8 %
	Fixed-network lines	1,606	1,644	(2.3) %	1,645	(2.4) %	1,611	(0.3) %
	Broadband lines	991	981	1.0 %	969	2.3 %	944	5.0 %
POLAND [a]	Mobile customers	15,827	15,794	0.2 %	15,702	0.8 %	15,675	1.0 %
	Fixed-network lines	18	12	50.0 %	n. a.	n. a.	n. a.	n. a.
	Broadband lines	13	11	18.2 %	n. a.	n. a.	n. a.	n. a.
CZECH REPUBLIC [a]	Mobile customers	5,996	5,993	0.1 %	6,000	(0.1) %	5,946	0.8 %
	Fixed-network lines	152	155	(1.9) %	131	16.0 %	130	16.9 %
	Broadband lines	143	145	(1.4) %	131	9.2 %	132	8.3 %
CROATIA	Mobile customers	2,241	2,214	1.2 %	2,252	(0.5) %	2,308	(2.9) %
	Fixed-network lines	1,038	1,052	(1.3) %	1,076	(3.5) %	1,114	(6.8) %
	Broadband lines	733	726	1.0 %	725	1.1 %	680	7.8 %
NETHERLANDS	Mobile customers	3,689	3,830	(3.7) %	3,900	(5.4) %	4,277	(13.7) %
SLOVAKIA	Mobile customers	2,196	2,202	(0.3) %	2,220	(1.1) %	2,237	(1.8) %
	Fixed-network lines	864	875	(1.3) %	894	(3.4) %	908	(4.8) %
	Broadband lines	578	570	1.4 %	559	3.4 %	540	7.0 %
AUSTRIA	Mobile customers	3,934	3,956	(0.6) %	4,020	(2.1) %	4,118	(4.5) %
OTHER [a, b]	Mobile customers	3,585	3,596	(0.3) %	3,607	(0.6) %	3,582	0.1 %
	Fixed-network lines	389	395	(1.5) %	423	(8.0) %	425	(8.5) %
	Broadband lines	291	293	(0.7) %	307	(5.2) %	302	(3.6) %

[a] As of January 1, 2015, the entities of the GTS Central Europe group in Poland and the Czech Republic were integrated in the respective national companies. The integration in Hungary became effective as of April 1, 2015.
[b] Other: national companies of Albania, the F.Y.R.O. Macedonia, and Montenegro, as well as the lines of the GTS Central Europe group in Romania.

Total

In the first half of 2015, the telecommunications markets in the countries of our Europe operating segment continued to be subject to intense competition. Nevertheless, customer numbers at segment level remained more or less stable or even increased slightly, as in the case of TV or broadband lines, for example. This is down to our strategy of investing in higher bandwidths, for both mobile communications and fixed networks. Above all the build-out and marketing of lines based on fiber-optic technology is becoming increasingly relevant for our customers, with TV business profiting in particular. As part of our pan-European network strategy, we were able to steadily increase the number of IP lines – primarily through the successful migration from traditional PSTN lines to IP technology in many countries of our Europe operating segment.

Mobile communications

Mobile telephony and data services. As of the end of the first half of 2015, we had a total mobile customer base of 55.8 million, which was more or less on a par with the level at the end of the prior year, despite persistently intense competition on the European mobile markets. We are positioning ourselves in the relevant markets as a quality provider with the best service – and in many countries also as the provider with the best mobile network. Part of our network strategy is to systematically build out our mobile networks with 4G/LTE technology. In Albania, we will be able to offer LTE commercially in the third quarter. We are also working more intensely on providing our customers with much faster mobile broadband: In a test in Bratislava, we achieved speeds in our 4G/LTE network of up to 375 Mbit/s. Thanks to our systematic investments in network coverage, we had reached, for example, more than 90 percent of the population in Hungary with LTE by the end of the first half of the year. In Croatia, we already cover more than 80 percent. In addition, we are working in other countries to achieve network coverage of between 75 and 95 percent by 2018.

Thanks to the high speed of our networks in combination with innovative bundled products, including an attractive terminal equipment portfolio, customer numbers remained robust, especially in the high-value contract customer business, with contract customers accounting for more than 45 percent of the customer base. These benefits give us a clear competitive advantage, first and foremost in business with our business customers. As of June 30, 2015, the percentage of business customers as a proportion of the total number of contract customers remained high at 32 percent. As a result of our strategy of focusing on high-value contract customer business, the prepay customer base declined by 0.5 percent as of the first half of 2015 compared with year-end 2014.

Fixed network

Telephony, Internet, and television. Our investments in TV broadcasting rights in many countries of our operating segment gave a substantial boost to demand for our TV products, also thanks to exclusive content. Our customer numbers grew by 1.5 percent to 3.8 million. Year-on-year, customer growth amounted to as much as 4.1 percent. The majority of the 149 thousand net additions in total were customers in Greece, Romania, Hungary, and Slovakia.

As an integrated telecommunications provider, we want to drive forward the convergence of fixed-network and mobile technology and, in all our integrated countries, we already offer our customers fixed-mobile convergence (FMC) products. The technical basis for this is a simplified and standardized network, which we are creating by migrating all of our national companies with a fixed-network architecture to IP technology. This is proving successful: As of June 30, 2015, we recorded 3.8 million IP-based lines – an increase of 8.4 percent compared with the end of 2014. Following the successful migration in Slovakia and the F.Y.R.O. Macedonia last year, we are now focusing on Croatia and Montenegro, which will complete the migration of PSTN lines by the end of 2015. We are well on track with this project, with migration rates of 91 percent and almost 80 percent respectively at the end of the first half of 2015. At segment level, IP-based lines accounted for 43 percent of all lines. Around 8.8 million customers in our Europe operating segment used a fixed-network line as of the end of the first half of 2015. The decline of 2.5 percent against the end of 2014 was primarily attributable to line losses in traditional telephony (PSTN).

The number of retail broadband lines increased by 1.6 percent to 5.1 million, driven mainly by DSL business, especially in Greece, where VDSL technology is enjoying dynamic growth. But the number of broadband lines also increased in Hungary, Romania, and Slovakia.

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2015	Q2 2015	Q2 2014	Change %	H1 2015	H1 2014	Change %	FY 2014
TOTAL REVENUE	3,106	3,136	3,163	(0.9)%	6,242	6,288	(0.7)%	12,972
Greece	692	704	697	1.0%	1,396	1,388	0.6%	2,869
Romania	241	241	242	(0.4)%	482	503	(4.2)%	1,002
Hungary [a]	393	380	362	5.0%	773	728	6.2%	1,492
Poland [a]	382	385	365	5.5%	767	715	7.3%	1,492
Czech Republic [a]	226	231	217	6.5%	457	431	6.0%	862
Croatia	211	222	221	0.5%	433	431	0.5%	905
Netherlands	346	362	379	(4.5)%	708	772	(8.3)%	1,551
Slovakia	187	185	192	(3.6)%	372	389	(4.4)%	768
Austria	197	205	201	2.0%	402	393	2.3%	815
Other [a, b]	279	271	336	(19.3)%	550	637	(13.7)%	1,442
Profit from operations (EBIT)	320	385	416	(7.5)%	705	817	(13.7)%	1,704
EBIT margin %	10.3	12.3	13.2		11.3	13.0		13.1
Depreciation, amortization and impairment losses	(633)	(622)	(658)	5.5%	(1,255)	(1,269)	1.1%	(2,597)
EBITDA	953	1,007	1,074	(6.2)%	1,960	2,086	(6.0)%	4,301
Special factors affecting EBITDA	(55)	(62)	(24)	n. a.	(117)	(39)	n. a.	(131)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	1,008	1,069	1,098	(2.6)%	2,077	2,125	(2.3)%	4,432
Greece	263	267	282	(5.3)%	530	542	(2.2)%	1,138
Romania	55	49	70	(30.0)%	104	136	(23.5)%	266
Hungary [a]	106	135	123	9.8%	241	217	11.1%	445
Poland [a]	130	145	141	2.8%	275	275	–	579
Czech Republic [a]	89	96	91	5.5%	185	183	1.1%	362
Croatia	81	90	86	4.7%	171	168	1.8%	365
Netherlands	133	124	150	(17.3)%	257	298	(13.8)%	630
Slovakia	73	76	76	–	149	154	(3.2)%	310
Austria	65	66	60	10.0%	131	104	26.0%	211
Other [a, b]	13	19	16	18.8%	32	48	(33.3)%	125
EBITDA margin (adjusted for special factors) %	32.5	34.1	34.7		33.3	33.8		34.2
CASH CAPEX	(494)	(299)	(422)	29.1%	(793)	(1,007)	21.3%	(2,101)

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] As of January 1, 2015, the entities of the GTS Central Europe group in Poland and the Czech Republic were integrated in the respective national companies. The integration in Hungary became effective as of April 1, 2015.

[b] Other: national companies of Albania, the F.Y.R.O. Macedonia, and Montenegro, as well as ICSS (International Carrier Sales & Solutions), the ICSS/GNF business of the Local Business Units, GNF (Global Network Factory), GTS Central Europe group in Romania, Europe Headquarters, and Group Technology.

Total revenue

Our Europe operating segment generated total revenue of EUR 6.2 billion in the first half of 2015, which is almost unchanged compared with the prior-year period. In organic terms, i.e., assuming full inclusion of the GTS Central Europe group in the prior-year period as well as constant exchange rates, segment revenue decreased by 2.8 percent.

Decisions by regulatory authorities continue to have a substantial impact on our segment revenue. Reduced mobile termination rates and in particular roaming regulations in most countries of our operating segment accounted for more than half of our organic revenue decline. In addition, revenue continued to come under pressure from persistently intense competition in the telecommunications markets in the countries of our operating segments. Given our strategy of gradually withdrawing from the Voice Hubbing business (termination of international calls), there was a negative trend in wholesale business.

Thanks to the consistent focus on growth areas in the national companies in Europe, we partially compensated the negative revenue effects at segment level. In the first half of 2015, growth areas accounted for as much as 28 percent of segment revenue. Mobile data business established itself once again as the biggest absolute growth driver, with revenue increasing by 11 percent or EUR 82 million in total compared with the prior-year period, with all countries of our operating segment contributing, in particular the Netherlands, Greece, Austria, and Hungary. The majority of revenue from mobile data business was attributable to consumers. Attractive rate plans combined with our broad portfolio of terminal equipment resulted in a substantial increase in the usage of data services. The upward trend of the past few quarters also continued in broadband and TV business: In the first half of 2015, broadband/TV revenue increased by 9 percent, thereby also slightly enhancing its share of total revenue. The main positive factor contributing to this growth was fixed-network business in Greece, the Czech Republic, and Hungary. In addition to the acquisition of the GTS Central Europe group in the prior year, our expanded product and service portfolio also resulted in higher revenue in B2B/ICT business with business customers compared with the prior year, especially in the Czech Republic and Poland. The energy resale business in Hungary also recorded year-on-year revenue growth.

In addition to the growth areas, revenues from sales of terminal equipment also improved. This revenue increase is due in part to the fact that some countries of our Europe operating segment have introduced an alternative model to the conventional bundled rate plans. In contrast to these bundled rate plans, which include a discounted terminal device but higher service charges, the alternative model is distinctive in that the customer concludes separate contracts for the service and the device. The customer pays a regular monthly service charge and in addition, a monthly charge for the chosen device. This means the device remains affordable for the customer even without subsidies.

In terms of organic segment revenue by country, business in the Netherlands was hit hardest by absolute revenue declines in the first half of 2015 – due in part to regulation in roaming business and in part to a smaller customer base. Romania also recorded revenue losses, the majority of which were attributable to the reduction in mobile termination rates in the second quarter of 2014. Slovakia and the Czech Republic were primarily affected by market-related declines in revenue. By contrast, revenue increases in particular in Hungary, mainly thanks to positive contributions to mobile and fixed-network revenue, in Greece, due to fixed-network business, and in Austria, had a positive impact on the revenue trend at segment level.

EBITDA, adjusted EBITDA

Our Europe operating segment generated adjusted EBITDA of EUR 2.1 billion in the first half of 2015, a year-on-year decrease of 2.3 percent. Assuming full inclusion of the GTS Central Europe group in the prior-year period and constant exchange rates, adjusted EBITDA declined by 4.0 percent. Overall, the decrease in organic revenue at segment level primarily had a negative impact on the development of adjusted EBITDA. Furthermore, changes in legislation, taxes and duties, national austerity programs, and regulatory decisions put additional pressure on our earnings.

As far as earnings by country are concerned, the decreases in adjusted EBITDA were primarily attributable to the Netherlands and Romania, following a decline in revenue. By contrast, increases in adjusted EBITDA generated primarily in Austria and Hungary had a positive impact on the development of adjusted EBITDA at segment level.

With efficiency enhancement measures, we were able to reduce indirect costs in a targeted way and thereby partially counteract the negative effect of the revenue decline. Lower personnel costs in particular made a positive contribution. The slight decrease in direct costs had a positive effect on the EBITDA trend at segment level.

EBITDA was affected by net special factors of EUR 117 million. These included expenses for staff-related measures as well as the expense for the settlement concluded in the first quarter of 2015 in connection with the legal proceedings for the “Claim for compensation against Slovak Telekom.” For further information on the proceedings, please refer to the section “Risks and opportunities,” pages 33 and 34. Our EBITDA decreased by EUR 0.1 billion to EUR 2.0 billion.

Development of operations in selected countries

In order to become the leading European telecommunications provider, we are pursuing the strategy of developing the majority of our national companies into integrated all-IP players that provide best customer experience – regardless of their respective market position. To this end, we are establishing a production model with the help of a pan-European, fully IP-based network infrastructure, best network access, and optimized processes and customer interfaces. Most of our national companies already operate in both fixed-network and mobile communications. In addition, our companies in the Netherlands and Austria continue to focus on mobile business as “mobile attackers.” They position themselves as the provider with the greatest focus on customer needs and in this way occupy a niche as mobile-only providers. We present the following national companies by way of example:

Greece. In Greece, despite the crisis, revenue remained at the prior-year level of EUR 1.4 billion in the first half of 2015, thanks to positive contributions from fixed-network business, which offset the decline in mobile revenues. The main factor affecting mobile business was the downward pressure on voice revenues, arising in part from the increasing attractiveness of flat rates and the associated low price structures. Text messaging revenues in the prepay segment also decreased year-on-year – increasingly due to the subscription to text messaging rate options and lower usage. However, this was more than offset by higher revenue in data business – due in part to increased demand for data services.

There was a significantly positive trend in fixed-network revenue as a result of revenue increases in broadband and TV business. Our attractive TV content was well received by customers. In connection with the focus on rolling out DSL lines, we also recorded brisk growth in the number of broadband customers. The B2B/ICT business with business customers also recorded higher revenues, thus making a positive contribution. Overall, we managed to offset the decline in revenue from voice services, which are particularly adversely affected by line losses in traditional telephony.

In the first half of 2015, adjusted EBITDA in Greece stood at EUR 530 million, down 2.2 percent against the prior-year period. Apart from the fact that revenue remained unchanged against the prior-year level, higher direct costs attributable in part to higher expenses for terminal equipment were not completely offset by lower indirect costs.

Hungary. In the first half of the year, revenue increased by 6.2 percent year-on-year to EUR 773 million, due in part to growth in mobile service revenues as a result of high-value contract customer additions coupled with considerably higher usage of voice services. Furthermore, the positive trend in mobile data revenues continued in the first half of 2015, which were up by some 15 percent. This is, among other factors, the result of our high-speed mobile network, the huge reach, and the successful marketing of innovative products, which is reflected both in usage behavior and by the fact that smartphones accounted for a high proportion of all terminal devices sold. This is also reflected in terminal equipment sales, which made a positive revenue contribution to total mobile revenues.

The increase in revenue from fixed-network business was mainly attributable to growth in broadband and TV business, which accounted for an increase of 12.5 percent compared with the prior-year period. The proportion of total fixed-network revenue accounted for by these business areas also increased by 4 percentage points year-on-year. In line with our strategy of rolling out a pan-European network in our integrated national companies, the marketing of IP-based broadband lines was stepped up. As a result, the number of broadband lines, for example, increased year-on-year, especially for VDSL lines. TV business also profited from this, attracting customers with its innovative TV services across all screens. The energy resale business also recorded year-on-year revenue growth. In addition, the B2B/ICT business with business customers also made a positive contribution to revenue, enabling us to more than offset the overall decline in voice revenue in traditional telephony.

Adjusted EBITDA amounted to EUR 241 million in the first half of the year, representing a year-on-year increase of 11.1 percent, mainly due to the positive effects from increased revenue. Our efficiency enhancement programs also had a positive effect on adjusted EBITDA, thus compensating for both the higher direct costs and the undiminished high tax burden.

Austria. In Austria, we generated revenue of EUR 402 million in the first half of 2015, a year-on-year increase of 2.3 percent. This is due on the one hand to the positive trend in voice revenues. On the other hand, revenues from mobile data business once again recorded double-digit growth, due to increased usage of data services, especially by contract customers, such that the proportion of total revenues accounted for by data revenues increased compared with the prior-year period. This increase was mainly due to the successful launch of the new rate plan model last year, followed by ongoing high demand for smartphones. Both factors resulted in a sharp increase in the usage of data services. In addition, revenue from terminal equipment sales increased. We were thus able to offset the declines resulting from the regulation-induced reduction in roaming charges.

Adjusted EBITDA rose by 26.0 percent year-on-year in the first half of 2015 to EUR 131 million. In addition to positive effects from the increase in revenues, lower indirect costs due in particular to personnel costs contributed to this result. Savings in direct costs also made a positive contribution to adjusted EBITDA, primarily as a result of more targeted customer acquisition measures and regulation-induced lower interconnection costs.

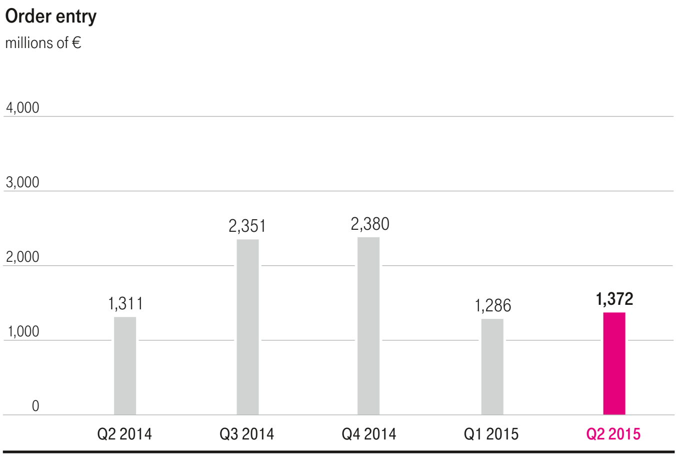
EBIT

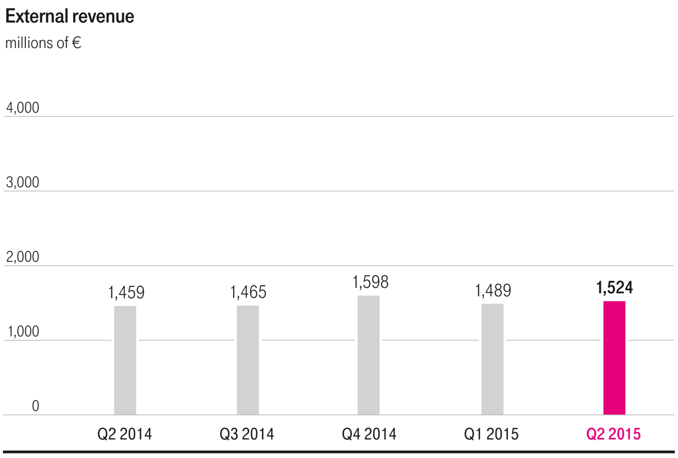
EBIT in our Europe operating segment totaled EUR 705 million in the first half of 2015, down EUR 0.1 billion year-on-year, mainly due to the decline in EBITDA. This was partially offset by a moderate decrease in the level of amortization and depreciation.

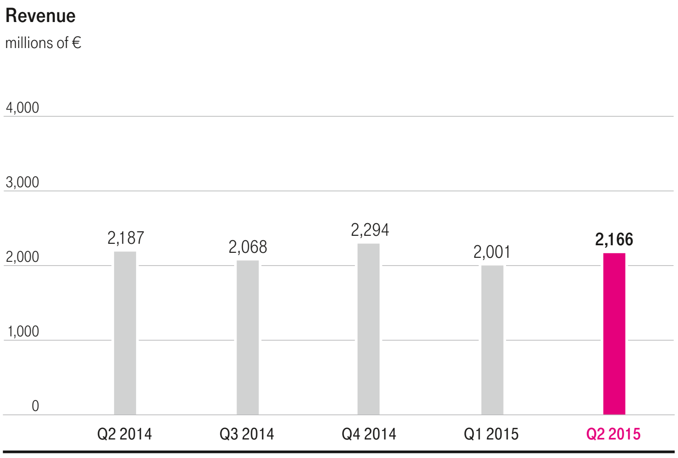
Cash capex

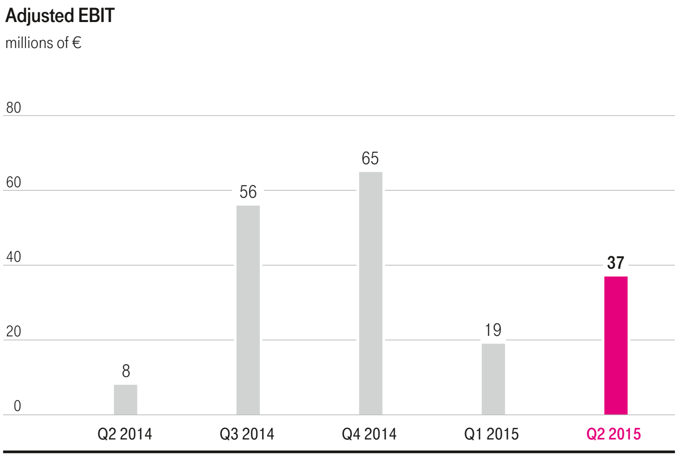
In the first half of 2015, our Europe operating segment reported cash capex of EUR 793 million, i.e., down by 21.3 percent, mainly due to the acquisition of mobile licenses in the Czech Republic and Slovakia in the prior year. In the first half of 2015, we acquired mobile spectrum to a lesser extent, e.g., in Albania.

SYSTEMS SOLUTIONS
SELECTED KPIs









		June 30, 2015	Mar. 31, 2015	Change June 30, 2015/ Mar. 31, 2015 %	Dec. 31, 2014	Change June 30, 2015/ Dec. 31, 2014 %	June 30, 2014	Change June 30, 2015/ June 30, 2014 %
ORDER ENTRY	millions of €	2,658	1,286	n. a.	7,456	n. a.	2,725	(2.5) %
COMPUTING & DESKTOP SERVICES								
Number of servers managed and serviced	units	61,768	61,406	0.6 %	61,654	0.2 %	61,546	0.4 %
Number of workstations managed and serviced	millions	1.64	1.62	1.2 %	1.58	3.8 %	1.49	10.1 %
SYSTEMS INTEGRATION								
Hours billed	millions	2.7	1.8	n. a.	6.1	n. a.	3.2	(15.6) %
Utilization rate	%	82.3	81.7	0.6 %p	83.8	(1.5) %p	82.3	0.0 %p

Development of business
In the first half of 2015, T-Systems concluded new contracts in Germany and abroad; nevertheless, order entry decreased by 2.5 percent compared with the prior-year period. This is attributable to the realignment of the business model, aimed at ensuring sustained profitable growth. In this connection, we tightened up the profitability criteria for the acceptance of new orders: In the future, we will offer services with a persistently low level of profitability via specialized partners or discontinue them completely if demand is not lucrative enough. Strengthened by the realignment, our standard solutions from the growth area of cloud computing in particular won out over strong competition. For our customers, this means that they can access an ever greater range of services from the cloud and at the same time profit from our expertise in transformation services for bringing our customers to the cloud securely.

Another key component in the expansion of our cloud business is strategic partnerships. This means we offer our partners' services from our data centers in Germany in order to meet our customers' needs. The aspects of security and high availability play a key role for T-Systems and our customers.

To meet the requirements from the new deals, we are continuously modernizing and consolidating our ICT resources. The number of servers managed and serviced increased by 0.4 percent compared with the first half of 2014 as a result of the further expansion of the growth areas. At the data centers, technical advances made it possible to set up ever larger and higher-performance units, allowing us to reduce our number of data centers, which had a positive impact on our cost efficiency. The number of workstations managed and serviced increased by 10.1 percent to 1.64 million compared with the prior-year period.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2015	Q2 2015	Q2 2014	Change %	H1 2015	H1 2014	Change %	FY 2014
TOTAL REVENUE		2,001	2,166	2,187	(1.0) %	4,167	4,239	(1.7) %	8,601
Loss from operations (EBIT)		(65)	(230)	(131)	(75.6) %	(295)	(190)	(55.3) %	(422)
Special factors affecting EBIT		(84)	(267)	(139)	(92.1) %	(351)	(196)	(79.1) %	(549)
EBIT (adjusted for special factors)		19	37	8	n. a.	56	6	n. a.	127
EBIT margin (adjusted for special factors)	%	0.9	1.7	0.4		1.3	0.1		1.5
Depreciation, amortization and impairment losses		(145)	(225)	(286)	21.3 %	(370)	(426)	13.1 %	(717)
EBITDA		80	(5)	155	n. a.	75	236	(68.2) %	295
Special factors affecting EBITDA		(74)	(219)	(133)	(64.7) %	(293)	(190)	(54.2) %	(540)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		154	214	288	(25.7) %	368	426	(13.6) %	835
EBITDA margin (adjusted for special factors)	%	7.7	9.9	13.2		8.8	10.0		9.7
CASH CAPEX		(252)	(279)	(254)	(9.8) %	(531)	(507)	(4.7) %	(1,171)

Total revenue

Total revenue in our Systems Solutions operating segment in the reporting period amounted to EUR 4.2 billion, a year-on-year decrease of 1.7 percent. The decrease was primarily due to the expected decline in revenue in the Telekom IT business unit.

Revenues of the Market Unit, i.e., essentially business with external customers, were up 2.3 percent compared with the prior-year period to EUR 3.4 billion, with international revenue in particular increasing. The general downward price trend in ICT business was more than offset by the revenue from new contracts. Furthermore, exchange rate effects had a positive impact on the Market Unit's revenue.

In the Telekom IT business unit, which mainly pools the Group's domestic internal IT projects, revenue was down 16.7 percent to EUR 738 million against the prior-year period. The decrease in revenue primarily reflects the lower internal revenues from the licensing of the Group-wide ERP system and, in particular, the Group's planned savings in IT costs.

EBITDA, adjusted EBITDA

Adjusted EBITDA in our Systems Solutions operating segment decreased by EUR 58 million or 13.6 percent in the reporting period due to a substantially lower contribution from Telekom IT. Adjusted EBITDA of the Market Unit continued to rise, enabling this unit to make a 34.9 percent higher contribution to earnings than in the previous year. The reasons for this include improved customer profitability and the effects resulting from cost-cutting and efficiency enhancement measures. These positive effects were partially offset by necessary expenses in connection with the realignment of the business model with the aim of ensuring sustainably profitable growth. The adjusted EBITDA margin decreased from 10.0 percent in the prior-year period to 8.8 percent in the first half of 2015.

EBITDA decreased by 68.2 percent year-on-year to EUR 75 million due to the effects described under adjusted EBITDA. Special factors were higher than in the prior year, mainly due to restructuring programs, the settlement of differences, and the optimization of transactions.

EBIT, adjusted EBIT

Adjusted EBIT for the first half of 2015 improved by EUR 50 million against the prior-year period. The key factors were the effects described under adjusted EBITDA and lower depreciation, amortization and impairment losses, especially in connection with the licensing of the Group-wide ERP system and the extension of the useful life of software. The adjusted EBIT margin improved from 0.1 percent in the prior-year period to 1.3 percent.

Cash capex

Cash capex totaled EUR 0.5 billion in the reporting period. Our level of investment remains high and is attributable to the realignment of the business model, which we are developing further in line with the increasing digitization of enterprises. For this reason, we are investing in intelligent network solutions such as connected car, healthcare, and energy, as well as in cutting-edge digital innovation areas like cloud computing and cyber security. Enhanced efficiency, for example as a result of the standardization of the ICT platforms, had an offsetting effect.

GROUP HEADQUARTERS & GROUP SERVICES

Group Headquarters & Group Services comprises all Group units that cannot be allocated directly to one of the operating segments. For more information, please refer to the section “Group structure” in the 2014 Annual Report, page 67 et seq.

millions of €

	Q1 2015	Q2 2015	Q2 2014	Change %	H1 2015	H1 2014	Change %	FY 2014
TOTAL REVENUE	565	584	610	(4.3) %	1,149	1,232	(6.7) %	2,516
Profit (loss) from operations (EBIT)	(252)	(231)	(456)	49.3 %	(483)	939	n. a.	(109)
Depreciation, amortization and impairment losses	(144)	(138)	(152)	9.2 %	(282)	(301)	6.3 %	(671)
EBITDA	(108)	(93)	(304)	69.4 %	(201)	1,240	n. a.	562
Special factors affecting EBITDA	(86)	(17)	(144)	88.2 %	(103)	1,518	n. a.	1,229
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	(22)	(76)	(160)	52.5 %	(98)	(278)	64.7 %	(667)
CASH CAPEX	(96)	(65)	(81)	19.8 %	(161)	(146)	(10.3) %	(381)

Total revenue

Total revenue in our Group Headquarters & Group Services segment in the first six months of 2015 decreased by 6.7 percent year-on-year, mainly due to the revenue lost in connection with the sale of 70 percent of the shares in the Scout24 group which was consummated in early February 2014. Furthermore, intragroup revenue was down on the prior-year period, especially from Real Estate Services due to the continued space optimization.

EBITDA, adjusted EBITDA

Adjusted EBITDA at Group Headquarters & Group Services improved by EUR 180 million year-on-year in the first half of 2015, mainly due to income of EUR 175 million resulting from an agreement to settle an ongoing complaints procedure under anti-trust law in the first quarter of 2015. Higher income from real estate sales and lower personnel costs attributable to continued staff restructuring also had a positive effect on earnings. This was offset by efficiency gains achieved through continued cost savings and passed on to the Group’s operating segments, as well as by the non-recurrence of the contribution to earnings by the Scout24 group.

Overall, EBITDA was negatively impacted by special factors amounting to EUR 103 million, especially for staff-related measures. In the prior-year period, income from divestitures in connection with the disposal of the Scout24 group had been a decisive special factor.

EBIT

The year-on-year decline in EBIT is primarily attributable to income from divestitures in connection with the disposal of the Scout24 group in the prior year. Depreciation, amortization and impairment losses were down 6.3 percent on the prior-year level, largely due to the reduced holdings of land and buildings.

Cash capex

Cash capex increased year-on-year by EUR 15 million, mainly owing to the purchase of more vehicles.

EVENTS AFTER THE REPORTING PERIOD (JUNE 30, 2015)

For explanations on the developments in the **sovereign debt and banking crisis in Greece**, please refer to the section "Risks and opportunities," pages 33 and 34.

On July 17, 2015, Deutsche Telekom concluded an **agreement with Telefónica Deutschland for the acquisition of 7,700 cell sites**. The cell sites had been left redundant following the integration of Telefónica's network with that of O_2 and E-Plus. The radio masts, which are predominantly located on rooftops, will enable us to accelerate the implementation of our network build-out plans and upgrade our own mobile network.

FORECAST

The statements in this section reflect the current views of our management. The following section explains the current main findings on changes to the development of forecasts published in the 2014 combined management report (2014 Annual Report, page 134 et seq.). Accordingly, other statements made therein remain valid. For additional information and recent changes in the economic situation, please refer to the section "The economic environment" in this interim Group management report. Readers are also referred to the Disclaimer at the end of this report.

CHANGES FROM THE 2014 ANNUAL REPORT

In the 2014 Annual Report, Deutsche Telekom forecast adjusted EBITDA for the 2015 financial year of around EUR 18.3 billion. This expected figure did not include income of EUR 175 million from an agreement to settle an ongoing complaints procedure under anti-trust law or the new business model JUMP! On Demand at T-Mobile US which also had a positive effect on our adjusted EBITDA. As part of this business model, customers of T-Mobile US will also be offered a terminal equipment lease model from June 2015, in addition to the options for purchasing terminal equipment by installments. In addition, the U.S. dollar exchange rate, which has risen sharply so far this year continues to have a substantial positive effect on the development of our adjusted EBITDA. Excluding the aforementioned effects on adjusted EBITDA, we continue to confirm our guidance for 2015.

We therefore also confirm our free cash flow forecast of around EUR 4.3 billion for 2015.

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 2014 financial year (2014 Annual Report, page 146 et seq.). Readers are also referred to the Disclaimer at the end of this report.

ECONOMIC RISKS, EUROPE

The escalation of the Greek sovereign debt and banking crisis at the end of June 2015 initially increased the economic risk affecting our subsidiary in Greece. However, the latest positive developments, in particular the negotiations between Greece and the European institutions, as well as the Greek parliament's approval of reforms and implementation of the first reforms have once again reduced the probability of a possible exit by Greece from the European Monetary Union. Further escalation of the sovereign debt and banking crisis in Greece could affect the economic risk accordingly.

LITIGATION

Toll Collect arbitration proceedings. In the Toll Collect arbitration proceedings, a further hearing took place in June 2015, which will continue in January 2016. Deutsche Telekom has recognized appropriate provisions for risks in 2014 in the statement of financial position.

Claims for damages concerning the provision of subscriber data. The Federal Court of Justice rejected Dr. Harisch's complaint against non-allowance of appeal in a ruling dated April 14, 2015. The claim of approximately EUR 612 million plus interest has therefore been dismissed with final and binding effect. In the appeal proceedings brought by telegate AG in relation to its claim for damages of approximately EUR 86 million plus interest, the Düsseldorf Higher Regional Court dismissed telegate AG's appeal in a ruling dated April 22, 2015 and disallowed a further appeal. telegate AG filed a complaint against the non-allowance of appeal with the Federal Court of Justice in May 2015.

Claims by partnering publishers of telephone directories. In February and March 2015, the Frankfurt/Main Regional Court dismissed another 20 claims by partnering publishers of telephone directories. This brings the number of claims dismissed in the first instance to 22 out of 81. Two of these rulings have in the meantime become final and legally binding. The complainants have filed appeals against the other rulings with the Frankfurt Higher Regional Court. The remaining amount in dispute now totals approximately EUR 467 million plus interest. Deutsche Telekom has recognized appropriate provisions for risks in the statement of financial position since 2014.

Claims for damages due to price squeeze. In the proceedings brought by EWE Tel GmbH against Telekom Deutschland GmbH, the Düsseldorf Higher Regional Court, in its ruling dated January 29, 2014, overturned the first-instance ruling of the Cologne Regional Court dated January 17, 2013, especially with regard to the extent of the claims barred under the statute of limitations, and referred the case back to the Cologne Regional Court disallowing any appeal due to the amount of the damages. In a ruling dated June 16, 2015, the Federal Court of Justice rejected the complaints lodged by the parties against the non-allowance of appeal.

PROCEEDINGS CONCLUDED IN 2015

Claim for compensation against Slovak Telekom. In March 2015, the parties agreed on a settlement of the dispute. The settled dispute concerned the lawsuit filed against Slovak Telekom based on the accusation that the legal predecessor of Slovak Telekom had ceased broadcast of an international radio program contrary to the underlying contract. The settlement was confirmed by the responsible court in Bratislava in May 2015; the proceedings are therefore terminated with final and binding effect. In July 2015, Deutsche Telekom was able to realize its contractual claims to a refund of the amount paid by Slovak Telekom for the settlement, in accordance with the amount of its shareholding in Slovak Telekom at the time.

REGULATION

As part of a strategy for the digital single market, the European Commission announced its upcoming European regulation initiatives in early May 2015. These include, for example, a complete **reworking of the applicable EU legal framework for telecommunications**, to be introduced in fall of this year with a public consultation. The process comprises a review of the current ex-ante regulation for network access, a reform of service regulation whose aims include more equal treatment of telecommunications services and Internet-based (communications) services, as well as a renewed initiative to create a more harmonized framework for the awarding of mobile spectrum. Furthermore, the Commission announced a review of the role of Internet platforms in the digital economy with a view to potential legislative measures. The review is set to begin at the end of 2015. All these initiatives offer the opportunity to achieve more balanced competitive conditions between telecommunications and Internet companies in the area of regulation. It is not possible at present to conclusively assess the specific opportunities and risks arising from these initiatives.

As part of the trialogue process relating to the **regulation by the European Commission concerning the single market for electronic communications**, which contains regulations on net neutrality and international roaming, the European Parliament and European Council achieved a provisional agreement in July 2015. The regulation is still awaiting approval from the European Parliament and the Council, which is expected for the start of the fourth quarter of 2015.

- **Net neutrality.** The draft regulation concerning the single market for electronic communications allows for the provision of “specialized services” with assured quality, and Internet access services on a shared IP network. However, the permissibility of special services is linked to the fact that an assured quality is required for the provision of the service. Strict equal treatment of all data traffic would be established as a principle, with exceptions to traffic management only being permitted in limited cases, for instance to ensure the objectively different technical requirements of different service categories and to prevent potential overloads in the network. Zero-rating, i.e., not charging for certain amounts of data traffic in connection with volume-based rate plans, would remain permissible, with corresponding offers being subject to control by the Federal Network Agency. The regulation provides regulatory authorities with extensive powers to monitor and intervene, and includes provisions on fines.
- **International roaming.** With regard to international roaming, the draft regulation on the single market for electronic communications provides for an initial reduction of roaming rates as of April 30, 2016 to the level of national rates plus a strictly limited surcharge. From June 15, 2017, surcharges for roaming services within the EU are then to be eliminated entirely (Roam like at Home), unless permitted under a still to be specified fair usage policy. The deadline of June 15, 2017 will be postponed if it is not possible to first bring in line the corresponding wholesale regulations at EU level in time. The introduction of Roam Like at Home, will give rise to corresponding revenue losses as well as substantial implementation costs.

At EU level, work on the new **Payment Service Directive 2** is largely complete; it will replace Payment Service Directive 1 from 2007. As it currently stands, billing models for voice and non-voice services in mobile communications will cap the amounts that can be charged for third-party services through telephone bills. The Directive is expected to enter into force in the second half of 2015 and to have a two-year deadline for enforcement in the member states. Depending on the transposition into national law, this will lead to restrictions in business models for billing third-party services and to costs for implementing compliance with the thresholds.

Application for further vectoring roll-out. On February 23, 2015, we applied to the Federal Network Agency to be exempted from the obligation to give competitors access to the main distribution frames for the activation of VDSL lines. If the authority approves this request, we can create the necessary conditions to provide approximately 6 million more households with speeds of up to 100 Mbit/s. Going forward, transmission rates of up to 250 Mbit/s (super vectoring) will even be possible. In total, around 80 percent of households would be able to benefit from high-speed lines. We expect the regulatory process to be completed in the fourth quarter of 2015. However, the regulatory requirements will not be met until the reference offer has been adjusted, which is expected to take place in the third quarter of 2016.

In its draft **remedies decision for the bitstream market** dated April 29, 2015, the Federal Network Agency provides for ex-ante regulation for layer 2 bitstream access products in addition to the current ex-post regulation for layer 3 bitstream access products. We plan to offer a layer 2 bitstream access product as of January 1, 2016. If the Federal Network Agency were to set out narrow and rigid ex-ante regulation of layer 2 bitstream access products, this would give rise to the risk that innovative price models such as contingent models would no longer be attractive for us.

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, 2015	Dec. 31, 2014	Change	Change %	June 30, 2014
ASSETS					
CURRENT ASSETS	**27,325**	**29,798**	**(2,473)**	**(8.3) %**	**18,402**
Cash and cash equivalents	4,694	7,523	(2,829)	(37.6) %	4,383
Trade and other receivables	10,600	10,454	146	1.4 %	8,112
Current recoverable income taxes	143	84	59	70.2 %	113
Other financial assets	2,109	2,976	(867)	(29.1) %	2,805
Inventories	1,690	1,503	187	12.4 %	1,231
Other assets	1,631	1,380	251	18.2 %	1,672
Non-current assets and disposal groups held for sale	6,458	5,878	580	9.9 %	86
NON-CURRENT ASSETS	**107,653**	**99,562**	**8,091**	**8.1 %**	**99,626**
Intangible assets	57,165	51,565	5,600	10.9 %	48,566
Property, plant and equipment	41,027	39,616	1,411	3.6 %	37,705
Investments accounted for using the equity method	534	617	(83)	(13.5) %	6,467
Other financial assets	3,046	2,284	762	33.4 %	1,680
Deferred tax assets	5,507	5,169	338	6.5 %	4,914
Other assets	374	311	63	20.3 %	294
TOTAL ASSETS	**134,978**	**129,360**	**5,618**	**4.3 %**	**118,028**
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES	**32,603**	**28,198**	**4,405**	**15.6 %**	**25,691**
Financial liabilities	15,152	10,558	4,594	43.5 %	10,767
Trade and other payables	9,158	9,681	(523)	(5.4) %	7,441
Income tax liabilities	302	276	26	9.4 %	290
Other provisions	3,150	3,517	(367)	(10.4) %	2,976
Other liabilities	4,831	4,160	671	16.1 %	4,179
Liabilities directly associated with non-current assets and disposal groups held for sale	10	6	4	66.7 %	38
NON-CURRENT LIABILITIES	**66,414**	**67,096**	**(682)**	**(1.0) %**	**59,836**
Financial liabilities	43,093	44,669	(1,576)	(3.5) %	39,104
Provisions for pensions and other employee benefits	8,033	8,465	(432)	(5.1) %	7,642
Other provisions	2,339	2,373	(34)	(1.4) %	2,035
Deferred tax liabilities	8,913	7,712	1,201	15.6 %	7,194
Other liabilities	4,036	3,877	159	4.1 %	3,861
LIABILITIES	**99,017**	**95,294**	**3,723**	**3.9 %**	**85,527**
SHAREHOLDERS' EQUITY	**35,961**	**34,066**	**1,895**	**5.6 %**	**32,501**
Issued capital	11,793	11,611	182	1.6 %	11,611
Treasury shares	(53)	(53)	0	0.0 %	(54)
	11,740	**11,558**	**182**	**1.6 %**	**11,557**
Capital reserves	52,361	51,778	583	1.1 %	51,746
Retained earnings including carryforwards	(38,827)	(39,783)	956	2.4 %	(39,117)
Total other comprehensive income	(491)	(1,838)	1,347	73.3 %	(2,250)
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale	1,337	798	539	67.5 %	–
Net profit (loss)	1,499	2,924	(1,425)	(48.7) %	2,528
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	**27,619**	**25,437**	**2,182**	**8.6 %**	**24,464**
Non-controlling interests	8,342	8,629	(287)	(3.3) %	8,037
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**134,978**	**129,360**	**5,618**	**4.3 %**	**118,028**

CONSOLIDATED INCOME STATEMENT

millions of €

	Q2 2015	Q2 2014	Change %	H1 2015	H1 2014	Change %	FY 2014
NET REVENUE	**17,428**	**15,114**	**15.3%**	**34,270**	**30,008**	**14.2%**	**62,658**
Cost of sales	(10,852)	(9,005)	(20.5)%	(21,090)	(18,139)	(16.3)%	(38,539)
GROSS PROFIT	**6,576**	**6,109**	**7.6%**	**13,180**	**11,869**	**11.0%**	**24,119**
Selling expenses	(3,754)	(3,317)	(13.2)%	(7,692)	(6,618)	(16.2)%	(13,898)
General and administrative expenses	(1,316)	(1,324)	0.6%	(2,539)	(2,294)	(10.7)%	(4,721)
Other operating income	337	653	(48.4)%	734	2,610	(71.9)%	3,231
Other operating expenses	(37)	(345)	89.3%	(411)	(649)	36.7%	(1,484)
PROFIT FROM OPERATIONS	**1,806**	**1,776**	**1.7%**	**3,272**	**4,918**	**(33.5)%**	**7,247**
Finance costs	(577)	(577)	0.0%	(1,177)	(1,174)	(0.3)%	(2,340)
Interest income	56	76	(26.3)%	121	151	(19.9)%	325
Interest expense	(633)	(653)	3.1%	(1,298)	(1,325)	2.0%	(2,665)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	13	6	n. a.	11	(21)	n. a.	(198)
Other financial income (expense)	(200)	(51)	n. a.	(41)	(168)	75.6%	(359)
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(764)**	**(622)**	**(22.8)%**	**(1,207)**	**(1,363)**	**11.4%**	**(2,897)**
PROFIT BEFORE INCOME TAXES	**1,042**	**1,154**	**(9.7)%**	**2,065**	**3,555**	**(41.9)%**	**4,350**
Income taxes	(283)	(261)	(8.4)%	(517)	(811)	36.3%	(1,106)
PROFIT (LOSS)	**759**	**893**	**(15.0)%**	**1,548**	**2,744**	**(43.6)%**	**3,244**
PROFIT (LOSS) ATTRIBUTABLE TO							
Owners of the parent (net profit (loss))	712	711	0.1%	1,499	2,528	(40.7)%	2,924
Non-controlling interests	47	182	(74.2)%	49	216	(77.3)%	320
INCLUDED IN CONSOLIDATED INCOME STATEMENT							
Personnel costs	(4,064)	(3,616)	(12.4)%	(7,934)	(7,243)	(9.5)%	(14,683)
Depreciation, amortization and impairment losses	(2,728)	(2,641)	(3.3)%	(5,422)	(5,137)	(5.5)%	(10,574)
Of which: amortization and impairment of intangible assets	(1,013)	(950)	(6.6)%	(2,015)	(1,843)	(9.3)%	(3,863)
Of which: depreciation and impairment of property, plant and equipment	(1,715)	(1,691)	(1.4)%	(3,407)	(3,294)	(3.4)%	(6,711)

EARNINGS PER SHARE

		Q2 2015	Q2 2014	Change %	H1 2015	H1 2014	Change %	FY 2014
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	712	711	0.1%	1,499	2,528	(40.7)%	2,924
Weighted average number of ordinary shares (basic/diluted)	millions	4,525	4,442	1.9%	4,525	4,442	1.9%	4,476
EARNINGS PER SHARE BASIC/DILUTED	€	**0.16**	**0.16**	**0.0%**	**0.33**	**0.57**	**(42.1)%**	**0.65**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	Q2 2015	Q2 2014	Change	H1 2015	H1 2014	Change	FY 2014
PROFIT (LOSS)	**759**	**893**	**(134)**	**1,548**	**2,744**	**(1,196)**	**3,244**
Items not reclassified to the income statement retrospectively							
Gain (loss) from the remeasurement of defined benefit plans	1,191	(340)	1,531	425	(614)	1,039	(1,581)
Share of profit (loss) of investments accounted for using the equity method	0	0	0	0	0	0	(29)
Income taxes relating to components of other comprehensive income	(364)	104	(468)	(131)	186	(317)	477
	827	**(236)**	**1,063**	**294**	**(428)**	**722**	**(1,133)**
Items reclassified to the income statement retrospectively, if certain reasons are given							
Exchange differences on translating foreign operations							
Recognition of other comprehensive income in income statement	0	0	0	4	(3)	7	(4)
Change in other comprehensive income (not recognized in income statement)	(607)	353	(960)	1,853	292	1,561	1,849
Available-for-sale financial assets							
Recognition of other comprehensive income in income statement	(2)	0	(2)	0	0	0	(1)
Change in other comprehensive income (not recognized in income statement)	(1)	6	(7)	4	3	1	41
Gains (losses) from hedging instruments							
Recognition of other comprehensive income in income statement	65	(63)	128	(339)	(54)	(285)	(267)
Change in other comprehensive income (not recognized in income statement)	47	(30)	77	652	(119)	771	265
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	3	(3)	3	4	(1)	0
Income taxes relating to components of other comprehensive income	(36)	28	(64)	(97)	55	(152)	3
	(534)	**297**	**(831)**	**2,080**	**178**	**1,902**	**1,886**
OTHER COMPREHENSIVE INCOME	**293**	**61**	**232**	**2,374**	**(250)**	**2,624**	**753**
TOTAL COMPREHENSIVE INCOME	**1,052**	**954**	**98**	**3,922**	**2,494**	**1,428**	**3,997**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO							
Owners of the parent	1,208	722	486	3,478	2,246	1,232	3,184
Non-controlling interests	(156)	232	(388)	444	248	196	813

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

millions of €

	Issued capital and reserves attributable to owners of the parent				
	Equity contributed			Consolidated shareholders' equity generated	
	Issued capital	Treasury shares	Capital reserves	Retained earnings incl. carryforwards	Net profit (loss)
BALANCE AT JANUARY 1, 2014	**11,395**	**(54)**	**51,428**	**(37,437)**	**930**
Changes in the composition of the Group					
Transactions with owners			(525)		
Unappropriated profit (loss) carried forward				930	(930)
Dividends				(2,215)	
Capital increase at Deutsche Telekom AG	216		805		
Capital increase from share-based payment			38		
Profit (loss)					2,528
Other comprehensive income				(420)	
TOTAL COMPREHENSIVE INCOME					
Transfer to retained earnings				25	
BALANCE AT JUNE 30, 2014	**11,611**	**(54)**	**51,746**	**(39,117)**	**2,528**
BALANCE AT JANUARY 1, 2015	**11,611**	**(53)**	**51,778**	**(39,783)**	**2,924**
Changes in the composition of the Group					
Transactions with owners			(388)		
Unappropriated profit (loss) carried forward				2,924	(2,924)
Dividends				(2,257)	
Capital increase at Deutsche Telekom AG	182		906		
Capital increase from share-based payment			65		
Share buy-back/shares held in a trust deposit				1	
Profit (loss)					1,499
Other comprehensive income				289	
TOTAL COMPREHENSIVE INCOME					
Transfer to retained earnings				(1)	
BALANCE AT JUNE 30, 2015	**11,793**	**(53)**	**52,361**	**(38,827)**	**1,499**

Issued capital and reserves attributable to owners of the parent								
Total other comprehensive income						**Total**	**Non-controlling interests**	**Total shareholders' equity**
Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets	Hedging instruments	Investments accounted for using the equity method	Taxes			
(2,603)	**(39)**	**38**	**343**	**(12)**	**(110)**	**23,879**	**8,184**	**32,063**
						0	1	1
20						(505)	(333)	(838)
						0	–	0
						(2,215)	(82)	(2,297)
						1,021	–	1,021
						38	19	57
						2,528	216	2,744
248		4	(173)	4	55	(282)	32	(250)
						2,246	**248**	**2,494**
	(25)					0	–	0
(2,335)	**(64)**	**42**	**170**	**(8)**	**(55)**	**24,464**	**8,037**	**32,501**
(1,247)	**(62)**	**79**	**340**	**(42)**	**(108)**	**25,437**	**8,629**	**34,066**
						0	–	0
196	(1)					(193)	(667)	(860)
						0	–	0
						(2,257)	(98)	(2,355)
						1,088	–	1,088
						65	34	99
						1	–	1
						1,499	49	1,548
1,464	0	5	313	3	(95)	1,979	395	2,374
						3,478	**444**	**3,922**
	1					0	–	0
413	**(62)**	**84**	**653**	**(39)**	**(203)**	**27,619**	**8,342**	**35,961**

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

	Q2 2015	Q2 2014	H1 2015	H1 2014	FY 2014
PROFIT (LOSS)	**759**	**893**	**1,548**	**2,744**	**3,244**
Depreciation, amortization and impairment losses	2,728	2,641	5,422	5,137	10,574
Income tax expense (benefit)	283	261	517	811	1,106
Interest income and interest expense	577	577	1,177	1,174	2,340
Other financial (income) expense	200	51	41	168	359
Share of (profit) loss of associates and joint ventures accounted for using the equity method	(13)	(6)	(11)	21	198
(Profit) loss on the disposal of fully consolidated subsidiaries	1	0	1	(1,709)	(1,674)
Other non-cash transactions	57	31	116	84	166
(Gain) loss from the disposal of intangible assets and property, plant and equipment	(35)	(379)	(25)	(405)	(436)
Change in assets carried as working capital	340	(316)	82	(812)	(2,275)
Change in provisions	(422)	(476)	(376)	(323)	382
Change in other liabilities carried as working capital	(52)	700	26	888	2,207
Income taxes received (paid)	(164)	(151)	(300)	(329)	(679)
Dividends received	211	5	490	242	344
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	51	0	101	0	55
CASH GENERATED FROM OPERATIONS	**4,521**	**3,831**	**8,809**	**7,691**	**15,911**
Interest paid	(972)	(884)	(2,152)	(2,018)	(3,390)
Interest received	322	240	522	476	872
NET CASH FROM OPERATING ACTIVITIES	**3,871**	**3,187**	**7,179**	**6,149**	**13,393**
Cash outflows for investments in					
Intangible assets	(2,394)	(2,220)	(4,834)	(2,954)	(4,658)
Property, plant and equipment	(1,936)	(1,726)	(3,925)	(3,189)	(7,186)
Non-current financial assets	(52)	(397)	(113)	(448)	(806)
Payments to acquire control of subsidiaries and associates	(1)	(541)	(9)	(601)	(606)
Proceeds from disposal of					
Intangible assets	1	3	1	5	16
Property, plant and equipment	78	56	165	140	265
Non-current financial assets	27	25	36	29	74
Proceeds from the loss of control of subsidiaries and associates	(7)	(1)	(8)	1,589	1,540
Net change in short-term investments and marketable securities and receivables	460	112	1,928	389	591
Other	0	1	(2)	4	9
NET CASH USED IN INVESTING ACTIVITIES	**(3,824)**	**(4,688)**	**(6,761)**	**(5,036)**	**(10,761)**
Proceeds from issue of current financial liabilities	12,112	2,752	14,846	4,256	12,785
Repayment of current financial liabilities	(10,268)	(3,237)	(16,539)	(6,787)	(17,089)
Proceeds from issue of non-current financial liabilities	1	1	600	59	4,275
Repayment of non-current financial liabilities	(17)	(11)	(157)	(13)	(1,042)
Dividends	(1,231)	(1,285)	(1,231)	(1,285)	(1,290)
Repayment of lease liabilities	(43)	(38)	(96)	(78)	(164)
Stock options of other T-Mobile US shareholders (previous MetroPCS programs)	16	5	35	15	17
Acquisition of non-controlling interests	(900)	–	(900)	(828)	(828)
T-Mobile US share buy-back	–	–	–	–	(53)
OTE share buy-back	–	–	–	(59)	(69)
Cash inflows from the assignment of OTE stock options	–	26	–	26	26
Other	(64)	(57)	(88)	(56)	(2)
NET CASH USED IN FINANCING ACTIVITIES	**(394)**	**(1,844)**	**(3,530)**	**(4,750)**	**(3,434)**
Effect of exchange rate changes on cash and cash equivalents	(59)	22	282	18	323
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	–	–	1	32	32
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(406)**	**(3,323)**	**(2,829)**	**(3,587)**	**(447)**
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD	**5,100**	**7,706**	**7,523**	**7,970**	**7,970**
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	**4,694**	**4,383**	**4,694**	**4,383**	**7,523**

SIGNIFICANT EVENTS AND TRANSACTIONS

ACCOUNTING POLICIES

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

STATEMENT OF COMPLIANCE

The interim consolidated financial statements for the period ended June 30, 2015 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, 2014. 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. Please refer to the notes to the consolidated financial statements as of December 31, 2014 for the accounting policies applied for the Group's financial reporting (2014 Annual Report, page 182 et seq.).

INITIAL APPLICATION OF NEW STANDARDS AND INTERPRETATIONS AS WELL AS AMENDMENTS TO STANDARDS AND INTERPRETATIONS IN THE REPORTING PERIOD RELEVANT FOR THE 2015 FINANCIAL YEAR

In May 2013, the IASB issued IFRIC Interpretation 21 "Levies." The core issue in the Interpretation is the question of when to recognize a liability to pay a levy imposed by public authorities. The IFRIC clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the obligation to pay the levy in accordance with the relevant legislation. However, an "economic compulsion" to continue to operate in a future period under the going concern assumption expressly does not constitute an obligating event. The new requirements were endorsed by the European Union in June 2014 and are effective for the first time within the European Union retrospectively for financial years beginning on or after June 17, 2014. The amendments do not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.

In December 2013, the IASB issued "Annual Improvements to IFRSs 2011–2013 Cycle," which amended four standards. The improvements primarily aim to provide clarifications. The amendments were endorsed by the European Union in December 2014 and are effective prospectively in the European Union for financial years beginning on or after January 1, 2015. The amendments do not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.

For more information on standards, interpretations, and amendments that have been issued but not yet applied, as well as disclosures on the recognition and measurement of items in the statement of financial position and discretionary decisions and estimation uncertainties, please refer to the section "Summary of accounting policies" in the notes to the consolidated financial statements on page 182 et seq. of the 2014 Annual Report.

CHANGES IN THE COMPOSITION OF THE GROUP AND TRANSACTIONS WITH OWNERS

PRESENTATION OF THE QUANTITATIVE EFFECTS ON THE COMPOSITION OF THE GROUP IN THE FIRST HALF OF 2015

Deutsche Telekom acquired and disposed of entities in the previous financial year. This imposes certain limits on the comparability of the interim consolidated financial statements and the disclosures under segment reporting.

The presented effects in the Europe operating segment resulted in part from the consummation on May 30, 2014 of Deutsche Telekom's acquisition of 100 percent of the shares in Consortium 1 S.à.r.l., Luxembourg, and hence in the GTS Central Europe group. In addition, on January 2, 2014, Deutsche Telekom sold Euronet Communications B.V., The Hague, Netherlands, which up to that date had been part of the Europe operating segment.

The presented effects in the Group Headquarters & Group Services segment resulted from the sale of the shares in the Scout24 group in the first quarter of 2014.

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

millions of €

	Total H1 2015	H1 2014								Organic change H1 2015
		Total	Germany	United States	Europe	Systems Solutions	Group Headquarters & Group Services	Reconcili-ation	Pro forma[a]	
Net revenue	34,270	30,008			127		(27)		30,108	4,162
Cost of sales	(21,090)	(18,139)			(63)		4		(18,198)	(2,892)
GROSS PROFIT (LOSS)	**13,180**	**11,869**	**0**	**0**	**64**	**0**	**(23)**	**0**	**11,910**	**1,270**
Selling expenses	(7,692)	(6,618)			(2)		12		(6,608)	(1,084)
General and administrative expenses	(2,539)	(2,294)			(23)		3		(2,314)	(225)
Other operating income	734	2,610			1		(1,709)		902	(168)
Other operating expenses	(411)	(649)			(40)		(1)		(690)	279
PROFIT (LOSS) FROM OPERATIONS	**3,272**	**4,918**	**0**	**0**	**0**	**0**	**(1,718)**	**0**	**3,200**	**72**
Finance costs	(1,177)	(1,174)			(9)		(1)		(1,184)	7
Share of profit (loss) of associates and joint ventures accounted for using the equity method	11	(21)			0		0		(21)	32
Other financial income (expense)	(41)	(168)			0		0		(168)	127
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(1,207)**	**(1,363)**	**0**	**0**	**(9)**	**0**	**(1)**	**0**	**(1,373)**	**166**
PROFIT (LOSS) BEFORE INCOME TAXES	**2,065**	**3,555**	**0**	**0**	**(9)**	**0**	**(1,719)**	**0**	**1,827**	**238**
Income taxes	(517)	(811)			(1)		(40)		(852)	335
PROFIT (LOSS)	**1,548**	**2,744**	**0**	**0**	**(10)**	**0**	**(1,759)**	**0**	**975**	**573**

[a] Based on the composition of the Group in the current reporting period.

ACQUISITION OF THE REMAINING SHARES IN SLOVAK TELEKOM

On June 18, 2015, Deutsche Telekom acquired the 49-percent stake in Slovak Telekom that it did not previously hold for a purchase price of EUR 0.9 billion. The acquisition of these remaining shares make it possible to simplify the financial and governance structure at Slovak Telekom. In addition, the transaction results in reduced dividend payments to non-controlling interests. For the effects on shareholders' equity, please refer to the section "Shareholders' equity," page 43.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

The net carrying amounts of the non-current assets and disposal groups held for sale increased by EUR 0.6 billion to EUR 6.5 billion, primarily due to exchange rate effects from the translation of pounds sterling into euros. Our stake in the EE joint venture was reclassified in December 2014. In addition, as part of the intended sale of the remaining T-Mobile US portfolio of cell towers, assets of EUR 0.1 billion were reclassified from property, plant and equipment to non-current assets and disposal groups held for sale as of June 30, 2015.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets increased by EUR 5.6 billion to EUR 57.2 billion, mainly due to capital expenditure totaling EUR 5.4 billion. This includes EUR 2.2 billion for the purchase of mobile licenses by T-Mobile US, in particular in the auction organized by the U.S. Federal Communications Commission (FCC) and completed in January 2015. The 100 MHz spectrum acquired in the frequency auction completed in Germany in June 2015 for EUR 1.8 billion also contributed to the increase. Exchange rate effects of EUR 2.2 billion, in particular from the translation of U.S. dollars into euros, also increased the carrying amount of intangible assets. Amortization of EUR 2.0 billion had an offsetting effect.

Property, plant and equipment increased by EUR 1.4 billion compared to December 31, 2014 to EUR 41.0 billion. Capital expenditure of EUR 4.3 billion and exchange rate effects of EUR 0.9 billion, in particular from the translation of U.S. dollars into euros, increased the carrying amount. It was reduced by depreciation of EUR 3.4 billion and disposals of EUR 0.2 billion, as well as the reclassification of assets worth EUR 0.1 billion to non-current assets and disposal groups held for sale.

FINANCIAL LIABILITIES

Financial liabilities increased by EUR 3.0 billion to a total of EUR 58.2 billion compared with the end of 2014.

The following table shows the composition and maturity structure of financial liabilities as of June 30, 2015:

millions of €

	June 30, 2015	Due within 1 year	Due >1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	45,665	7,920	13,324	24,421
Liabilities to banks	4,471	2,593	1,093	785
Finance lease liabilities	1,663	223	676	764
Liabilities to non-banks from promissory notes	959	448	239	272
Other interest-bearing liabilities	3,002	2,251	568	183
Other non-interest-bearing liabilities	1,643	1,627	14	2
Derivative financial liabilities	842	90	354	398
FINANCIAL LIABILITIES	**58,245**	**15,152**	**16,268**	**26,825**

PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

Provisions for pensions and other employee benefits decreased by EUR 0.4 billion to EUR 8.0 billion, mainly due to interest rate adjustments. After interest levels initially declined in the first quarter of 2015, an increase in the second quarter of 2015 resulted overall in an actuarial gain recognized directly in equity.

SHAREHOLDERS' EQUITY

The resolution on the dividend payout of EUR 0.50 per share for the 2014 financial year gave shareholders the choice between payment in cash or having their dividend entitlement converted into Deutsche Telekom AG shares. In June 2015, dividend entitlements of Deutsche Telekom AG shareholders amounting to EUR 1.1 billion were contributed in the form of shares from authorized capital and thus did not have an impact on cash flows. Deutsche Telekom AG carried out an increase in issued capital of EUR 0.2 billion against contribution of dividend entitlements for this purpose in June 2015. This increased capital reserves by EUR 0.9 billion, the number of shares by 71.1 million.

The amounts shown under transactions with owners primarily result from the acquisition of the remaining shares in Slovak Telekom.

millions of €

	Issued capital and reserves attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Transactions with owners	**(193)**	**(667)**	**(860)**
Acquisition of the remaining shares in Slovak Telekom	(128)	(772)	(900)
Other effects	(65)	105	40

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

OTHER OPERATING INCOME

millions of €

	H1 2015	H1 2014
Income from reimbursements	136	195
Income from the disposal of non-current assets	92	463
Income from insurance compensation	25	36
Income from divestitures	–	1,709
Income from the reversal of impairment losses on non-current financial assets in accordance with IFRS 5	7	13
Miscellaneous other operating income	474	194
	734	**2,610**

Income from divestitures decreased by EUR 1.7 billion compared with the prior-year period. Income from divestitures in the prior year was attributable to the sale of the Scout24 group consummated in the first quarter of 2014. The EUR 0.4 billion decline in income from the disposal of non-current assets was mainly due to a spectrum transaction completed in the prior-year period between T-Mobile US and Verizon Communications. Miscellaneous other operating income includes income of EUR 175 million resulting from an agreement to settle an ongoing complaints procedure under anti-trust law. A large number of smaller individual items are also included in this item.

OTHER OPERATING EXPENSES

millions of €

	H1 2015	H1 2014
Losses on the disposal of non-current assets	(67)	(59)
Impairment losses	(48)	(17)
Miscellaneous other operating expenses	(296)	(573)
	(411)	**(649)**

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

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

Other financial income/expense includes the dividend payment of EUR 0.4 billion received from the EE joint venture. The dividend payment recognized in profit or loss related to the reclassification in December 2014 of the stake held in the joint venture as non-current assets and disposal groups held for sale. Other financial income/expense also includes a remeasurement loss of EUR 0.3 billion resulting from the subsequent measurement of embedded derivatives contained in the Mandatory Convertible Preferred Stock issued by T-Mobile US.

INCOME TAXES

A tax expense of EUR 0.5 billion was recorded in the first half of 2015. The comparatively low tax rate is primarily a consequence of tax refunds for prior years in Germany, Europe, and the United States.

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash from operating activities

Net cash from operating activities increased by EUR 1.0 billion year-on-year to EUR 7.2 billion, mainly thanks to the positive business development of the United States operating segment. The agreement to settle an ongoing complaints procedure under anti-trust law also resulted in a cash inflow of EUR 175 million. During the reporting period, factoring agreements were concluded concerning monthly revolving sales of current trade receivables. Factoring agreements resulted in positive effects of EUR 0.6 billion on net cash from operating activities in the first half of 2015. This primarily related to a factoring agreement that was terminated in 2014 and renewed in 2015. The effect from factoring agreements in the prior-year period totaled EUR 0.5 billion. The dividend payment received for the first time from the Scout24 group of EUR 0.1 billion and a year-on-year increase of EUR 0.1 billion in the dividend from the EE joint venture also increased net cash from operating activities. Changes in the terms and conditions of interest derivatives resulted in cash inflows of EUR 0.1 billion in the reporting period. Net cash from operating activities was reduced by a EUR 0.1 billion increase in net interest payments.

Net cash used in investing activities

millions of €

	H1 2015	H1 2014
Cash capex		
Germany operating segment	(3,571)	(1,723)
United States operating segment	(3,959)	(3,087)
Europe operating segment	(793)	(1,007)
Systems Solutions operating segment	(531)	(507)
Group Headquarters & Group Services	(161)	(146)
Reconciliation	256	327
	(8,759)	**(6,143)**
Net cash flows for collateral deposited for hedging transactions	1,525	205
Proceeds from the disposal of property, plant and equipment	165	140
Proceeds from the loss of control of subsidiaries and associates[a]	(8)	1,589
Acquisition of the GTS Central Europe group	–	(539)
Other	316	(288)
	(6,761)	**(5,036)**

[a] Includes cash inflows of EUR 1.6 billion from the sale of 70 percent of the shares in the Scout24 group in the first half of 2014.

Cash capex increased by EUR 2.6 billion to EUR 8.8 billion. In the first half of 2015, mobile licenses were acquired for a total of EUR 3.7 billion, primarily in the United States and Germany operating segments. In the prior-year period, the United States and Europe operating segments had acquired mobile licenses for EUR 1.9 billion. In addition, the increase in cash capex in the Germany operating segment was mainly attributable to the investments made as part of the integrated network strategy in the vectoring/fiber-optic cable build-out, in the IP transformation and in the LTE infrastructure. In the United States operating segment, the increase was related to the network modernization and 4G/LTE network build-out.

Net cash used in financing activities

millions of €

	H1 2015	H1 2014
Commercial paper, net	3,156	822
Money market loans, net	740	–
Loans taken out with the EIB	599	–
T-Mobile US stock options	35	15
Repayment of bonds	(3,764)	(1,684)
Dividends	(1,231)	(1,285)
Acquisition of the remaining shares in Slovak Telekom	(900)	–
Repayment of financial liabilities from financed capex and opex	(467)	(239)
Repayment of EIB loans	(412)	–
Net cash flows for collateral deposited for hedging transactions	(350)	125
Cash deposits from the EE joint venture, net	(220)	(173)
Repayment of lease liabilities	(96)	(78)
Promissory notes, net	(179)	(1,093)
Cash inflows from the assignment of OTE stock options	–	26
Acquisition of the remaining shares in T-Mobile Czech Republic	–	(828)
OTE share buy-back	–	(59)
Other	(441)	(299)
	(3,530)	**(4,750)**

Non-cash transactions in the consolidated statement of cash flows

In June 2015, dividend entitlements of Deutsche Telekom AG shareholders in the amount of EUR 1.1 billion did not have an effect on net cash used in financing activities when fulfilled; rather, they were substituted by shares issued from authorized capital (please refer to the notes on "Shareholders' equity," page 43). The remaining dividend entitlements of Deutsche Telekom AG shareholders had an effect on cash flows of EUR 1.2 billion when fulfilled. In the previous year, dividend entitlements of Deutsche Telekom shareholders amounting to EUR 1.0 billion did not have an impact on cash flows, while dividend entitlements of EUR 1.2 billion did have an effect on cash flows.

For the first half of 2015, Deutsche Telekom chose financing options totaling EUR 0.7 billion under which the payments for trade payables from operating and investing activities become due at a later point in time by involving banks in the process (H1 2014: EUR 0.3 billion). These payables are now shown under financial liabilities in the statement of financial position. As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In the first half of 2015, Deutsche Telekom leased network equipment for a total of EUR 0.3 billion, which is recognized as a finance lease. This lease is now 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 its conclusion or spread over the term of the contract. Financial liabilities of EUR 0.1 billion were recognized in the first half of 2015 for future consideration for acquired broadcasting rights (H1 2014: EUR 0.0 billion). As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

SEGMENT REPORTING

The following table gives an overall summary of Deutsche Telekom's operating segments and the Group Headquarters & Group Services segment for the first halves of 2015 and 2014.

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 16 et seq.

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

		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets [a]	Segment liabilities [a]	Investments accounted for using the equity method [a]
Germany	H1 2015	10,500	669	11,169	2,346	(1,881)	0	31,429	24,553	20
	H1 2014	10,284	663	10,947	2,488	(1,931)	(3)	29,980	23,148	19
United States	H1 2015	14,348	0	14,348	1,001	(1,691)	0	54,602	39,163	212
	H1 2014	10,342	2	10,344	861	(1,345)	0	49,784	35,724	197
Europe	H1 2015	6,090	152	6,242	705	(1,254)	(1)	30,042	11,784	59
	H1 2014	6,092	196	6,288	817	(1,268)	(1)	30,923	12,761	52
Systems Solutions	H1 2015	3,013	1,154	4,167	(295)	(339)	(31)	8,792	5,905	17
	H1 2014	2,925	1,314	4,239	(190)	(423)	(3)	8,788	5,962	14
Group Headquarters & Group Services	H1 2015	319	830	1,149	(483)	(266)	(16)	42,614	50,130	227
	H1 2014	365	867	1,232	939	(291)	(10)	81,500	48,100	335
TOTAL	**H1 2015**	**34,270**	**2,805**	**37,075**	**3,274**	**(5,431)**	**(48)**	**167,479**	**131,535**	**535**
	H1 2014	**30,008**	**3,042**	**33,050**	**4,915**	**(5,258)**	**(17)**	**200,975**	**125,695**	**617**
Reconciliation	H1 2015	–	(2,805)	(2,805)	(2)	57	–	(32,501)	(32,518)	(1)
	H1 2014	–	(3,042)	(3,042)	3	138	–	(71,615)	(30,401)	–
GROUP	**H1 2015**	**34,270**	**–**	**34,270**	**3,272**	**(5,374)**	**(48)**	**134,978**	**99,017**	**534**
	H1 2014	**30,008**	**–**	**30,008**	**4,918**	**(5,120)**	**(17)**	**129,360**	**95,294**	**617**

[a] Figures relate to the reporting dates of June 30, 2015 and December 31, 2014, respectively.

CONTINGENT LIABILITIES

This section provides additional information and explains recent changes in the contingent liabilities as described in the consolidated financial statements for the 2014 financial year.

Claim for compensation against Slovak Telekom. In March 2015, the parties agreed on a settlement of the dispute. The settled dispute concerned the lawsuit filed against Slovak Telekom based on the accusation that the legal predecessor of Slovak Telekom had ceased broadcast of an international radio program contrary to the underlying contract. The settlement was confirmed by the responsible court in Bratislava in May 2015; the proceedings are therefore terminated with final and binding effect. In July 2015, Deutsche Telekom was able to realize its contractual claims to a refund of the amount paid by Slovak Telekom for the settlement, in accordance with the amount of its shareholding in Slovak Telekom at the time.

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, 2015:

millions of €

	June 30, 2015
Future obligations from operating leases	20,037
Purchase commitments regarding property, plant and equipment	2,224
Purchase commitments regarding intangible assets	781
Firm purchase commitments for inventories	8,066
Other purchase commitments and similar obligations	10,267
Payment obligations to the Civil Service Pension Fund	4,440
Purchase commitments for interests in other companies	15
Miscellaneous other obligations	1,029
	46,859

DISCLOSURES ON FINANCIAL INSTRUMENTS

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

	Category in accordance with IAS 39	Carrying amounts June 30, 2015	Amounts recognized in the statement of financial position in accordance with IAS 39: Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss
ASSETS						
Cash and cash equivalents	LaR	4,694	4,694			
Trade receivables	LaR	10,252	10,252			
Originated loans and receivables	LaR/n. a.	2,168	1,958			
Of which: collateral paid	LaR	55	55			
Other non-derivative financial assets						
Held-to-maturity investments	HtM	10	10			
Available-for-sale financial assets	AfS	638		135	503	
Derivative financial assets						
Derivatives without a hedging relationship	FAHfT	1,277				1,277
Of which: termination rights embedded in bonds issued	FAHfT	206				206
Derivatives with a hedging relationship	n. a.	1,060			889	171
LIABILITIES AND SHAREHOLDERS' EQUITY						
Trade payables	FLAC	9,116	9,116			
Bonds and other securitized liabilities	FLAC	45,665	45,665			
Liabilities to banks	FLAC	4,471	4,471			
Liabilities to non-banks from promissory notes	FLAC	959	959			
Other interest-bearing liabilities	FLAC	3,002	3,002			
Of which: collateral received	FLAC	1,586	1,586			
Other non-interest-bearing liabilities	FLAC	1,643	1,643			
Finance lease liabilities	n. a.	1,663				
Derivative financial liabilities						
Derivatives without a hedging relationship	FLHfT	682				682
Of which: conversion rights embedded in Mandatory Convertible Preferred Stock	FLHfT	305				305
Derivatives with a hedging relationship	n. a.	160			115	45
Of which: aggregated by category in accordance with IAS 39						
Loans and receivables	LaR	16,904	16,904			
Held-to-maturity investments	HtM	10	10			
Available-for-sale financial assets	AfS	638		135	503	
Financial assets held for trading	FAHfT	1,277				1,277
Financial liabilities measured at amortized cost	FLAC	64,856	64,856			
Financial liabilities held for trading	FLHfT	682				682

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

Trade receivables include receivables amounting to EUR 1.6 billion (December 31, 2014: EUR 1.6 billion) due in more than one year. The fair value generally equates to the carrying amount.

					Amounts recognized in the statement of financial position in accordance with IAS 39					
	Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value June 30, 2015[a]	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2014	Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss	Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2014[a]
		–	LaR	7,523	7,523					–
		–	LaR	10,262	10,262					–
	210	2,203	LaR/n. a.	3,224	2,997				227	3,256
		–	LaR	527	527					–
		–	HtM	10	10					–
		503	AfS	683		122	561			561
		1,277	FAHfT	835				835		835
		206	FAHfT	183				183		183
		1,060	n. a.	508			286	222		508
		–	FLAC	9,631	9,631					–
		50,085	FLAC	44,219	44,219					49,402
		4,542	FLAC	3,676	3,676					3,788
		1,083	FLAC	946	946					1,106
		3,056	FLAC	1,775	1,775					1,836
		–	FLAC	486	486					–
		–	FLAC	2,055	2,055					–
	1,663	1,963	n. a.	1,461					1,461	1,869
		682	FLHfT	664				664		664
		305	FLHfT							–
		160	n. a.	431			423	8		431
		1,993	LaR	20,782	20,782					3,029
		–	HtM	10	10					–
		503	AfS	683		122	561			561
		1,277	FAHfT	835				835		835
		58,766	FLAC	62,302	62,302					56,132
		682	FLHfT	664				664		664

Financial instruments measured at fair value
millions of €

	June 30, 2015				Dec. 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
Available-for-sale financial assets (AfS)	267	8	228	**503**	348	5	208	**561**
Financial assets held for trading (FAHfT)		1,071	206	**1,277**		652	183	**835**
Derivative financial assets with a hedging relationship		1,060		**1,060**		508		**508**
LIABILITIES AND SHAREHOLDERS' EQUITY								
Financial liabilities held for trading (FLHfT)		377	305	**682**		664		**664**
Derivative financial liabilities with a hedging relationship		160		**160**		431		**431**

Of the available-for-sale financial assets (AfS) presented under other non-derivative financial assets, the instruments presented in Level 1 and Level 2 constitute separate classes. In Level 1, EUR 267 million (December 31, 2014: EUR 348 million) is recognized, which largely relates to listed government bonds, the fair values of which are the price quotations at the reporting date.

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

	Available-for-sale financial assets (AfS)	Financial assets held for trading (FAHfT): Early redemption options embedded in bonds	Financial liabilities held for trading (FLHfT): Conversion rights embedded in Mandatory Convertible Preferred Stock
Carrying amount as of January 1, 2015	**208**	**183**	**0**
Additions (including first-time categorization as Level 3)	17	–	–
Value decreases recognized in profit/loss	0	(93)	(310)
Value increases recognized in profit/loss	–	105	–
Value decreases recognized directly in equity	(1)	–	–
Value increases recognized directly in equity	5	–	–
Disposals	(1)	–	–
Currency translation effects recognized directly in equity	–	11	5
CARRYING AMOUNT AS OF JUNE 30, 2015	**228**	**206**	**(305)**

The available-for-sale financial assets assigned to Level 3 that are carried under other non-derivative financial assets are equity investments with a carrying amount of EUR 228 million measured using the best information available at the reporting date. As a rule, we consider transactions involving shares in the respective 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. In the case of investments with a carrying amount of EUR 212 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why in our view the share prices agreed in the transactions were to be used without adjustment for the measurement as of the current reporting date. In the case of investments with a carrying amount of EUR 16 million, no arm's length transactions involving shares in these companies took place sufficiently close to the reporting date. For this reason, these were measured on the basis of arm's length transactions involving shares in comparable companies that were executed sufficiently close to the reporting date. Here, multiples to the reference variables of net revenue (ranging between 0.52 and 3.5) and EBIT (ranging between 6.6 and 39.75) were used, usually the respective median. If the value of the respective 2/3-quantile (1/3-quantile) had been used as a multiple with no change in the reference variables, the fair value of the investments at the reporting date would have been EUR 5 million higher (EUR 6 million lower). If the reference variables had been 10 percent higher (lower) with no change in the multiples, the fair value of the investments at the reporting date would have been EUR 1 million higher (EUR 1 million lower). In the reporting period, net expense of less than EUR 1 million was recognized in other financial income/expense for unrealized losses for the investments in the portfolio at the reporting date. For practical reasons, the investments are not remeasured annually unless the periodic individual analysis of the financial position and results of operations of the companies indicates significant changes in the fair values. Please refer to the table on the left for the development of the carrying amounts in the reporting period. No plans existed as of the reporting date to sell these investments.

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

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

Since there are no market prices available for the derivative financial instruments 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.

The financial assets held for trading assigned to Level 3 that are carried under other derivative financial assets relate to options embedded in bonds issued by T-Mobile US with a carrying amount of EUR 206 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 were measured using an option pricing model. Historical interest rate volatilities of bonds issued by T-Mobile US and comparable issuers were used for the measurement because we believe that these provide a more reliable estimate for these unobservable inputs 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 1.5 and 1.6 percent. The spread curve, which is also unobservable, was derived on the basis of current market prices of bonds issued by T-Mobile US and debt instruments of comparable issuers. The spreads used at the current reporting date were between 3.7 and 4.6 percent for the maturities of the bonds and between 1.7 and 3.4 percent for shorter terms. In our opinion, 10 percent constituted the best estimate for the mean reversion, another unobservable input. If 10 percent higher (lower) interest rate volatilities in absolute terms had been used for the measurement at the reporting date, with otherwise unchanged parameters the fair value of the options from T-Mobile US' perspective would have been EUR 33 million higher (EUR 32 million lower) when translated into euros. If spreads of 100 basis points higher (lower) had been used for the measurement at the reporting date, with otherwise unchanged parameters the fair value of the options from T-Mobile US' perspective would have been EUR 111 million lower (EUR 198 million higher) when translated into euros. If a mean reversion of 100 basis points higher (lower) had been used for the measurement at the reporting date, with otherwise unchanged parameters the fair value of the options from T-Mobile US' perspective would have been EUR 9 million lower (EUR 8 million higher) when translated into euros. In the reporting period, net income of EUR 12 million when translated into euros was recognized under the Level 3 measurement in other financial income/expense for unrealized gains for the options in the portfolio at the reporting date. Please refer to the table on page 48 for the development of the carrying amounts in the reporting period. The value increases recognized in profit or loss in the reporting period are mainly attributable to a historically higher absolute interest rate volatility. The value reductions recognized in profit or loss in the reporting period are mainly due to an increase in the long-term interest rate level.

The financial liabilities held for trading assigned to Level 3 that are presented under financial liabilities with a carrying amount of EUR 305 million when translated into euros relate to stock options embedded in the Mandatory Convertible Preferred Stock issued by T-Mobile US. The Mandatory Convertible Preferred Stock will be converted into a variable number of shares of T-Mobile US on the maturity date in 2017 and, in accordance with IFRS, is accounted for as debt rather than equity. The entire instrument is split into a debt instrument (bond) measured at amortized cost and an embedded derivative measured at fair value through profit or loss. In addition to conversion on the maturity date, this derivative also includes the early conversion rights granted to investors. An observable market price exists at the reporting date for the Mandatory Convertible Preferred Stock as an entire instrument, but not for the options embedded therein. The conversion rights were measured using an option pricing model. The market price of the entire instrument and its individual components is largely dependent on T-Mobile US' share price performance and the market interest rates. If the share price of T-Mobile US had been 10 percent higher (lower) at the reporting date, with otherwise unchanged parameters the fair value of the options from T-Mobile US' perspective would have been EUR 111 million lower (EUR 103 million higher) when translated into euros. If a spread of 100 basis points higher (lower) had been used for the measurement at the reporting date, with otherwise unchanged parameters the fair value of the options from T-Mobile US' perspective would have been EUR 18 million lower (EUR 19 million higher) when translated into euros. In the reporting period, a net expense of EUR 310 million when translated into euros was recognized in other financial income/expense for unrealized losses for the options in the portfolio at the reporting date. Please refer to the table on page 48 for the development of the carrying amount in the reporting period. As of December 31, 2014, the value of the derivative was still slightly positive from Deutsche Telekom's perspective (carrying amount less than EUR 1 million), which is why it had to be disclosed as an asset. The change in the market price in the reporting period is largely attributable to the rise in T-Mobile US' share price.

Since the aforementioned termination and conversion rights embedded in bonds and Mandatory Convertible Preferred Stock issued by T-Mobile US are not subject to a credit risk, they constitute a separate class of financial instruments.

Disclosures on credit risk. In line with the contractual provisions, in the event of insolvency all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. The net amounts are normally recalculated every bank working day and offset against each other. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 1,586 million (December 31, 2014: EUR 486 million). The credit risk was thus reduced by EUR 1,586 million because on the reporting date the collateral received is offset by corresponding net derivative positions in this amount. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 2,131 million as of the reporting date (December 31, 2014: EUR 1,160 million) had a maximum credit risk of EUR 67 million as of June 30, 2015 (December 31, 2014: EUR 52 million). There is no danger of default on embedded derivatives held. When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom provided cash collateral in the amount of EUR 55 million (December 31, 2014: EUR 527 million) to counterparties pursuant to collateral agreements. 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 53 million at the reporting date, 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

There were no significant changes at June 30, 2015 to the related-party disclosures reported in the consolidated financial statements as of December 31, 2014, with the exception of the matters described in the following.

Net funds of EUR 0.2 billion that had been invested by the EE joint venture were repaid to the company by Deutsche Telekom by June 30, 2015.

The Federal Republic of Germany (Federal Republic) and KfW Bankengruppe requested their dividend entitlements for the 2014 financial year relating to shares held in Deutsche Telekom AG be paid out partly in cash and partly in shares from authorized capital. In this connection, 13,905 thousand shares were transferred to the Federal Republic and 12,761 thousand shares to KfW Bankengruppe in June 2015. As of June 30, 2015, the Federal Republic held a share of 14.3 percent and KfW Bankengruppe a share of 17.5 percent in Deutsche Telekom AG.

EXECUTIVE BODIES

Changes in the composition of the Board of Management

On February 25, 2015, the Supervisory Board appointed Dr. Christian P. Illek as the Member of the Board of Management responsible for Human Resources and Labor Director of Deutsche Telekom AG, effective from April 1, 2015.

Changes in the composition of the Supervisory Board

Dr. h. c. Bernhard Walter, former Chairman of the Board of Managing Directors at Dresdner Bank, passed away on January 11, 2015. Ines Kolmsee, entrepreneur at Smart Hydro Power GmbH, was court-appointed to the Supervisory Board of Deutsche Telekom AG with effect from January 31, 2015. She resigned her position effective midnight April 8, 2015. Prof. Michael Kaschke was court-appointed to the Supervisory Board with effect from April 22, 2015 and then elected to the Supervisory Board by the shareholders' meeting on May 21, 2015.

EVENTS AFTER THE REPORTING PERIOD (JUNE 30, 2015)

Agreement concerning the acquisition of Telefónica Deutschland cell sites. On July 17, 2015, Deutsche Telekom concluded an agreement with Telefónica Deutschland for the acquisition of 7,700 cell sites. The cell sites had been left redundant following the integration of Telefónica's network with that of O_2 and E-Plus. The radio masts, which are predominantly located on rooftops, will enable Deutsche Telekom to accelerate the implementation of the network build-out plans and upgrade its own mobile network.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in accordance with German accepted accounting principles, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Bonn, August 6, 2015

Deutsche Telekom AG
Board of Management

Timotheus Höttges

Reinhard Clemens	Niek Jan van Damme	Thomas Dannenfeldt
Dr. Christian P. Illek	Dr. Thomas Kremer	Claudia Nemat

REVIEW REPORT

To Deutsche Telekom AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement and statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to June 30, 2015, which are part of the half-year financial report pursuant to § 37w of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to the interim financial reporting as adopted by the EU and to the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

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

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

Frankfurt/Main, August 6, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Kayser	Thomas Tandetzki
Wirtschaftsprüfer	Wirtschaftsprüfer

ADDITIONAL INFORMATION

RECONCILIATION OF PRO FORMA FIGURES

SPECIAL FACTORS

The following table presents a reconciliation of EBITDA, EBIT, and net profit/loss to the respective figures adjusted for special factors. Reconciliations are presented for the reporting period, the prior-year period, and the full 2014 financial year:

millions of €

	EBITDA H1 2015	EBIT H1 2015	EBITDA H1 2014	EBIT H1 2014	EBITDA FY 2014	EBIT FY 2014
EBITDA/EBIT	**8,694**	**3,272**	**10,055**	**4,918**	**17,821**	**7,247**
GERMANY	**(208)**	**(208)**	**(64)**	**(64)**	**(254)**	**(254)**
Staff-related measures	(153)	(153)	(59)	(59)	(223)	(223)
Non-staff-related restructuring	(17)	(17)	(2)	(2)	(9)	(9)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	(38)	(38)	(3)	(3)	(22)	(22)
UNITED STATES	**(185)**	**(185)**	**279**	**279**	**(52)**	**(52)**
Staff-related measures	(42)	(42)	(91)	(91)	(133)	(133)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(148)	(148)	358	358	78	78
Impairment losses	–	0	–	0	–	0
Other	5	5	12	12	3	3
EUROPE	**(117)**	**(117)**	**(39)**	**(39)**	**(131)**	**(153)**
Staff-related measures	(119)	(119)	(29)	(29)	(91)	(91)
Non-staff-related restructuring	(4)	(4)	2	2	(9)	(9)
Effects of deconsolidations, disposals and acquisitions	36	36	0	0	(5)	(5)
Impairment losses	–	0	–	0	–	(22)
Other	(30)	(30)	(12)	(12)	(26)	(26)
SYSTEMS SOLUTIONS	**(293)**	**(351)**	**(190)**	**(196)**	**(540)**	**(549)**
Staff-related measures	(151)	(151)	(72)	(72)	(286)	(286)
Non-staff-related restructuring	(131)	(134)	(78)	(84)	(205)	(212)
Effects of deconsolidations, disposals and acquisitions	(5)	(5)	(23)	(23)	(23)	(23)
Other	(6)	(61)	(17)	(17)	(26)	(28)
GROUP HEADQUARTERS & GROUP SERVICES	**(103)**	**(103)**	**1,518**	**1,518**	**1,229**	**1,200**
Staff-related measures	(74)	(74)	(47)	(47)	(174)	(174)
Non-staff-related restructuring	(37)	(37)	(5)	(5)	(54)	(54)
Effects of deconsolidations, disposals and acquisitions	11	11	1,698	1,698	1,631	1,631
Impairment losses	–	0	–	0	–	(29)
Other	(3)	(3)	(128)	(128)	(174)	(174)
GROUP RECONCILIATION	**0**	**(1)**	**1**	**1**	**0**	**0**
Staff-related measures	1	1	0	0	0	0
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	0	(1)	0	0	0	0
Other	(1)	(1)	1	1	0	0
TOTAL SPECIAL FACTORS	**(906)**	**(965)**	**1,505**	**1,499**	**252**	**192**
EBITDA/EBIT (ADJUSTED FOR SPECIAL FACTORS)	**9,600**	**4,237**	**8,550**	**3,419**	**17,569**	**7,055**
Profit (loss) from financial activities (adjusted for special factors)		(1,190)		(1,301)		(2,784)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		**3,047**		**2,118**		**4,271**
Income taxes (adjusted for special factors)		(810)		(726)		(1,474)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		**2,237**		**1,392**		**2,797**
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		2,114		1,223		2,422
Non-controlling interests (adjusted for special factors)		123		169		375

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, 2015	Dec. 31, 2014	Change	Change %	June 30, 2014
Financial liabilities (current)	15,152	10,558	4,594	43.5%	10,767
Financial liabilities (non-current)	43,093	44,669	(1,576)	(3.5)%	39,104
FINANCIAL LIABILITIES	**58,245**	**55,227**	**3,018**	**5.5%**	**49,871**
Accrued interest	(853)	(1,097)	244	22.2%	(853)
Other	(866)	(1,038)	172	16.6%	(1,052)
GROSS DEBT	**56,526**	**53,092**	**3,434**	**6.5%**	**47,966**
Cash and cash equivalents	4,694	7,523	(2,829)	(37.6)%	4,383
Available-for-sale/held-for-trading financial assets	215	289	(74)	(25.6)%	287
Derivative financial assets	2,337	1,343	994	74.0%	747
Other financial assets	445	1,437	(992)	(69.0)%	1,164
NET DEBT	**48,835**	**42,500**	**6,335**	**14.9%**	**41,385**

GLOSSARY

For definitions, please refer to the 2014 Annual Report and the glossary therein (page 277 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 workforce reduction initiative and the impact of other significant strategic or business initiatives, including acquisitions, dispositions, and business combinations. In addition, movements in exchange rates and interest rates, regulatory rulings, stronger than expected competition, technological change, litigation, and regulatory developments, among other factors, may have a material adverse effect on costs and revenue development. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, Deutsche Telekom’s actual results may be materially different from those expressed or implied by such statements. Deutsche Telekom can offer no assurance that its expectations or targets will be achieved. Without prejudice to existing obligations under capital market law, Deutsche Telekom does not assume any obligation to update forward-looking statements to account for new information or future events or any other aspects.

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

FINANCIAL CALENDAR [a]

August 6, 2015	November 5, 2015	February 25, 2016
Publication of the Interim Group Report as of June 30, 2015	Publication of the Interim Group Report as of September 30, 2015	Publication of the 2015 Annual Report
May 4, 2016	**May 25, 2016**	**August 11, 2016**
Publication of the Interim Group Report as of March 31, 2016	2016 Shareholders' meeting	Publication of the Interim Group Report as of June 30, 2016

[a] For more dates, an updated schedule, and information on webcasts, please go to www.telekom.com.

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

Our Annual Report is available online at:
www.telekom.com/geschaeftsbericht2014
www.telekom.com/annualreport2014

The English version of the Interim Group Report for January 1 to June 30, 2015 is a translation of the German version of the Interim Group Report. The German version is legally binding.

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