INTERIM GROUP MANAGEMENT REPORT

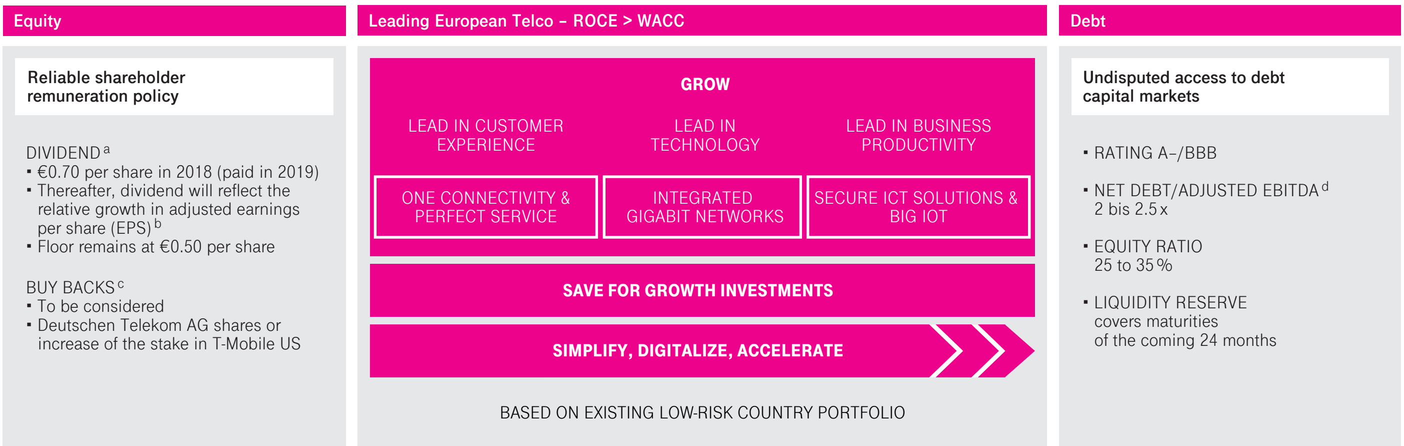
GROUP ORGANIZATION, STRATEGY, AND MANAGEMENT

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

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

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

Our finance strategy until 2021



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

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

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

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

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

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

THE ECONOMIC ENVIRONMENT

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

MACROECONOMIC DEVELOPMENT

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

OUTLOOK

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

OVERALL ECONOMIC RISKS

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

REGULATION

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

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

AWARDING OF SPECTRUM

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

Main spectrum awards

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

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

DEVELOPMENT OF BUSINESS IN THE GROUP

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

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

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

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

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

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

In our United States operating segment, revenue – adjusted for exchange rate effects – increased by a very positive 6.0 percent. This increase was due primarily to higher service revenues from the rise in the average branded customer base, triggered in particular by the continued growth in existing and greenfield markets, the growing success in new customer segments, along with lower customer churn. In our German home market, revenue contracted by a slight 1.1 percent. Adjusted for the effects of IFRS 15, total revenue was at a comparable level with the previous year, with revenue from mobile business rising marginally. Higher IT and broadband revenues compensated almost entirely for the decrease in fixed-network revenue. In our Europe operating segment, revenue was up by 1.2 percent year-on-year; adjusted for exchange rate effects, it increased by 0.8 percent. Revenue growth in business customer operations and in mobile business had a positive effect. With respect to the lower fixed-network revenue, declines in wholesale business eroded the positive revenue contribution of TV and broadband business. In the Systems Solutions operating segment, revenue decreased slightly by 1.6 percent compared with the prior-year period. While there was a decline in revenue from traditional IT business, notably from international corporate customers and due to the general market contraction in our core market of Western Europe, revenue in our growth areas – in particular cloud computing, the Internet of Things, and digital solutions – increased compared with the first half of previous year. Revenue generated by our Group Development operating segment decreased by 8.1 percent year-on-year in the first six months of 2018, a decline largely attributable to forgone revenue following the deconsolidation of Strato as of March 31, 2017 and lower revenue at T-Mobile Netherlands.

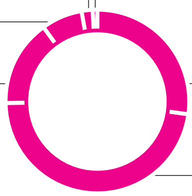
For detailed information on revenue development in our segments, please refer to the section "Development of business in the operating segments," page xx et seq.

Contribution of the segments to net revenue
millions of €

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

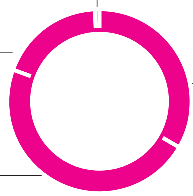
[a] We assigned Vivento Customer Services GmbH, a provider of call center services, to our Germany operating segment as of January 1, 2018; previously it was part of our Group Headquarters & Group Services segment. Comparative figures have been adjusted retrospectively. For more information, please refer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

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 xx.

Breakdown of revenue by region
%



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

EBITDA, ADJUSTED EBITDA

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

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

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

Contribution of the segments to adjusted Group EBITDA
millions of €

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

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

EBIT

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

PROFIT/LOSS BEFORE INCOME TAXES

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

NET PROFIT

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

EMPLOYEES

Number of employees (at the reporting date)

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

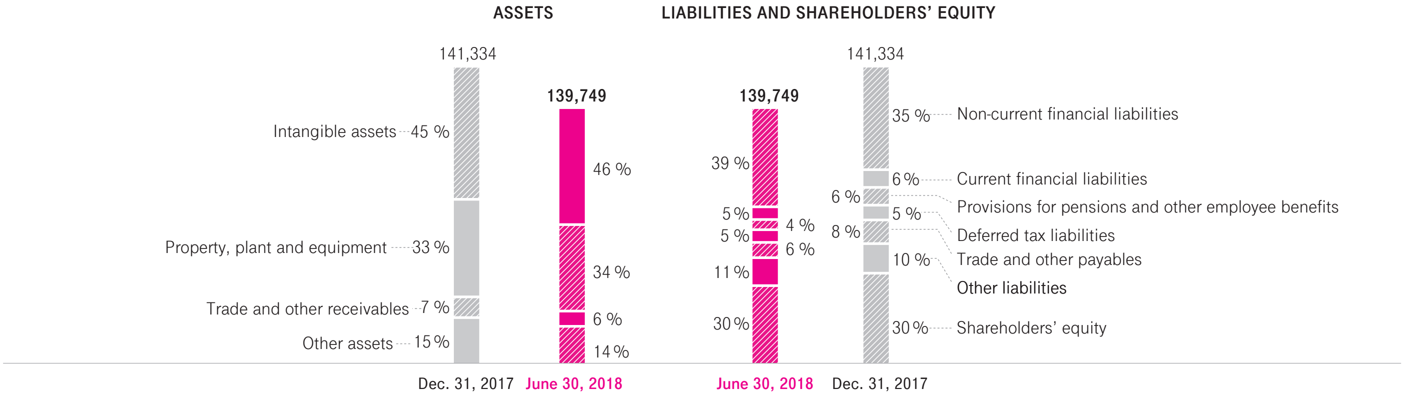
[a] We assigned Vivento Customer Services GmbH, a provider of call center services, to our Germany operating segment as of January 1, 2018; previously it was part of our Group Headquarters & Group Services segment. Comparative figures have been adjusted retrospectively. For more information, please refer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

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

FINANCIAL POSITION OF THE GROUP

Structure of the consolidated statement of financial position

millions of €



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

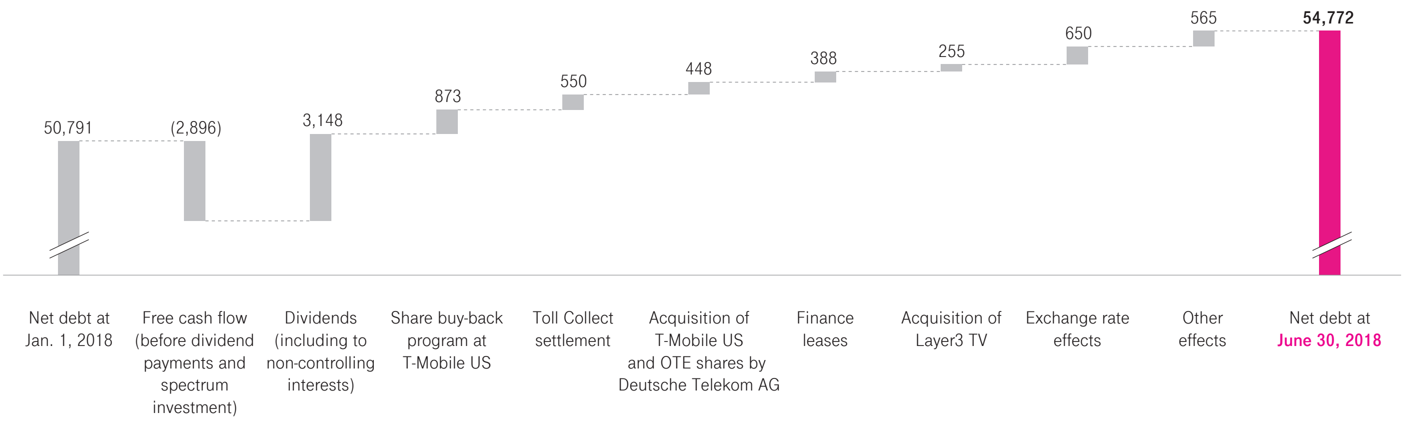
The total carrying amounts of intangible assets and property, plant and equipment were up by EUR 1.7 billion against the prior year. Capital expenditure totaling EUR 6.6 billion – especially to upgrade the network in our United States operating segment and in connection with the broadband/fiber-optic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

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

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

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

Changes in net debt
millions of €



Other effects of EUR 0.6 billion include, among other factors, financing options under which the payments for trade payables become due at a later point in time by involving banks in the process, increased liabilities for the acquisition of spectrum licenses, and payments for the acquisition of broadcasting rights. For more information on net debt, please refer to the disclosures on the reconciliation of alternative performance measures in the section "Additional information," page xx et seq.

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

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

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

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

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

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

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS

GERMANY

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

CUSTOMER DEVELOPMENT

thousands

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

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

Total

In Germany we continue to be market leader both in terms of fixed-network and mobile revenues. This success is attributable to our high-performance networks. We offer best customer experience with multi-award-winning network quality – in the fixed network and in mobile communications – and with a broad product portfolio. Growing demand for our integrated product MagentaEins drove up the number of new customers by 265 thousand compared with the end of 2017, bringing the total number of customers added in the first half of 2018 since the product was launched to 3.9 million.

Compared with year-end 2017, we lost a total of 102 thousand mobile communications customers in the first half of 2018, primarily due to seasonal business fluctuations at one of our service providers (resellers). High demand for mobile rate plans with included data volumes resulted in an increase in the number of branded contract customers under the Telekom and congstar brands. We also recorded growth in the number of prepay customers.

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

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

Mobile communications

Compared with year-end 2017, we won a total of 197 thousand branded contract customers under the Telekom and congstar brands and at Telekom Deutschland Multibrand GmbH. The number of mobile contract customers with service providers decreased primarily due to seasonal business fluctuations at one of our service providers. The number of prepay customers increased by 820 thousand.

Fixed network

Due to the persistently challenging development in the fixed-network market, primarily owing to aggressive pricing offers of competitors, we are pursuing new paths in marketing, focusing on integrated offers and on TV and fiber-optic lines. For example, if we take into account the new products launched for business customers since the start of 2018, the number of broadband lines in our portfolio rose by 228 thousand between year-end 2017 and the end of the first half of 2018, while the number of TV customers increased by 101 thousand. The number of lines in our traditional fixed-network portfolio decreased by 312 thousand.

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

Wholesale

At the end of the first half of 2018, fiber-optic lines accounted for 37.4 percent of all lines – 5.3 percentage points higher than at the end of 2017. This accelerated growth was driven largely by high demand for our contingent model. The number of unbundled local loop lines decreased by 551 thousand or 9.0 percent compared with the end of the prior year. This is due first to the move to higher-quality fiber-optic lines, and second to retail customers switching to cable operators. In addition, wholesale customers are migrating their retail customers to their own fiber-optic lines. The total number of wholesale lines stood at 11.9 million by the end of the second quarter of 2018.

DEVELOPMENT OF OPERATIONS

millions of €

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

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

Total revenue

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

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

Revenue from **Business Customers** grew by 1.6 percent; this growth was even stronger once adjusted for the effects of IFRS 15. Mobile revenues increased by 3.6 percent and IT revenues by 21.5 percent compared with the first half of the prior year. In the fixed network, by contrast, a decline was recorded in traditional voice telephony, due largely to the increasing number of customers moving to flat-rate plans.

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

EBITDA, adjusted EBITDA

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

EBIT

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

Cash capex

Cash capex increased by 2.5 percent compared with the first half of 2017. As part of our integrated network strategy, we again made significant investments in the broadband and fiber-optic rollout, our IP transformation, and our mobile infrastructure.

UNITED STATES
CUSTOMER DEVELOPMENT

thousands

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

[a] Due to certain acquisitions by T-Mobile US at the beginning of 2018, the number of branded postpaid customers as of the first quarter of 2018 included an adjustment of 13 thousand and the number of branded prepay customers as of the first quarter of 2018 included an adjustment of 9 thousand.
[b] T-Mobile US believes current and future regulatory changes have made the Lifeline program offered by T-Mobile US' wholesale partners uneconomical. T-Mobile US will continue to support its wholesale partners offering the Lifeline program, but has excluded the Lifeline customers from the reported wholesale subscriber base resulting in the removal of 160 thousand and 4,368 thousand reported wholesale customers as of the beginning of the third quarter of 2017 and the beginning of the second quarter of 2017, respectively.

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

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

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

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

DEVELOPMENT OF OPERATIONS

millions of €

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

Total revenue

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

EBITDA, adjusted EBITDA

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

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

EBIT

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

Cash capex

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

EUROPE
CUSTOMER DEVELOPMENT

thousands

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

[a] Starting Q2 2018, we no longer report the number of retail broadband lines from a technical perspective. Instead we report the number of broadband customers. Prior-year comparatives have been adjusted.
[b] "Other": national companies of Albania, Macedonia, and Montenegro, as well as the lines of the GTS Central Europe group in Romania.

Total

The markets in our segment remained intensely competitive in the first half of 2018. We rose to the challenge in several ways, including with substantial growth of 21.1 percent in the number of FMC customers (fixed-mobile convergence) thanks in part to our convergent product portfolio, MagentaOne. Our TV and broadband operations also continued to develop as consistent revenue drivers, not least thanks to the large-scale build-out of the network with state-of-the-art fiber-optic-based lines (FTTH, FTTB, and FTTC). The number of IP lines increased as a result, primarily thanks to the migration from traditional PSTN lines to IP technology. Our mobile operations recorded growth overall, with increases in both the number of high-value contract customers and the number of prepay customers compared with the end of the prior year.

Mobile communications

The number of mobile customers totaled 49.9 million at the end of the first half of 2018, up by a slight 2.1 percent or 1.0 million customers compared with the end of 2017. The number of contract customers continued to grow unabated throughout the second quarter. In other words, by June 30, 2018 we had added a total of 539 thousand new customers (an increase of 2.1 percent) largely as a result of the positive customer trends at our national companies in Poland, Romania, the Czech Republic, and Hungary. The share of our total customer base accounted for by contract customers thus remained largely stable at 52.2 percent. In addition to our innovative services/rate plans, thanks to our integrated network strategy our customers also benefited from greater coverage with fast mobile broadband. As of June 30, 2018, we already covered 96 percent of the population in the countries of our operating segment with LTE, reaching around 108 million people in total. Customer demand for high data volumes has risen sharply due to the explosion in data traffic driven by video streaming services, for example. Prepaid business also looks set to continue growing, with 506 thousand net additions (a 2.2 percent increase) in the first half of 2018. Our national companies in Austria and Greece made particularly marked contributions to this positive trend.

Fixed network

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

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

Consistent growth in IP-based lines as a percentage of all fixed-network lines confirms that we are making good progress: At the end of June 2018, this share amounted to 74.1 percent. The number of fixed-network lines in our Europe operating segment has remained stable at 8.4 million since the end of 2017.

FMC – Fixed-mobile convergence

Our portfolio of convergent product, MagentaOne, remained highly popular across all of our integrated national companies. As of June 30, 2016, we had around 7.2 million FMC customers, this corresponds to significant growth of 21.1 percent compared with year-end 2017. Of these, 229 thousand new customers were added in the second quarter alone. Our national companies in Greece, Romania, and Hungary were the main drivers of this trend. We have also been increasingly successful in marketing our MagentaOne Business product to business customers.

DEVELOPMENT OF OPERATIONS

millions of €

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

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

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

[b] “Other”: national companies of Albania, Macedonia, and Montenegro, as well as IWS (International Wholesale), consisting of ICSS (International Carrier Sales & Solutions) and its national companies, the GTS Central Europe group in Romania, and the Europe Headquarters.

Total revenue

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

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

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

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

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

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

EBITDA, adjusted EBITDA

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

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

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

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

Development of operations in selected countries

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

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

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

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

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

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

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

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

EBIT

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

Cash capex

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

SYSTEMS SOLUTIONS

ORDER ENTRY

millions of €

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

Development of business

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

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

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

DEVELOPMENT OF OPERATIONS[a]

millions of €

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

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

Total revenue

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

EBITDA, adjusted EBITDA

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

EBIT, adjusted EBIT

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

Cash capex

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

GROUP DEVELOPMENT

CUSTOMER DEVELOPMENT

thousands

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

in der Word steht hier 2018

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

DEVELOPMENT OF OPERATIONS

millions of €

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

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

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

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

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

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

GROUP HEADQUARTERS & GROUP SERVICES
For information on changes in the organizational structure, please refer to the section “Group organization, strategy, and management,” page xx, and to the disclosures under segment reporting in the interim consolidated financial statements, page xx.

DEVELOPMENT OF OPERATIONS

millions of €

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

Total revenue
Total revenue in our Group Headquarters & Group Services segment in the first half of 2018 decreased by 6.8 percent year-on-year. This decline was mainly due to the fact that, as of January 2016, the costs of intragroup development services newly commissioned from Deutsche Telekom IT in Germany are no longer charged internally. Other reasons for the decrease were forgone revenue from DeTeMedien, which was sold effective June 2017, and lower revenue from land and buildings, essentially due to further optimization of the use of space. Higher intragroup revenue at Deutsche Telekom IT from the licensing of the Group-wide ERP system had a positive effect.

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

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

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

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

EVENTS AFTER THE REPORTING PERIOD (JUNE 30, 2018)

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

FORECAST

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

RISKS AND OPPORTUNITIES

This section provides important additional information and explains recent changes in the risks and opportunities as described in the combined management report for the 2017 financial year (2017 Annual Report, page 111 et seq.). Readers are also referred to the Disclaimer at the end of this report.

REGULATION

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

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

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

LITIGATION

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

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

ASSESSMENT OF THE AGGREGATE RISK POSITION

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