JANUARY 1 TO JUNE 30, 2016

INTERIM GROUP REPORT

LIFE IS FOR SHARING.

SELECTED FINANCIAL DATA OF THE GROUP

millions of €

		Q2 2016	Q2 2015	Change %	H1 2016	H1 2015	Change %	FY 2015
REVENUE AND EARNINGS								
Net revenue		17,817	17,428	2.2 %	35,447	34,270	3.4 %	69,228
Of which: domestic	%	34.0	35.8		34.3	36.4		36.2
Of which: international	%	66.0	64.2		65.7	63.6		63.8
Profit from operations (EBIT)		1,546	1,806	(14.4) %	6,071	3,272	85.5 %	7,028
Net profit (loss)		621	712	(12.8) %	3,746	1,499	n. a.	3,254
Net profit (loss) (adjusted for special factors)		1,054	1,078	(2.2) %	2,101	2,114	(0.6) %	4,113
EBITDA		4,697	4,534	3.6 %	12,364	8,694	42.2 %	18,388
EBITDA (adjusted for special factors)		5,457	5,026	8.6 %	10,620	9,600	10.6 %	19,908
EBITDA margin (adjusted for special factors)	%	30.6	28.8		30.0	28.0		28.8
Earnings per share basic/diluted	€	0.13	0.16	(18.8) %	0.81	0.33	n. a.	0.71
STATEMENT OF FINANCIAL POSITION								
Total assets					143,466	134,978	6.3 %	143,920
Shareholders' equity					36,968	35,961	2.8 %	38,150
Equity ratio	%				25.8	26.6		26.5
Net debt					48,692	48,835	(0.3) %	47,570
CASH FLOWS								
Net cash from operating activities		3,931	3,871	1.5 %	7,427	7,179	3.5 %	14,997
Cash capex		(2,703)	(4,330)	37.6 %	(6,599)	(8,759)	24.7 %	(14,613)
Free cash flow (before dividend payments and spectrum investment)		1,320	1,375	(4.0) %	2,142	2,240	(4.4) %	4,546
Net cash used in investing activities		(2,229)	(3,824)	41.7 %	(5,967)	(6,761)	11.7 %	(15,015)
Net cash used in financing activities		(1,940)	(394)	n. a.	(1,112)	(3,530)	68.5 %	(876)

NUMBER OF FIXED-NETWORK AND MOBILE CUSTOMERS

millions

	June 30, 2016	Dec. 31, 2015	Change June 30, 2016/ Dec. 31, 2015 %	June 30, 2015	Change June 30, 2016/ June 30, 2015 %
Mobile customers	160.7	156.4	2.7 %	154.7	3.9 %
Fixed-network lines	28.6	29.0	(1.4) %	29.3	(2.4) %
Broadband lines [a]	18.1	17.8	1.7 %	17.6	2.8 %

[a] Excluding wholesale.

The key parameters used by Deutsche Telekom are defined in the glossary of the 2015 Annual Report (page 251 et seq.).

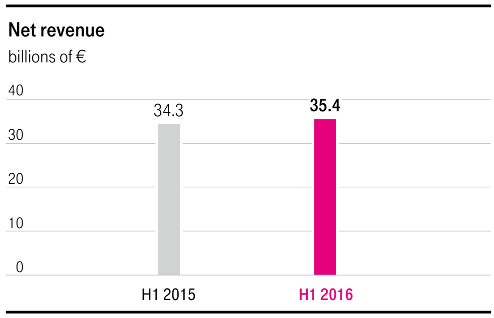
CONTENTS

TO OUR SHAREHOLDERS

DEVELOPMENTS IN THE GROUP

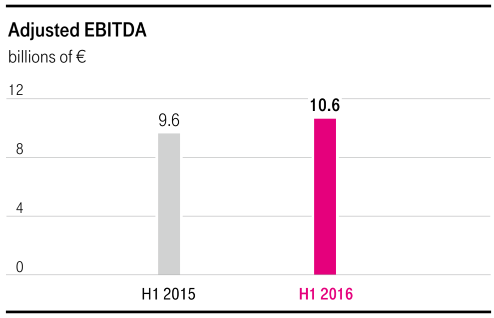
NET REVENUE

- We continued our course of growth in the first half of 2016: Net revenue increased from EUR 34.3 billion to EUR 35.4 billion – an increase of 3.4 percent.
- Our United States operating segment remained the main driver of this positive development; revenue increased by 11.6 percent compared with the prior-year period.
- In our home market of Germany, a decrease of 2.8 percent mainly resulted from lower mobile terminal equipment sales. In the Europe operating segment, revenue also decreased by 2.8 percent against the prior-year period, due to the spin-off of the energy resale business in Hungary and intense competition, especially in the Netherlands.
- On a comparable basis, too, i.e., excluding exchange rate effects and effects from changes in the composition of the Group, net revenue increased by 4.2 percent.



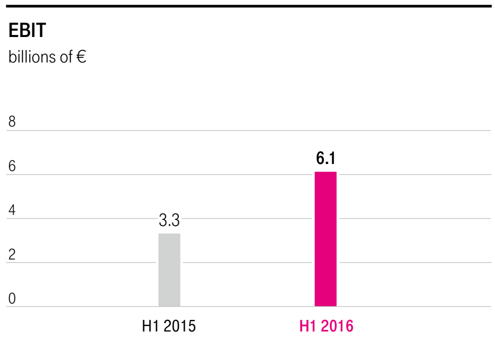
ADJUSTED EBITDA

- Adjusted EBITDA grew substantially by EUR 1.0 billion or 10.6 percent.
- The driving force here was our United States operating segment – the continued success of the Un-carrier initiatives increased adjusted EBITDA by EUR 1.2 billion.
- Adjusted EBITDA declined in particular in our Group Headquarters & Group Services segment, which had profited from a positive one-time effect in the first half of 2015.
- At 30.0 percent, the Group's adjusted EBITDA margin increased against the prior-year level of 28.0 percent. The operating segments with the strongest margins are still Germany with 40.5 percent and Europe with 32.7 percent.



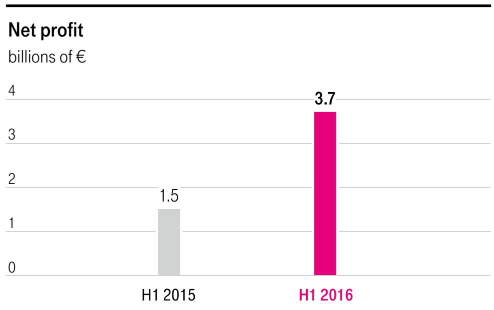
EBIT

- EBIT increased substantially by EUR 2.8 billion to EUR 6.1 billion.
- On the one hand, EBIT profited in the first half of 2016 from the strong business performance of our United States operating segment and, on the other, from positive special factors, mainly from the sale of our stake in the EE joint venture completed in January 2016 (EUR 2.5 billion) and from an exchange of spectrum licenses between T-Mobile US and AT&T completed in March 2016 (EUR 0.4 billion).
- Depreciation, amortization and impairment losses increased by EUR 0.9 billion year-on-year as a result of the continued 4G/LTE network roll-out and the launch of the JUMP! On Demand program in our United States operating segment in June 2015.

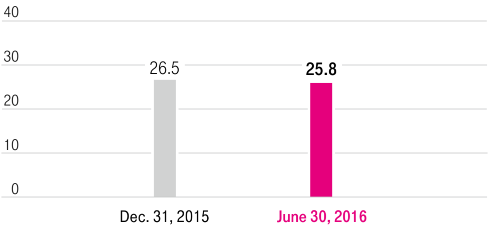


NET PROFIT

- Net profit also increased substantially by EUR 2.2 billion to EUR 3.7 billion as a result of the aforementioned effects.
- Loss from financial activities improved by EUR 0.2 billion, mainly as a result of remeasurement effects from the subsequent measurement of embedded derivatives in T-Mobile US bonds.
- Due to a higher profit before income taxes, tax expense increased year-on-year by EUR 0.5 billion.



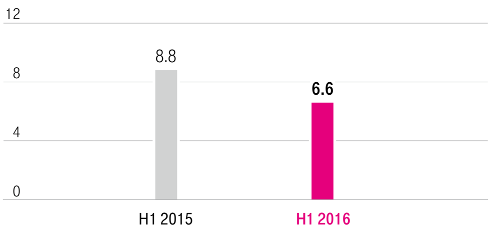
Equity ratio
%



EQUITY RATIO

- The equity ratio decreased by 0.7 percentage points to 25.8 percent.
- Total assets decreased slightly by 0.3 percent compared with the end of 2015 to EUR 143.5 billion. Shareholders' equity decreased by EUR 1.2 billion compared with December 31, 2015 to EUR 37.0 billion.
- Profit after taxes of EUR 4.1 billion had an increasing effect.
- Shareholders' equity was reduced by dividend payments to our shareholders for the 2015 financial year (EUR 2.5 billion). The capital increase carried out to grant our shareholders the option of converting their dividend entitlements into shares increased equity by EUR 1.0 billion. The cash dividend paid out to our shareholders amounted to around EUR 1.5 billion.
- Shareholders' equity also decreased as a result of currency translation effects recognized directly in equity (EUR 1.6 billion), losses from the remeasurement of available-for-sale financial assets (EUR 1.4 billion), and the recognition of actuarial losses (after taxes) (EUR 0.7 billion).

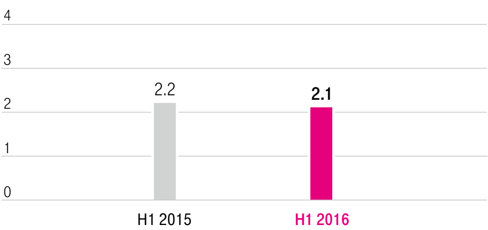
Cash capex
billions of €



CASH CAPEX

- Cash capex (including spectrum investment) decreased by EUR 2.2 billion to EUR 6.6 billion.
- In the reporting period, mobile spectrum licenses were acquired for a total of EUR 1.1 billion, primarily in the United States and Europe operating segments. In the prior-year period, mobile licenses were acquired for a total of EUR 3.7 billion, primarily in the United States and Germany operating segments.
- Adjusted for the effects of spectrum acquisitions, cash capex increased by EUR 0.4 billion, primarily in the United States operating segment in connection with investments in the network modernization, including the roll-out of the 4G/LTE network.

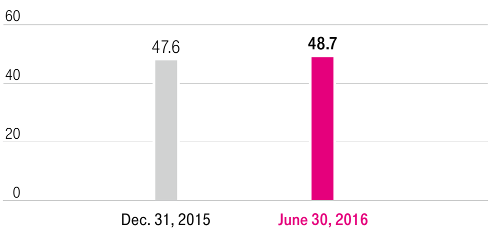
Free cash flow
(before dividend payments and spectrum investment)
billions of €



FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)

- Free cash flow decreased only slightly to EUR 2.1 billion.
- The year-on-year increase of EUR 0.2 billion in net cash from operating activities, driven mainly by the positive business development of the United States operating segment, had a positive effect.
- The year-on-year increase of EUR 0.4 billion in cash capex (before spectrum investment) and the EUR 0.2 billion lower dividend payment from the former EE joint venture reduced free cash flow.

Net debt
billions of €



NET DEBT

- Net debt increased by EUR 1.1 billion compared with the end of 2015.
- Dividend payments – including to non-controlling interests – (EUR 1.6 billion), the acquisition of mobile spectrum (EUR 1.1 billion), and payments to external pension funds (allocation under contractual trust agreement: EUR 0.3 billion) increased net debt.
- Free cash flow (EUR 2.1 billion) and exchange rate effects (EUR 0.4 billion) reduced net debt.

For a more detailed explanation, please refer to the section "Development of business in the Group," page 13 et seq.

DEUTSCHE TELEKOM AT A GLANCE

In the first half of 2016, Deutsche Telekom remained on track to achieve its growth targets. Net revenue in the Group increased by 3.4 percent to EUR 35.4 billion, once again driven by the U.S. business, which grew by around EUR 1.7 billion or 11.6 percent. In the Germany operating segment, by contrast, revenue decreased by 2.8 percent compared with the first half of 2015, driven mainly by lower terminal equipment revenue in mobile business. Revenue in the Europe operating segment also declined by 2.8 percent, mainly due to the spin-off of the energy resale business in Hungary and weaker development in the Dutch business. In the Systems Solutions operating segment, revenue increased by 1.4 percent against the first half of 2015.

The revenue growth of around EUR 1.2 billion was the main driver of growth in adjusted EBITDA, which increased by 10.6 percent or around EUR 1.0 billion to EUR 10.6 billion. While adjusted EBITDA increased by EUR 1.2 billion in the United States operating segment, it declined in particular in the Group Headquarters & Group Services segment on account of a one-time effect the segment had benefited from in the first half of 2015.

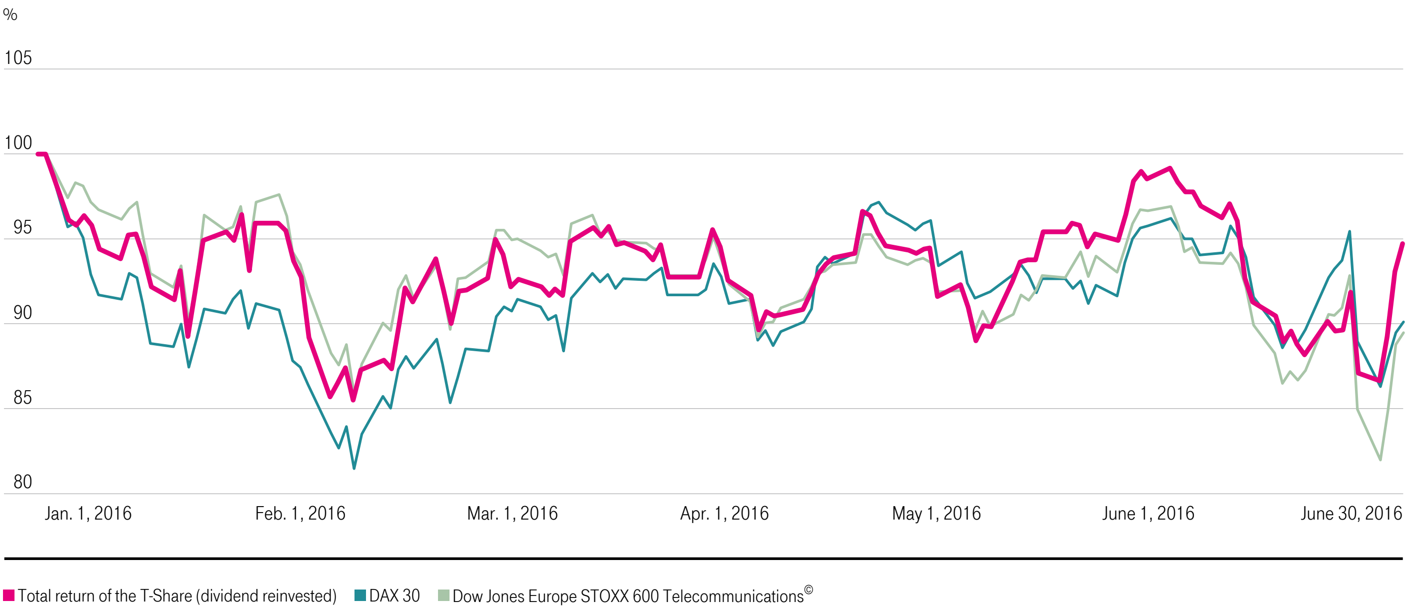
Cash outflows for investments in intangible assets and property, plant and equipment – cash capex – remained at a high level. Excluding the effects from spectrum acquisitions, cash capex increased by EUR 0.4 billion to around EUR 5.5 billion, primarily due to the continued build-out of the mobile network in the United States.

EBIT and net profit benefited from two special factors in the first half of 2016: Firstly, non-cash income of EUR 2.5 billion from the sale of our stake in the EE joint venture to BT and, secondly, the book gain of EUR 0.4 billion from the exchange of spectrum licenses in the United States. As a result, EBIT increased substantially from EUR 3.3 billion to EUR 6.1 billion, while net profit increased from EUR 1.5 billion to EUR 3.7 billion. Adjusted for special factors, net profit remained stable at around EUR 2.1 billion.

In view of the business development in the first half of 2016, Deutsche Telekom confirms its guidance for the full year 2016.

THE T-SHARE

Total return of the T-Share in the first half of 2016



T-Share performance

		H1 2016	H1 2015	FY 2015
XETRA CLOSING PRICES				
Share price on the last trading day	€	15.28	15.45	16.69
Year high	€	16.69	17.60	17.60
Year low	€	13.98	12.63	12.63
WEIGHTING OF THE T-SHARE IN MAJOR STOCK INDEXES				
DAX 30	%	6.1	5.4	5.9
Dow Jones Euro STOXX 50©	%	2.6	2.2	2.5
Dow Jones Europe STOXX 600 Telecommunications©	%	15.1	12.4	14.4
Market capitalization	billions of €	71.5	71.2	76.9
Number of shares issued	millions	4,677	4,607	4,607

Historical performance of the T-Share as of June 30, 2016
%

	Since the beginning of the year	1 year	3 years	5 years
Total return of the T-Share (dividend reinvested)	(5.3)	2.3	89.0	83.0
DAX 30	(9.9)	(11.6)	21.6	31.2
Dow Jones Europe STOXX 600 Telecommunications©	(10.5)	(14.5)	43.8	45.2

After a weak start to 2016 for the European and Asian stock markets, there was no fundamental improvement in trends as of the end of the first half of 2016. The unclear outlook for the global economy and uncertainty about the interest rate policies of central banks going forward had an adverse impact on share price performance. The outcome of the referendum on the United Kingdom's exit from the European Union put additional pressure on the stock markets. The DAX 30 lost more than 9 percent and the Dow Jones Euro STOXX 50© more than 12 percent in the first half of 2016, while the Nikkei dropped by as much as 18 percent. Only the Dow Jones recorded a slight increase of around 3 percent.

Against this background, the telecommunications sector also remained under strain and fell by around 13 percent.

The Deutsche Telekom share also came under pressure – although it lost less ground than the telecommunications sector and the DAX 30, falling 5.3 percent on a total return basis.

In 2016, Deutsche Telekom once again offered its shareholders the option of converting the dividend for the 2015 financial year into shares instead of receiving it as a cash payment. The acceptance rate this year stood at almost 41 percent of dividend-bearing shares, which means this option was chosen for some 1.9 billion shares. With a subscription ratio of 26.7:1, this resulted in around 70 million new shares. The cash dividend paid out to our shareholders who did not choose this option totaled around EUR 1.5 billion.

HIGHLIGHTS IN THE SECOND QUARTER OF 2016

BOARD OF MANAGEMENT

New Board department for Technology and Innovation. As of January 1, 2017, the Deutsche Telekom AG Group Board of Management will be extended to include the additional Board department Technology and Innovation. The new Board department will be headed by Claudia Nemat. From January 1, 2017, Srini Gopalan will take over as the new Member of the Board of Management responsible for Europe. The Supervisory Board of Deutsche Telekom AG approved this decision in its meeting on June 30, 2016. The number of Board of Management members will thus increase from seven to eight.

EMPLOYEES

Collective agreement for Deutsche Telekom AG and Telekom Deutschland. On April 13, 2016, Deutsche Telekom and the ver.di union agreed the terms for a collective agreement for Deutsche Telekom AG, Telekom Deutschland GmbH, Deutsche Telekom Kundenservice GmbH, Deutsche Telekom Technischer Service GmbH, Deutsche Telekom Technik GmbH, and Deutsche Telekom Regional Services and Solutions GmbH. The new collective agreement provides for salaries to increase with retrospective effect by 2.2 percent as of April 1, 2016 and by a further 2.1 percent as of April 1, 2017. Lower salary bands increased at the higher rate of 2.6 percent as of April 1, 2016. The new agreement takes effect on February 1, 2016 and runs for two years.

Collective agreement for T-Systems in Germany. In the collective negotiations for T-Systems, an agreement was reached with ver.di on June 15, 2016. One of the points agreed was to increase salaries under the collective agreement by 1.0 percent, and in the lower salary bands by 1.5 percent, as of July 1, 2016, and by a further 1.5 percent as of April 1, 2017. The collective agreement takes effect retrospectively from April 1, 2016 and has a term of two years.

Under both collective agreements, compulsory redundancies will be excluded until December 31, 2018.

INVESTMENTS IN NETWORKS AND SPECTRUM

Further acquisition of mobile spectrum in Poland. In June 2016, T-Mobile Polska purchased additional mobile spectrum for around EUR 0.5 billion. This was offered to T-Mobile Polska by the Polish regulatory authority UKE after the highest bidder had declined to accept the spectrum. In accordance with the rules of the auction, T-Mobile Polska was offered the spectrum for purchase as the second highest bidder. The payment was made on July 4, 2016. Previously, T-Mobile Polska had acquired spectrum worth EUR 0.5 billion as the initial bidder at the spectrum auction that ended in October 2015. The payment was made in early February 2016.

Expansion of our high-security data center in Biere. Construction work to expand Europe's largest data center in Biere near Magdeburg began on schedule in June 2016. The new data center is expected to be put into operation after only two years of construction – in time to serve the increasing demand for secure and reliable cloud services and further cement T-Systems' market leadership in Europe. A triple-digit-million amount is expected to be invested in the expansion of the data center. The current cloud capacity will be increased by 150 percent.

Acquisition of mobile spectrum licenses in the United States. In May 2016, T-Mobile US entered into an agreement with a third party for the purchase of certain spectrum licenses covering approximately 11 million people in the Chicago metropolitan area for approximately USD 0.4 billion. The transaction is expected to close in the fourth quarter of 2016, subject to regulatory approval and other customary closing conditions.

PARTNERSHIPS

Volksverschlüsselung – secure e-mail for everyone. Together with the Fraunhofer Institute for Secure Information Technology SIT, we launched Volksverschlüsselung at the end of June 2016. This is user-friendly software developed by the Fraunhofer SIT, which generates a cryptographic key and configures the users' e-mail programs. The related infrastructure is being operated in our high-security data center. Volksverschlüsselung, which is free of charge, is part of an initiative we have launched together with Fraunhofer SIT to promote the widespread usage of end-to-end encryption among the general public and thus bolster the protection of electronic communications of consumers and businesses.

New e-reader launched by tolino alliance. In June 2016, the tolino partners – comprising leading German booksellers and us as the technology and innovation partner – launched a new e-reader on the market: the tolino page. As a self-explanatory and easy-to-use entry-level device, the tolino page is aimed at a new target group: less technology-savvy readers, who have not yet made the decision to buy an e-reader. Together with the premium e-readers tolino vision 3 HD and tolino shine 2 HD, the alliance thus offers a suitable device for all target groups – from newcomers to digital reading through to technophiles.

Alliance to drive the progress of the industrial Internet. At the 2016 Hannover Messe, where we exhibited under the motto "Digitization. Simply. Make it happen." we expanded our alliance to drive the progress of the industrial Internet. We agreed to collaborate with Huawei to open up the Internet of Things (IoT) mass market for hardware and sensor technology. We are expanding our longstanding collaboration with the German Research Center for Artificial Intelligence (DFKI) to incorporate the latest scientific and research findings into our in-house product development processes. For industrial data analysis, we intend to work with GE Digital, a subsidiary of the U.S. industrial group General Electric (GE), and use the Predix cloud platform. We want to work with GE Digital to take on digital innovations in industrial segments like production, transport, energy, or healthcare.

NEW DEALS WITH CORPORATE CUSTOMERS

At the end of May 2016, T-Systems concluded a corporate customer agreement with **ITSCare**, the IT service provider for the AOK health insurance fund for Baden-Württemberg, Hesse, and Rhineland-Palatinate/Saarland. This triple-digit-million, multi-year deal covers the centralized operation of the IT infrastructure with data center and network services, as well as decentralized services like service desk and workplace services. ITSCare is thereby trusting in our ICT and data privacy expertise to handle highly sensitive data.

Through our subsidiary in the Czech Republic, T-Mobile Czech Republic, we won a major contract with multinational cosmetics manufacturer **Oriflame**. In addition to ICT services, the deal also includes outsourcing the entire IT infrastructure to a hybrid cloud solution. By combining local public and private clouds, the hybrid cloud model offers the best solution for global companies: They can harness the high performance of the public cloud while sensitive business data remains on a private network.

NEW PRODUCTS, RATE PLANS, AND SERVICES

Hybrid TV in Greece. In Greece, OTE's TV customers are benefiting from a new hybrid TV service that combines the advantages of satellite TV and IPTV. By connecting the decoder to the Internet, satellite TV subscribers can use new interactive services – such as replay functions, on-demand content, or a feature allowing them to record on external data carriers. The migration of TV customers to the new hybrid platform began in April 2016; by June 2016, more than 100,000 OTE TV customers were able to use the new offer.

Entry-level solution for digitization. At the 2016 Hannover Messe, we unveiled our new Cloud of Things starter kit that provides companies with a simple entry-level digitization solution. The new product enables companies of all sizes to connect their machines, equipment, or vehicles and monitor them remotely without any costly installation. The Cloud of Things platform, which we operate in our secure data center in Germany, receives the data and makes them available to customers via an online portal.

New television experience with Entertain TV. In May 2016, we launched our new service Entertain TV. The new TV product is marked out by its new design, new highly user-friendly interface, and new elegant hardware. The new generation of television is complemented by innovative features that underline our claim to be innovation leader on the German TV market. Customers benefit among other things from unique features such as the “restart” option, which means users never again have to miss the beginning of programs that have already started. The “seven-day replay” function provides even greater freedom, allowing viewers to watch replayable programs for up to a week after their broadcast. Entertain TV combines live television, on-demand content, apps, and media libraries on one platform, and not just on television, but also on tablets and smartphones.

Personal switch advisor for new customers. Since May 2016, fixed-network customers switching to Deutsche Telekom from another provider benefit from a personal advisor for their switch. This premium service complements the service for owner builders and the moving home manager as an additional component for sustainably enhancing customer experience and improving customer retention.

Making calls with WLAN Call. Since June 2016, our mobile customers have been able to make calls on their smartphones via any WiFi (WLAN) network in Germany or abroad, and can also receive calls on the go via WiFi, with the free add-on WLAN Call. Customers just need a WLAN Call-enabled smartphone and a voice-over-LTE-enabled mobile contract. The software for this is installed in the smartphone, i.e., no additional app is required. WLAN Call is of particular benefit in places that for construction reasons do not have sufficient mobile reception, but do have WiFi, such as underground garages or basements.

Cyber security in the Internet of Things. Our new IoT solution from our MagentaSecurity portfolio offers protection against cyber attacks. With certificates from the T-Systems Trust Center, we offer a new layer of protection in which each connected piece of equipment is assigned a separate, verifiable identity. These certificates update themselves automatically. This ensures that only authorized individuals can access exactly the devices that need accessing, and that all communication partners are really who they claim to be. Customers themselves are able to determine exactly how a digital identity is set up and the level of authentication required.

Market launch of cloud services at T-Mobile Czech Republic. In June 2016, T-Mobile Czech Republic began marketing cloud services from its new virtual data center. The offers for infrastructure and platform management for cloud-based solutions are primarily aimed at medium-sized and large enterprises and the public sector.

AWARDS

The illustration below shows the main awards received in the second quarter of 2016. For details on more awards, please go to www.telekom.com/media.

Major awards in the second quarter of 2016

APR. – JUNE

- **Cloud Monitor 2016** of the Bitkom industry association: Deutsche Telekom cloud singled out as the number 1 in terms of data privacy and compliance
- **International Business Excellence Award:** Deutsche Telekom wins in the Customer Experience and Voice of the Customer category
- **connect readers’ choice award 2016:** Deutsche Telekom wins in four categories; additional awards for congstar and T-Mobile Austria
- **Top Service Österreich:** T-Mobile Austria receives seal of quality for customer orientation
- **Best in Test award:** P3 Communications singles out our mobile network in the F.Y.R.O. Macedonia and Montenegro
- **connect fixed-network test 2016:** Deutsche Telekom again in the top spot
- **International Sponsoring Award:** award in the Culture Sponsoring category for our participation campaign “Unsere Lieder werden EINS” (Our songs become One) initiated together with the singer Adel Tawil
- **Crisp Research:** T-Systems rated as the best managed public cloud provider in the Enterprise Workloads category
- **Deutscher Investor Relations Preis:** best DAX company and best IR team; and **Pan-European Extel Survey 2016:** best IR among around 1,700 listed companies in Europe
- **Digital Workspace Service Provider Benchmark 2016** of the Experton Group: Deutsche Telekom offers the best digital workspace
- **European Business Award:** award for Telekom Deutschland’s customer service in the Customer Focus category
- **Cannes Lions International Festival of Creativity:** nine awards for the Sea Hero Quest game, which supports research into dementia

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 2015 combined management report (2015 Annual Report, page 58 et seq.). No significant changes were recorded in this area from the Group's point of view.

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Magyar Telekom's business customer operations consist of a unit in Hungary that mainly provides ICT services for business and corporate customers. Comparative figures have been adjusted retrospectively.

For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 46 and 47.

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 2015 financial year, focusing on macroeconomic developments in the first half of 2016, 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

The global economy slowed slightly year-on-year in the first half of 2016. In July 2016, the International Monetary Fund (IMF) once again revised downwards slightly its growth forecast for global economic development for 2016 and 2017. This restrained growth in 2016 is primarily attributable to weak economic development in the emerging economies, whose declining demand is also holding back growth rates in industrialized nations. According to the adjusted IMF forecasts, emerging and developing economies will grow by 4.1 percent in 2016, industrial countries by 1.8 percent.

In our core markets, economic growth rates recorded largely positive trends in the second quarter of 2016. Gross domestic product (GDP) in Germany grew by 1.6 percent in the second quarter compared with the prior-year quarter, supported primarily by private consumption. Unemployment also remained low at an average 6.2 percent. The U.S. economy grew by 1.6 percent in the second quarter of 2016. Unemployment stood at 4.8 percent in the second quarter of 2016. Almost all countries of our Europe operating segment recorded positive trends in GDP growth and unemployment ratios again in the second quarter of 2016. The economies profited mainly from rising domestic consumption and stable demand from the eurozone. The Greek economy continues to undergo major changes and is unable to benefit from the growth seen in Europe as a whole.

OUTLOOK

We continue to expect a stable economic trend in our core markets. The uncertainty arising from the aftermath of the UK referendum should only have a marginal impact on economic growth in Europe in 2016 and 2017 if the exit from the European Union proceeds in an orderly fashion. In Germany, the United States, and the countries of our Europe operating segment, macroeconomic growth is robust, bolstered primarily by the positive trends in consumer spending. The economic situation in Greece is stabilizing to a certain extent. Growth rates in the UK economy are expected to slow down more sharply in light of the uncertainty.

OVERALL ECONOMIC RISKS

It is clear from the economic and political developments of the last few months that uncertainties have grown for the development of the global economy and for our footprint countries. The vote of the British people to leave the European Union and the political implementation of this decision, coupled with the danger that other countries may also seek to leave the European Union, could have a negative impact on economic development in Europe in particular, and, consequently, on the global economy. Geopolitical crises, resulting for example from the increased terror threat or large numbers of refugees, can have an adverse effect on the economies of the countries in which we operate. In addition, persistent economic weakness, especially in the emerging economies, could negatively impact on global trade and thus the markets of our operating segments. The political and economic situation in Greece has essentially stabilized. However, risk factors remain, such as the marginal parliamentary majority of the governing coalition and potentially growing resistance to austerity policies. As such, a renewed escalation towards crisis in the political situation cannot be entirely ruled out.

TELECOMMUNICATIONS MARKET

Consolidation pressure remains high in the European telecommunications industry, primarily as a result of declining revenues due to growing competition and technological change. At the same time, high investments are needed for the network build-out, for innovation, and the acquisition of spectrum. While the UK Competition and Markets Authority approved the acquisition of EE by BT in January 2016 unconditionally and without remedies, the merger of Liberty Global and BASE in Belgium were approved only subject to strict conditions. Furthermore, the intervention of the European Commission put a stop to consolidation projects in Denmark (Telia/Telenor) and the United Kingdom (3 & O_2). In Italy, the European Commission demanded that a fourth mobile network operator be established, thereby providing a favorable market entry for Iliad. The European Commission is currently looking into the merger of Vodafone and Liberty Global in the Netherlands. All in all, the market-shaping policy pursued by the European Commission does not take sufficient account of dynamic efficiencies and is thus creating substantial uncertainty in the industry.

European General Data Protection Regulation. The European General Data Protection Regulation will enter into force on May 25, 2018. The new data protection law closes a large gap in the regulation of service providers outside of the EU and imposes the same rules for all market players operating in the EU. The Regulation assures Europe of a high level of data protection and, at the same time, will pave the way for new digital business models. The General Data Protection Regulation applies directly in the member states and does not need to be transposed into national law. Contrary or redundant German law must be repealed by way of a specific act (Rechtsbereinigungsgesetz).

EU-U.S. Privacy Shield. Following the judgment of the European Court of Justice (ECJ) dated October 6, 2015, declaring the European Commission's Safe Harbor Decision to be void, the Commission put forward a successor agreement (EU-U.S. Privacy Shield) at the beginning of February 2016. As in the case of the former Safe Harbor Agreement, the Privacy Shield is intended to enable personal data of EU citizens to be transmitted to and processed in the United States. The final draft of the Privacy Shield, which was adopted by the European Commission on July 11, 2016 by majority vote of the member states, includes Privacy Principles which stipulate improved data protection requirements compared with Safe Harbor, with which U.S. companies must comply if they want to be certified under the Shield. Following criticism of the first draft of the Privacy Shield, the European Commission has endeavored in a revised draft to assuage in particular the concerns expressed recently by the Article 29 Working Party, which is comprised of representatives from national data protection authorities in Europe. It cannot be ruled out that the Privacy Shield will be referred to the ECJ again, in particular with regard to the legality of the still possible mass recording of personal data by national U.S. authorities.

IT security legislation. Within the scope of the German IT Security Act (IT-Sicherheitsgesetz – IT-SiG), a draft ordinance (KRITIS VO) was drawn up in the first quarter of 2016, which sets out the criteria that enable operators of critical infrastructure (KRITIS) from the information technology and telecommunications, water, energy, and food sectors to identify whether they are subject to the provisions of the IT-SiG. The Ordinance (TK-ÜberwachungsVO) entered into force on May 3, 2016. As a result, the provisions of the German Telecommunications Act (Telekommunikationsgesetz) must be tightened up for the telecommunications sector, so that state-of-the-art precautions are taken, in particular with regard to the failure safety of the networks and services. In our own interests, we took these precautions before the Act was amended however, and hence we have already satisfied the main obligations for safeguarding public security.

The European Parliament approved the EU Network and Information Security Directive on July 6, 2016, following which, in addition to the provisions of the IT-SiG, online marketplaces, search engine operators, and cloud service providers must also ensure compliance with minimum requirements for the security of their infrastructure and report incidents. This may give rise to a need for the German legislature to amend the IT-SiG accordingly. It remains to be seen whether such an amendment would also remedy the previous deficiency of the IT-SiG regarding the non-consideration of hardware and software vendors.

REGULATION

Application for further vectoring roll-out. On June 21, 2016, the Federal Network Agency notified the European Commission in Brussels of a revised draft decision regarding our application for vectoring roll-out. A previous draft, which the European Commission had expressed "serious concerns" about, was withdrawn by the Federal Network Agency. The revised draft also grants us rights to extensive vectoring roll-out in the areas near local exchanges, although it does not grant us exclusivity to the degree originally planned. In its statement on July 19, 2016, the European Commission gave the green light to vectoring in the area near the local exchange. The regulatory procedure is expected to be completed in mid August 2016. In a fast-tracked decision at the end of June 2016, the Federal Network Agency extended the deadline, which now allows us also to roll-out vectoring up to October 31, 2016 if we alternatively offer competitors who will then no longer have any access to unbundled local loop lines (ULLs) at the cable distribution box in these areas, a Layer 3 bitstream access product. From November 1, 2016, a Layer 3 bitstream access (BSA) product will no longer be sufficient, instead we will have to offer a Layer 2 BSA product in these areas. However, the regulatory requirements for actual implementation will not be met until the reference offer of the Layer 2 BSA has been adjusted, which is expected to be completed in the fourth quarter of 2016.

On October 28, 2015, the Federal Network Agency issued the **regulatory order for the bitstream market**. In addition to the current ex-post regulation for Layer 3 BSA products, this order requires an ex-ante license for Layer 2 BSA products, although it does not require cost-based regulation of rates. The Federal Network Agency also regulates the offer terms and conditions for Layer 2 BSA products in a "reference offer procedure." It issued a provisional ruling in this regard at the start of April 2016. A final decision is expected in September 2016. In the first quarter of 2016, we submitted a rates proposal for the new Layer 2 BSA to the Federal Network Agency. The main rates applied for were the monthly charges for a VDSL end customer line and for the handover points on the Broadband Network Gateway (BNG). The preliminary decision in the rates approval proceedings was published on June 28, 2016. The Federal Network Agency has made adjustments to the amount and the price structure of the rates we have requested. The new rates have been provisionally approved until November 30, 2017. Final approval will be issued following the completion of the national and EU-wide consultation process. Provided the European Commission does not express any serious concerns, we expect final approval of the rates in the third quarter of 2016.

Federal Network Agency proceedings on MagentaZuhause Hybrid. Since the start of 2015, we have been offering MagentaZuhause Hybrid rate plans to retail customers that combine fixed-network capacities (DSL) with mobile communications (LTE) in a single access product on the basis of innovative network technology. In 2015, the Federal Network Agency rejected an application by 1&1 Telecom GmbH for us to provide a corresponding wholesale product. In the proceedings, the Federal Network Agency granted an "innovation-related competitive advantage" of one year. As such, renewed proceedings on the question of the wholesale obligation are to be expected in the second half of 2016. In January 2016, the Federal Network Agency began preliminary investigations in relation to the prices of MagentaZuhause Hybrid due to accusations made by 1&1, NetCologne, and M-net that the prices were allegedly too low. However, since the Agency found no basis for objection, these investigations were closed on March 10, 2016.

Applications for ULL monthly charges. On June 29, 2016, the Federal Network Agency published its final rulings for the monthly charges for unbundled local loop lines (ULLs) and for the related necessary passive infrastructure access products, which reduce the rates for the most important option, access to unbundled local loop lines up to the main distribution frame, by 1.7 percent compared with the previously approved rate, from EUR 10.19/month to EUR 10.02/month. The rental fees for cable ducts and dark fiber were also reduced substantially. The new rates took effect as of July 1, 2016.

Additional special taxes affecting our international subsidiaries. In addition to the already known special taxes, e.g., in Greece, Hungary, Romania, and Croatia, taxes of 5 percent on broadband Internet access and of 10 percent on pay TV were introduced in Greece as part of an additional package of measures.

AWARDING OF FREQUENCIES

The table below provides an overview of the main spectrum awards and auctions as well as license extensions in 2016 at our international subsidiaries and investments. It also indicates spectrum to be awarded in the near future in various countries.

Main spectrum awards

	Start of award	End of award	Frequency ranges (MHz)	Award process	Acquired spectrum (MHz)	Spectrum investment
Albania	Q1/2016	Q2/2016	2,100/2,600	Sealed bid[a] Sequential	No acquisition	–
Greece	Q3/2016	Q4/2016	1,800	Details tbd	tbd	tbd
United Kingdom	Q3/2016	Q4/2016	2,300/3,500	Auction (SMRA[b]) (expected)	tbd	tbd
Montenegro	Q3/2016	Q4/2016	800/900/ 1,800/2,100/2,600	Auction (CCA[c])	tbd	tbd
Netherlands	Q2/2014	Q1/2016	2,100	License extended until 2020	2x20	€ 24 million
Poland	Q1/2015	Q2/2016	800/2,600	Auction (SMRA[b])/ Sealed bid[a]	2x10/2x15	Approx. PLN 4 billion (around € 1.0 billion)
Slovakia	Q2/2016	Q3/2016	1,800	Auction (SMRA[b])	tbd	tbd
Slovakia	Q1/2016	Q2/2016	3,500	Sealed bid[a]	No acquisition	–
Czech Republic	Q2/2016	Q2/2016	1,800/2,600	Auction (SMRA[b])	2x10 + 25	€ 27 million
Czech Republic	Q3/2016	Q4/2016	3,700	Auction (SMRA[b]) (expected)	tbd	tbd
Czech Republic	Q4/2016	Q1/2017	900/1,800	Extension of licenses (expected)	tbd	tbd
Hungary	Q2/2016	Q2/2016	3,500/3,700	Sealed bid[a]	No acquisition	–
United States	Q3/2016	Q4/2016 (expected)	600	Incentive auction[d]	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.
[d] Quantity and prices of spectrum to be traded depends on spectrum surrendered by radio broadcasters.

DEVELOPMENT OF BUSINESS IN THE GROUP

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

In the first six months of the 2016 financial year, we generated net revenue of EUR 35.4 billion, an increase of EUR 1.2 billion or 3.4 percent compared with the same period in the prior year. The business development of our United States operating segment contributed substantially to this positive trend: T-Mobile US' successful Un-carrier initiatives gave a strong boost to the number of new customers and thus also to service revenues. Terminal equipment revenue continued to rise: On the one hand, customers increasingly chose to lease high-value terminal equipment in connection with the JUMP! On Demand business model introduced by T-Mobile US in June 2015. On the other hand, this model resulted in a decline in revenue from the sale of terminal equipment. In our home market of Germany, revenue decreased by 2.8 percent – primarily due to lower revenue from non-contract mobile devices. In the Europe operating segment, revenue also decreased by 2.8 percent against the first half of 2015, mainly as a result of the spin-off of the energy resale business in Hungary as of January 1, 2016. In addition, revenue continued to come under pressure from persistently intense competition in the telecommunications markets in our national companies, especially in the Netherlands. Revenue in our Systems Solutions operating segment was up 1.4 percent compared with the prior-year period, primarily due to the completion of the set-up phase of the toll collection system in Belgium in the first quarter of 2016. In our Group Headquarters & Group Services segment, revenue declined year-on-year, mainly on account of revenue lost in connection with the sale of our online platform t-online.de and our digital marketing company InteractiveMedia in November 2015 and the realignment of the Group Innovation+ unit.

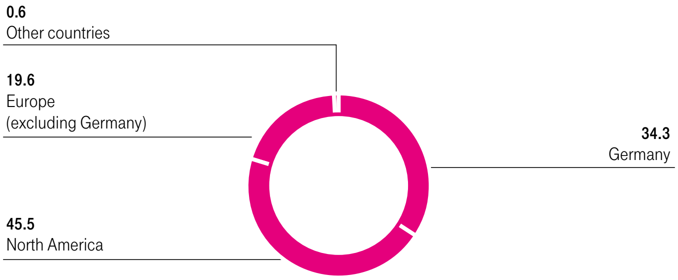
Excluding the negative exchange rate effects of EUR 0.1 billion in total – in particular from the translation of Polish zlotys and U.S. dollars into euros – and negative effects of changes in the composition of the Group of EUR 0.1 billion, revenue increased by EUR 1.4 billion or 4.2 percent. For details 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 19 et seq.

Contribution of the segments to net revenue
millions of €

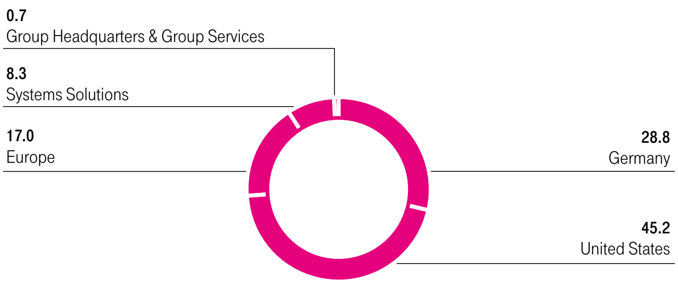
	Q1 2016	Q2 2016	Q2 2015	Change %	H1 2016	H1 2015	Change %	FY 2015
NET REVENUE	**17,630**	**17,817**	**17,428**	**2.2%**	**35,447**	**34,270**	**3.4%**	**69,228**
Germany	5,452	5,406	5,580	(3.1)%	10,858	11,169	(2.8)%	22,421
United States	7,816	8,196	7,443	10.1%	16,012	14,348	11.6%	28,925
Europe[a]	3,080	3,106	3,209	(3.2)%	6,186	6,366	(2.8)%	13,024
Systems Solutions[a]	2,045	2,009	2,073	(3.1)%	4,054	4,000	1.4%	8,194
Group Headquarters & Group Services	513	542	584	(7.2)%	1,055	1,149	(8.2)%	2,275
Intersegment revenue	(1,276)	(1,442)	(1,461)	1.3%	(2,718)	(2,762)	1.6%	(5,611)

[a] Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 46 and 47.

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, pages 46 and 47.

At 45.2 percent, our United States operating segment again provided the largest contribution to net revenue of the Group. This was an increase of 3.3 percentage points compared with the prior-year period, due in particular to ongoing strong customer additions. By contrast, the contributions by our other operating segments and the Group Headquarters & Group Services segment decreased. The proportion of net revenue generated internationally rose from 63.6 percent in the prior-year period to 65.7 percent.

EBITDA, ADJUSTED EBITDA

Excluding special factors, **adjusted EBITDA** increased year-on-year by EUR 1.0 billion to EUR 10.6 billion in the first half of 2016. This development was primarily driven by our United States operating segment, which recorded an increase in its adjusted EBITDA contribution of EUR 1.2 billion, mainly as a result of the continued success of the Un-carrier initiatives. The revenue effects from the JUMP! On Demand terminal equipment lease model also contributed to the increase in adjusted EBITDA as the related costs were depreciated over the lease term and thus were excluded from adjusted EBITDA. Adjusted EBITDA declined primarily in our Group Headquarters & Group Services segment, because it had benefited from a positive one-time effect in the first half of 2015. Exchange rate effects and effects from changes in the composition of the Group had only a minor impact on the development of adjusted EBITDA.

EBITDA increased substantially by EUR 3.7 billion year-on-year to EUR 12.4 billion; this included positive net special factors of EUR 1.7 billion, relating primarily to income of some EUR 2.5 billion from the sale of our stake in the EE joint venture on January 29, 2016. Income of EUR 0.4 billion was generated from an exchange of spectrum licenses between T-Mobile US and AT&T in March 2016. The sale of approximately 2.6 million shares in Scout24 AG that was consummated on April 18, 2016 generated income of around EUR 0.1 billion. Expenses incurred in connection with staff-related measures and non-staff-related restructuring expenses amounted to EUR 1.0 billion, up EUR 0.2 billion compared with the prior-year level. Furthermore, as in the same period in the prior year, expenses from the decommissioning of the MetroPCS CDMA network had an effect of around EUR 0.1 billion. 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 19 et seq.

Contribution of the segments to adjusted Group EBITDA
millions of €

	Q1 2016	Q2 2016	Q2 2015	Change %	H1 2016	H1 2015	Change %	FY 2015
EBITDA (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	**5,163**	**5,457**	**5,026**	**8.6%**	**10,620**	**9,600**	**10.6%**	**19,908**
Germany	2,180	2,225	2,224	0.0%	4,405	4,435	(0.7)%	8,790
United States	1,908	2,172	1,652	31.5%	4,080	2,877	41.8%	6,654
Europe[a]	986	1,038	1,081	(4.0)%	2,024	2,097	(3.5)%	4,329
Systems Solutions[a]	206	175	203	(13.8)%	381	348	9.5%	740
Group Headquarters & Group Services	(117)	(108)	(76)	(42.1)%	(225)	(98)	n.a.	(552)
Reconciliation	–	(45)	(58)	22.4%	(45)	(59)	23.7%	(53)

[a] Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 46 and 47.

EBIT

Group EBIT stood at EUR 6.1 billion, up EUR 2.8 billion against the prior-year period. This increase is due to the positive effects described under EBITDA, as well as an increase of EUR 0.9 billion in depreciation and amortization compared with the prior-year period, attributable to the the build-out of the 4G/LTE network and the launch of the JUMP! On Demand program in our United States operating segment in June 2015.

PROFIT BEFORE INCOME TAXES

Profit before income taxes also increased substantially year-on-year by EUR 3.0 billion to EUR 5.1 billion. In addition to the aforementioned effects, the reason for this increase is the EUR 0.2 billion improvement in the loss from financial activities, mainly due to remeasurement effects resulting from the subsequent measurement of embedded derivatives at T-Mobile US. On January 25, 2016, we received a final dividend of around EUR 0.2 billion in connection with the sale of our stake in the EE joint venture; in the prior-year period we recognized a dividend payment of EUR 0.4 billion.

NET PROFIT

Net profit increased by EUR 2.2 billion to EUR 3.7 billion. The tax expense for the current financial year amounted to EUR 1.0 billion, up EUR 0.5 billion compared with the same period in the prior year. For further information, please refer to the interim consolidated financial statements, page 45. Profit attributable to non-controlling interests increased compared with the prior-year period by EUR 0.3 billion. In our United States operating segment, the increase in profit attributable to non-controlling interests was driven by the positive business performance as well as in particular by the aforementioned remeasurement effect in profit/loss from financial activities.

Number of employees (at the reporting date)

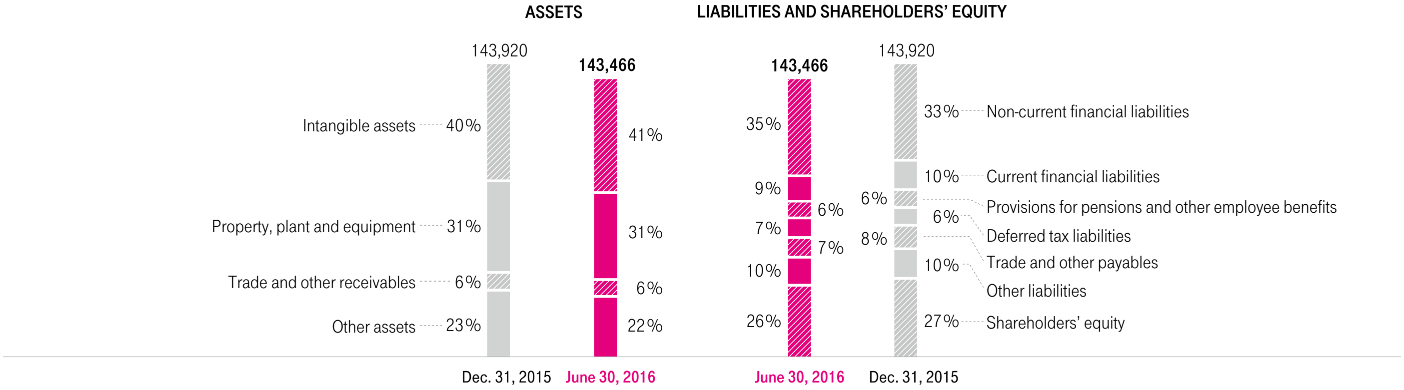
	June 30, 2016	Dec. 31, 2015
Germany	68,300	68,638
United States	43,541	44,229
Europe[a]	49,377	51,125
Systems Solutions[a]	43,586	44,504
Group Headquarters & Group Services	16,017	16,747
NUMBER OF EMPLOYEES IN THE GROUP	**220,821**	**225,243**
Of which: civil servants (in Germany, with an active service relationship)	17,789	18,483

[a] Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 46 and 47.

The Group's headcount decreased by 2.0 percent compared with the end of 2015. The headcount in the Germany operating segment decreased slightly by 0.5 percent. Measures to enhance efficiency, a slowdown in recruitment in the operating units, and higher take-up of early retirement for civil servants reduced the headcount in the Germany operating segment by 1.2 percent. As of January 1, 2016, 480 employees in the Systems Solutions operating segment were transferred to the Germany operating segment, bringing the reported reduction to 0.5 percent. The total number of employees in our United States operating segment fell by 1.6 percent at June 30, 2016 compared to December 31, 2015, due to a decrease in customer acquisition employees, partially offset by an increase in network and administrative employees. In our Europe operating segment, staff levels decreased by 3.4 percent compared with December 31, 2015, mainly as a result of efficiency enhancement measures in the operating segment, especially in Hungary, Poland, and Croatia. The headcount in our Systems Solutions operating segment declined by 2.1 percent, largely due to staff restructuring measures in Germany and abroad, and the relocation of 480 employees to the Germany operating segment. The number of employees in the Group Headquarters & Group Services segment was down by 4.4 percent compared with the end of 2015, mainly due to the continued staff restructuring.

FINANCIAL POSITION OF THE GROUP

Structure of the consolidated statement of financial position
millions of €



Total assets amounted to EUR 143.5 billion, down only slightly against December 31, 2015.

Intangible assets increased from EUR 57.0 billion to EUR 58.3 billion, mainly due to additions totaling EUR 4.2 billion. This includes among other factors EUR 1.1 billion for the purchase of spectrum licenses by T-Mobile US, in particular from the exchange of spectrum licenses with AT&T that was completed in March 2016. Furthermore, there were additions from the acquisition of spectrum licenses by T-Mobile US in January 2016 for around EUR 0.5 billion and by T-Mobile Polska for around EUR 0.5 billion. Carrying amounts also increased as a result of additions to advance payments and intangible assets under development totaling EUR 1.8 billion. These payments related to capital expenditure for network software in the United States operating segment and the spectrum licenses acquired by T-Mobile Polska as the second-highest bidder in June 2016. Negative exchange rate effects, primarily from the translation of U.S. dollars into euros, reduced the carrying amount by EUR 0.7 billion. Amortization of EUR 2.0 billion as well as the reclassification of assets worth EUR 0.3 billion to non-current assets and disposal groups held for sale also lowered the carrying amount.

Property, plant and equipment increased by EUR 0.3 billion compared to December 31, 2015 to EUR 44.9 billion. Additions of EUR 5.2 billion primarily in the United States and Germany operating segments increased the carrying amount. This also included EUR 0.9 billion of capitalized higher-priced mobile devices. These relate to the business model JUMP! On Demand introduced at T-Mobile US in June 2015 under which customers no longer purchase the device but lease it. By contrast, exchange rate effects, primarily from the translation of U.S. dollars into euros, reduced the carrying amount by EUR 0.3 billion. Depreciation charges of EUR 4.3 billion had a decreasing effect on the carrying amount, as did disposals of EUR 0.3 billion.

Trade and other receivables decreased by EUR 0.4 billion to EUR 8.8 billion. Factoring agreements concluded in the reporting period concerning monthly revolving sales of trade receivables due resulted in a reduction in receivables. Exchange rate effects, mainly from the translation of U.S. dollars into euros, likewise had a reducing effect. Receivables recognized in connection with the set-up phase of the electronic toll collection system in Belgium completed in the first half of 2016 and its transition to the operating phase had an offsetting effect.

As of June 30, 2016, **other assets** included the following significant effects: The decrease of EUR 6.5 billion in the carrying amounts of **assets and disposal groups held for sale** to EUR 0.5 billion mainly resulted from the sale of our stake in the EE joint venture, which was completed on January 29, 2016 and reduced the carrying amount by EUR 5.8 billion. In this context, exchange rate effects totaling EUR 0.2 billion from the translation of pounds sterling to euros also lowered the net carrying amount compared with December 31, 2015. In addition, in March 2016, a transaction was concluded between T-Mobile US and AT&T for the exchange of spectrum licenses. This also lowered the carrying amount by EUR 0.7 billion. By contrast, a transaction agreed between T-Mobile US and Sprint in the first quarter of 2016 for the exchange of spectrum licenses increased the carrying amount by EUR 0.3 billion. Overall, current and non-current **other financial assets** increased by EUR 4.1 billion compared with December 31, 2015 to EUR 13.4 billion. In return for our stake in the EE joint venture, we received a cash payment as well as a financial stake of 12.0 percent in BT. This addition increased the carrying amount by EUR 7.4 billion. The subsequent measurement of this exchange-traded financial stake resulted in a carrying amount as of June 30, 2016 of EUR 5.9 billion. A refundable deposit of around EUR 2.0 billion recorded at the reporting date in connection with a potential asset purchase in the United States and positive remeasurement effects of EUR 0.4 billion from embedded options in bonds issued by T-Mobile US also increased this item. U.S. government bonds with a volume of EUR 2.8 billion that fell due in the first half of 2016 reduced the carrying amount of other financial assets. The premature cancellation in June 2016 of interest rate derivatives with a fair value of EUR 0.6 billion likewise lowered the carrying amount. Accordingly, the settlement payment was presented under net cash from operating activities in the amount of EUR 0.3 billion and under net cash used in financing activities in the amount of EUR 0.3 billion.

Our current and non-current **financial liabilities** increased by EUR 0.6 billion compared with the end of 2015 to EUR 62.9 billion in total. On March 23, 2016, Deutsche Telekom International Finance B.V. with the guarantee of Deutsche Telekom AG issued a Eurobond of EUR 4.5 billion in three tranches under our debt issuance program: a four-year variable-interest tranche with a volume of EUR 1.25 billion and a mark-up of 35 basis points above the 3-month EURIBOR, a seven-year fixed-interest tranche with a volume of EUR 1.75 billion and a coupon of 0.625 percent, and a 12-year tranche with a volume of EUR 1.5 billion and a fixed coupon of 1.5 percent. On April 1, 2016, T-Mobile US issued Senior Notes with a total volume of USD 1.0 billion. T-Mobile US expects to use the net proceeds from this offering for the purchase of 700 MHz A-block spectrum and other spectrum purchases. Also in April 2016, Deutsche Telekom International Finance B.V. with the guarantee of Deutsche Telekom AG issued a Eurobond of EUR 0.5 billion under a debt issuance program. The issuance forms part of the Company's general corporate financing.

In the first six months of 2016, U.S. dollar bonds were repaid in the amount of USD 1.0 billion (around EUR 0.9 billion) and USD 1.25 billion (around EUR 1.1 billion), as were Eurobonds totaling EUR 0.9 billion, commercial paper in the amount of EUR 0.7 billion (net), and promissory notes in the amount of EUR 0.4 billion (net). The decrease in liabilities to banks of EUR 1.0 billion also reduced the carrying amount of the financial liabilities. In addition, exchange rate effects from the translation of U.S. dollars into euros reduced financial liabilities by around EUR 0.4 billion. For the other main effects on financial liabilities, please refer to net cash used in financing activities on pages 45 and 46 of the interim consolidated financial statements.

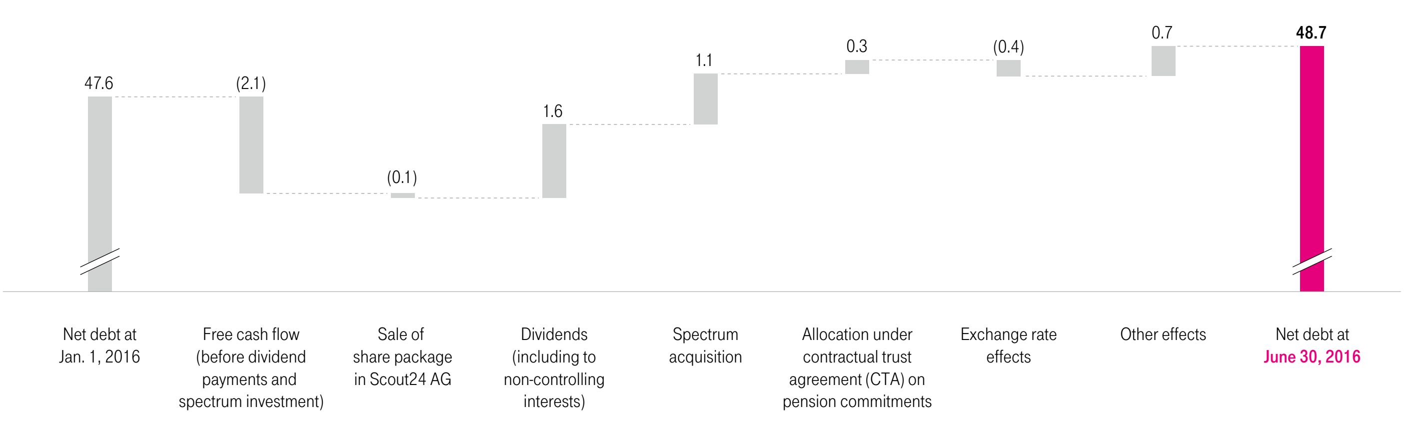
Deutsche Telekom AG issued an irrevocable and temporary loan commitment to T-Mobile US in March, and another in April 2016, each for up to another USD 2.0 billion (around EUR 1.8 billion) with no effect on financial liabilities.

The EUR 0.8 billion increase in **provisions for pensions and other employee benefits** to EUR 8.8 billion was mainly due to interest rate adjustments which resulted in an actuarial loss to be recognized directly in equity of EUR 1.1 billion (before taxes). An increase in the plan assets by EUR 0.3 billion in Germany in the first quarter of 2016 (allocation under contractual trust agreement) reduced the provisions for pensions and other employee benefits.

Trade and other payables decreased by EUR 1.6 billion compared with the end of 2015 to EUR 9.4 billion. Apart from the reduction in the portfolio of liabilities at the national companies of the Europe operating segment, in the Germany operating segment and at T-Mobile US, this decrease was also attributable to exchange rate effects from the translation of U.S. dollars into euros.

Shareholders' equity decreased by EUR 1.2 billion compared with December 31, 2015 to EUR 37.0 billion. Profit after taxes of EUR 4.1 billion had an increasing effect. This profit was was partially offset by currency translation effects recognized directly in equity of EUR 1.6 billion. As a result of the consummation of the sale of our stake in the EE joint venture on January 29, 2016, the gains of EUR 0.9 billion from the translation of pounds sterling into euros that had until this date been disclosed in shareholders' equity were reclassified through profit or loss to the consolidated income statement. Shareholders' equity was also reduced by losses of EUR 1.4 billion from the remeasurement of available-for-sale financial assets due to the subsequent measurement of our financial stake in BT, and EUR 0.7 billion from the recognition of actuarial losses (after taxes). Dividend payments for the 2015 financial year to Deutsche Telekom AG shareholders of EUR 2.5 billion and to non-controlling interests of EUR 0.1 billion also reduced equity. This was partially offset by a capital increase of EUR 1.0 billion involving the contribution of the dividend entitlements, in connection with the option granted to our shareholders to have their dividend entitlements converted into shares.

Changes in net debt
billions of €



Other effects of EUR 0.7 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," page 56 et seq.

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

	Q1 2016	Q2 2016	Q2 2015	Change %	H1 2016	H1 2015	Change %	FY 2015
CASH GENERATED FROM OPERATIONS	**4,497**	**4,513**	**4,521**	**(0.2)%**	**9,010**	**8,809**	**2.3%**	**17,496**
Interest received (paid)	(1,001)	(582)	(650)	10.5%	(1,583)	(1,630)	2.9%	(2,499)
NET CASH FROM OPERATING ACTIVITIES	**3,496**	**3,931**	**3,871**	**1.5%**	**7,427**	**7,179**	**3.5%**	**14,997**
Cash outflows for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment (CASH CAPEX)	(2,831)	(2,664)	(2,575)	(3.5)%	(5,495)	(5,105)	(7.6)%	(10,818)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	157	53	79	(32.9)%	210	166	26.5%	367
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)	**822**	**1,320**	**1,375**	**(4.0)%**	**2,142**	**2,240**	**(4.4)%**	**4,546**

Free cash flow. Free cash flow in the Group before dividend payments and spectrum investment decreased only slightly against the prior-year period to EUR 2.1 billion. On the one hand, net cash from operating activities increased by EUR 0.2 billion. On the other hand, cash outflows for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment also increased by EUR 0.4 billion.

The increase in net cash from operating activities was mainly attributable to the positive business development of the United States operating segment. During the reporting period, factoring agreements were concluded concerning monthly revolving sales of trade receivables. Compared with the prior-year period, factoring agreements resulted in positive effects of EUR 0.4 billion on net cash from operating activities. This mainly relates to factoring agreements in the United States and Germany operating segments. Cash inflows resulting from the cancellation of or changes in the terms of interest rate derivatives had a positive effect of EUR 0.2 billion compared with the prior-year period. An increase in cash outflows for staff-related restructuring and pensions of EUR 0.3 billion year-on-year had a negative impact on net cash from operating activities. In addition, a dividend payment from the former EE joint venture that was EUR 0.2 billion lower than in the previous year and a dividend of EUR 0.1 billion received from the Scout24 group in the prior year had a negative impact on net cash from operating activities.

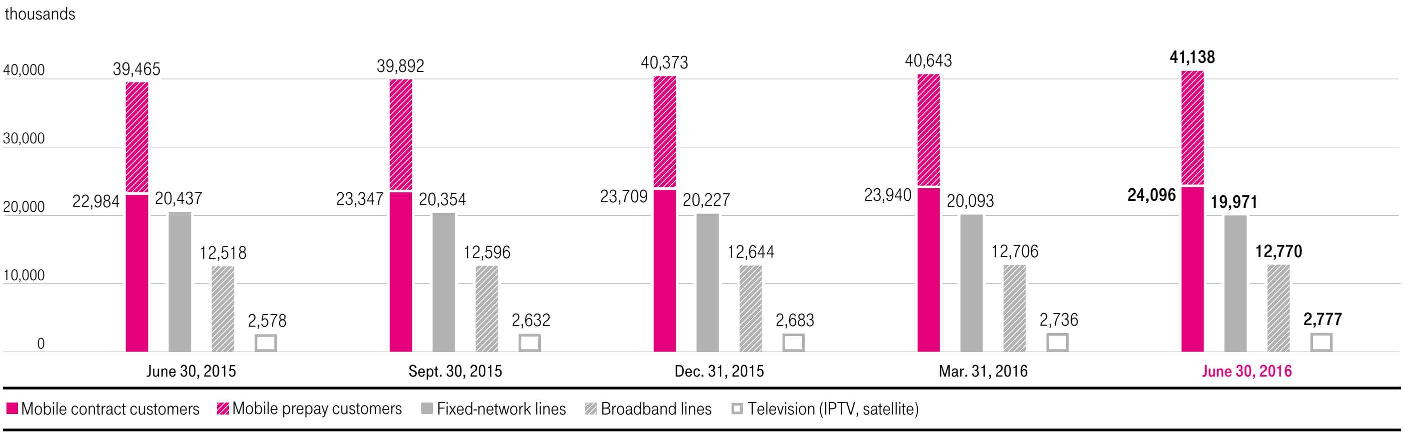
The increase in cash capex (excluding goodwill and before spectrum investment) compared with the prior-year period was mainly attributable to the United States operating segment in connection with the network modernization, including the roll-out of the 4G/LTE network.

For further information on the statement of cash flows, please refer to the interim consolidated financial statements, pages 45 and 46.

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS

GERMANY

CUSTOMER DEVELOPMENT



thousands

	June 30, 2016	Mar. 31, 2016	Change June 30, 2016/ Mar. 31, 2016 %	Dec. 31, 2015	Change June 30, 2016/ Dec. 31, 2015 %	June 30, 2015	Change June 30, 2016/ June 30, 2015 %
TOTAL							
Mobile customers	41,138	40,643	1.2 %	40,373	1.9 %	39,465	4.2 %
Contract customers	24,096	23,940	0.7 %	23,709	1.6 %	22,984	4.8 %
Prepay customers	17,042	16,703	2.0 %	16,665	2.3 %	16,482	3.4 %
Fixed-network lines	19,971	20,093	(0.6) %	20,227	(1.3) %	20,437	(2.3) %
Of which: retail IP-based	7,958	7,470	6.5 %	6,887	15.6 %	5,763	38.1 %
Broadband lines	12,770	12,706	0.5 %	12,644	1.0 %	12,518	2.0 %
Of which: optical fiber	3,577	3,286	8.9 %	2,923	22.4 %	2,365	51.2 %
Television (IPTV, satellite)	2,777	2,736	1.5 %	2,683	3.5 %	2,578	7.7 %
Unbundled local loop lines (ULLs)	7,648	7,867	(2.8) %	8,050	(5.0) %	8,432	(9.3) %
Wholesale unbundled lines	3,621	3,319	9.1 %	3,015	20.1 %	2,541	42.5 %
Of which: optical fiber	2,028	1,741	16.5 %	1,444	40.4 %	1,045	94.1 %
Wholesale bundled lines	192	206	(6.8) %	227	(15.4) %	268	(28.4) %
OF WHICH: CONSUMERS							
Mobile customers	28,996	28,856	0.5 %	29,016	(0.1) %	28,845	0.5 %
Contract customers	17,526	17,453	0.4 %	17,297	1.3 %	16,625	5.4 %
Prepay customers	11,470	11,403	0.6 %	11,719	(2.1) %	12,219	(6.1) %
Fixed-network lines	15,695	15,790	(0.6) %	15,900	(1.3) %	16,068	(2.3) %
Of which: retail IP-based	6,872	6,521	5.4 %	6,076	13.1 %	5,161	33.2 %
Broadband lines	10,302	10,257	0.4 %	10,209	0.9 %	10,093	2.1 %
Of which: optical fiber	3,080	2,841	8.4 %	2,530	21.7 %	2,046	50.5 %
Television (IPTV, satellite)	2,585	2,546	1.5 %	2,492	3.7 %	2,387	8.3 %
OF WHICH: BUSINESS CUSTOMERS							
Mobile customers	12,142	11,787	3.0 %	11,358	6.9 %	10,620	14.3 %
Contract customers	6,570	6,487	1.3 %	6,412	2.5 %	6,358	3.3 %
Prepay customers (M2M)	5,572	5,300	5.1 %	4,946	12.7 %	4,262	30.7 %
Fixed-network lines	3,288	3,311	(0.7) %	3,339	(1.5) %	3,352	(1.9) %
Of which: retail IP-based	1,025	897	14.3 %	773	32.6 %	572	79.2 %
Broadband lines	2,096	2,093	0.1 %	2,093	0.1 %	2,088	0.4 %
Of which: optical fiber	484	435	11.3 %	385	25.7 %	312	55.1 %
Television (IPTV, satellite)	190	189	0.5 %	190	–	189	0.5 %

Total

In Germany, we remain market leader, both in the fixed-network and mobile businesses. 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.

So far, we have won 2.5 million customers for our first integrated product, MagentaEins, comprising fixed-network and mobile components.

In mobile communications, we won another 765 thousand customers overall in the first half of 2016. Thanks to high demand for mobile rate plans with integrated data volumes, there was a positive development in the mobile contract customer base.

With our "network of the future," we provide state-of-the-art connection technology. By the end of 2018, we want to convert our entire network to IP technology. By the end of the first half of 2016, we had migrated 11.2 million retail and wholesale lines to IP, which corresponds to a migration rate of 47 percent.

We continued to record strong demand for our fiber-optic products: For example, the number of lines rose by almost 1.2 million in the first half of 2016 to a total of 5.6 million. Thus in the last twelve months, we have connected 2.2 million German households with optical fiber. With the progress in fiber-optic roll-out and innovative vectoring technology, we successfully drove forward the marketing of substantially higher bandwidths – and will continue to do so more and more in the future. With our contingent model, we continue to create incentives for the migration from traditional wholesale products – such as bundled wholesale lines or unbundled local loop lines (ULLs) – to higher-quality fiber-optic wholesale lines.

Mobile communications

We are generating momentum with our excellent network quality and our broad product portfolio for high-value contract customers. We offer our customers the best possible mobility, with an improved service package and transparent, fair offers. Our new MagentaMobil portfolio offers our customers wide-ranging benefits: more high-speed volumes, a HotSpot flat rate, and free roaming in other EU countries.

Since the end of 2015, we have won a total of 387 thousand new contract customers. In our branded contract customer business, we recorded 261 thousand additions under the Deutsche Telekom and congstar brands. The contract customer reseller business (service providers) recorded 98 thousand net additions.The number of prepay customers has increased by 377 thousand since the end of 2015, with the growth in business customers compensating for the reduction in the number of consumers.

Smartphones accounted for 92.0 percent of mobile devices sold. They were primarily Android and iOS devices (iPhones), with high-priced devices in particular demand.

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. The success bears us out: The number of broadband lines increased by 126 thousand compared with the end of the prior year. 21.7 percent of our broadband customers are TV customers; with 94 thousand TV customer additions in the first half of 2016 alone. In the traditional fixed network, the number of lines decreased by 256 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. Since we launched this innovative product Germany-wide in March 2015, we have won 233 thousand customers, primarily in rural areas.

We have also connected around 161 thousand apartments to our network through our partnerships in the housing sector.

Consumers
In the first half of 2016, the number of mobile customers remained at the prior-year level. The number of prepay customers decreased by 249 thousand, with some customers switching to our mobile contracts, for example to our cost-effective congstar rate plans. However, we added 229 thousand contract customers, with 103 thousand of these net additions under our own brands. The high acceptance of our MagentaMobil rate plans and the AllnetFlat rate plans at congstar in particular resulted in this contract customer growth. Contract customer reseller business (service providers) increased by 98 thousand from the start of the year.

In the fixed-network market, price and competitive pressure remain high. We migrated 796 thousand customers to IP-based lines in the first half of 2016. We won 93 thousand new TV customers compared with the end of 2015. Of the 10.3 million broadband lines, around 3.1 million customers use fiber-optic lines – an increase of 550 thousand in the first half of 2016 alone.

Business Customers
The positive trend in the Business Customers segment from the prior year continued: Since the beginning of the year, we have recorded 784 thousand mobile customer additions, 158 thousand of whom were high-value contract customers. In mobile Internet, customers are increasingly opting for plans with more bandwidth, in conjunction with higher-quality terminal equipment. We added 626 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. The number of fixed-network lines remained stable compared with the end of 2015 at 3.3 million. At 2.1 million, broadband lines also remained at the same level as at the end of 2015, with the number of fiber-optic lines increasing by 25.7 percent.

There was a positive trend in demand for IT cloud products, where we recorded revenue growth of 18.2 percent. We also recorded growth in new IP-based products from our DeutschlandLAN product range, such as IP Start and IP Voice/Data.

Wholesale
At the end of the first half of 2016, fiber-optic lines accounted for 17.7 percent of all lines – 4.9 percentage points higher than at the end of 2015. The strong growth in our wholesale unbundled lines by 606 thousand or 20.1 percent compared with the end of 2015 was primarily attributable to the strong demand as part of the contingent model. By contrast, the number of bundled wholesale lines decreased by 35 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 decreased by 402 thousand or 5.0 percent compared with year-end 2015. This is due first to the move to higher-quality fiber-optic wholesale 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 and in some cases also to mobile-based lines. The total number of lines in the wholesale sector increased slightly compared with the end of 2015 to 11.5 million.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2016	Q2 2016	Q2 2015	Change %	H1 2016	H1 2015	Change %	FY 2015
TOTAL REVENUE		5,452	5,406	5,580	(3.1)%	10,858	11,169	(2.8)%	22,421
Consumers		2,922	2,863	3,047	(6.0)%	5,785	6,084	(4.9)%	12,146
Business Customers		1,447	1,451	1,462	(0.8)%	2,898	2,946	(1.6)%	5,942
Wholesale		933	943	914	3.2%	1,876	1,826	2.7%	3,685
Other		150	149	157	(5.1)%	299	313	(4.5)%	648
Profit from operations (EBIT)		1,074	882	1,156	(23.7)%	1,956	2,346	(16.6)%	4,490
EBIT margin	%	19.7	16.3	20.7		18.0	21.0		20.0
Depreciation, amortization and impairment losses		(948)	(964)	(946)	(1.9)%	(1,912)	(1,881)	(1.6)%	(3,755)
EBITDA		2,022	1,846	2,102	(12.2)%	3,868	4,227	(8.5)%	8,245
Special factors affecting EBITDA		(158)	(379)	(122)	n. a.	(537)	(208)	n. a.	(545)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		2,180	2,225	2,224	0.0%	4,405	4,435	(0.7)%	8,790
EBITDA margin (adjusted for special factors)	%	40.0	41.1	39.9		40.5	39.7		39.2
CASH CAPEX		(908)	(909)	(2,622)	65.3%	(1,817)	(3,571)	49.1%	(5,609)

The Value-Added Services segment was dissolved as of January 1, 2016, and the revenue allocated to Consumers, Business Customers, and Other. Prior-year figures have been adjusted accordingly.

Total revenue

Revenue decreased by 2.8 percent compared with the prior-year period. This development was mainly driven by non-contract terminal equipment revenue in mobile business. Mobile business declined by 6.7 percent, due in particular to terminal equipment revenue. Increased IT revenues as well as the positive trend in wholesale and broadband had a positive impact on fixed-network revenue development. However, this was not sufficient to completely offset declines in other areas, such that revenue in the fixed-network business decreased by 1.2 percent.

Revenue from **Consumers** decreased by 4.9 percent year-on-year. Volume-related revenue decreases continued to dominate traditional fixed-network business, which declined by 2.0 percent, mainly due to lower variable charges and voice revenue. By contrast, revenue from broadband business increased by 1.7 percent. Mobile revenues decreased by 8.3 percent, driven mainly by the decline in terminal equipment business. Our mobile service revenues declined by 0.2 percent compared with the prior-year level, with the increase in service revenues under the congstar brand almost offsetting the decline in revenue from prepay business.

Revenue from **Business Customers** decreased by 1.6 percent, mainly due to falling mobile revenues, which were down 3.5 percent. This decrease was primarily driven by service revenues. Fixed-network revenue from traditional voice telephony also declined. By contrast, there was a positive trend in IT revenues; although this was not sufficient to offset the revenue losses from other areas.

Wholesale revenue was up 2.7 percent on the prior-year level, primarily due to higher revenue from unbundled lines, mainly as a result of the contingent model.

EBITDA, adjusted EBITDA

EBITDA adjusted for special factors decreased by 0.7 percent year-on-year in the first half of 2016 to EUR 4.4 billion, due entirely to lower revenue, which was almost offset by efficiency enhancement measures in all functions. With an adjusted EBITDA margin of 40.5 percent, we are at our expected target level. EBITDA amounted to EUR 3.9 billion in the reporting period, a decline of 8.5 percent against the prior-year period, due mainly to higher special factors for expenses in connection with our staff restructuring. The take-up of the instrument of early retirement for civil servants in particular is substantially higher in 2016, resulting in a lower headcount overall.

EBIT

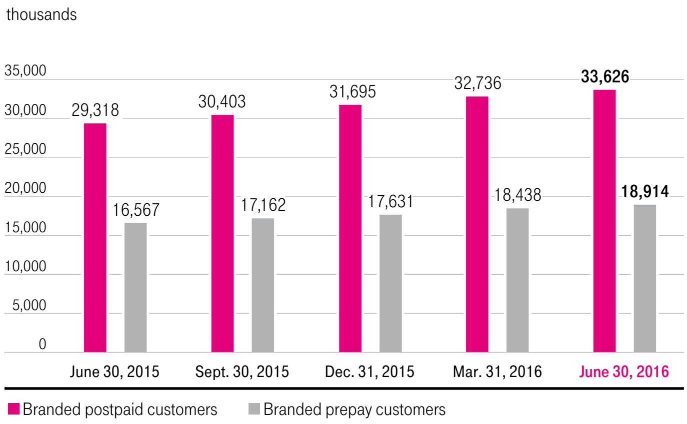
Profit from operations decreased by 16.6 percent year-on-year to EUR 2.0 billion. This was mainly attributable to higher expenses incurred in connection with staff-related measures. EBIT was also reduced by a slight increase in depreciation, amortization and impairment losses.

Cash capex

Cash capex was down EUR 1.8 billion compared with the first half of 2015, due in particular to the acquisition of spectrum at auction in June 2015. Excluding spectrum investment, cash capex was down EUR 0.2 billion year-on-year, due to purely seasonal effects.

We again made significant investments in the vectoring and fiber-optic cable roll-out, our IP transformation, and our LTE infrastructure as part of our integrated network strategy.

UNITED STATES
CUSTOMER DEVELOPMENT



thousands

	June 30, 2016	Mar. 31, 2016	Change June 30, 2016/ Mar. 31, 2016 %	Dec. 31, 2015	Change June 30, 2016/ Dec. 31, 2015 %	June 30, 2015	Change June 30, 2016/ June 30, 2015 %
UNITED STATES							
Mobile customers	67,384	65,503	2.9 %	63,282	6.5 %	58,908	14.4 %
Branded customers	52,540	51,174	2.7 %	49,326	6.5 %	45,885	14.5 %
Branded postpaid	33,626	32,736	2.7 %	31,695	6.1 %	29,318	14.7 %
Branded prepay	18,914	18,438	2.6 %	17,631	7.3 %	16,567	14.2 %
Wholesale customers	14,844	14,329	3.6 %	13,956	6.4 %	13,023	14.0 %

At June 30, 2016, the United States operating segment (T-Mobile US) had 67.4 million customers compared to 63.3 million customers at December 31, 2015. Net customer additions were 4.1 million for the six months ended June 30, 2016, compared to 3.9 million net customer additions for the six months ended June 30, 2015 due to the factors described below.

Branded customers. Branded postpaid net customer additions were 1,931 thousand for the six months ended June 30, 2016, compared to 2,133 thousand branded postpaid net customer additions for the six months ended June 30, 2015. Branded postpaid net customer additions remained strong for the six months ended June 30, 2016 driven by strong customer response to T-Mobile US' continued Un-carrier initiatives, ongoing network improvements and promotional activities. Branded postpaid net customer additions for the six months ended June 30, 2016 were lower compared to the six months ended June 30, 2015, as a lower branded postpaid churn rate was more than offset by a growing branded postpaid customer base resulting in higher deactivations.

Branded prepay net customer additions were 1,283 thousand for the six months ended June 30, 2016, compared to 251 thousand branded prepay net customer additions for the six months ended June 30, 2015. The increase was primarily attributable to the success of the MetroPCS brand promotional activities and continued growth in new markets.

Wholesale customers. Wholesale net customer additions were 888 thousand for the six months ended June 30, 2016, compared to wholesale net customer additions of 1,506 thousand for the six months ended June 30, 2015. The decrease was primarily attributable to higher MVNO deactivations resulting from a growing customer base and lower MVNO gross customer additions.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2016	Q2 2016	Q2 2015	Change %	H1 2016	H1 2015	Change %	FY 2015
TOTAL REVENUE		7,816	8,196	7,443	10.1 %	16,012	14,348	11.6 %	28,925
Profit from operations (EBIT)		956	821	728	12.8 %	1,777	1,001	77.5 %	2,454
EBIT margin	%	12.2	10.0	9.8		11.1	7.0		8.5
Depreciation, amortization and impairment losses		(1,312)	(1,302)	(853)	(52.6) %	(2,614)	(1,691)	(54.6) %	(3,775)
EBITDA		2,268	2,123	1,581	34.3 %	4,391	2,692	63.1 %	6,229
Special factors affecting EBITDA		360	(49)	(71)	31.0 %	311	(185)	n. a.	(425)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		1,908	2,172	1,652	31.5 %	4,080	2,877	41.8 %	6,654
EBITDA margin (adjusted for special factors)	%	24.4	26.5	22.1		25.5	20.0		23.0
CASH CAPEX		(1,756)	(1,251)	(1,230)	(1.7) %	(3,007)	(3,959)	24.0 %	(6,381)

Total revenue

Total revenue for the United States operating segment of EUR 16.0 billion in the first half of 2016 increased by 11.6 percent compared to EUR 14.3 billion in the first half of 2015. In U.S. dollars, T-Mobile US' total revenues increased by 11.8 percent year-on-year due primarily to service revenue growth resulting from increases in the customer base from the strong customer response to T-Mobile US' Un-carrier initiatives, the success of promotional activities and continued growth in new markets. Equipment revenues increased due primarily to higher lease revenues resulting from the launch of the JUMP! On Demand program at the end of the second quarter of 2015. With JUMP! On Demand, revenues associated with leased devices are recognized over the term of the lease rather than when the device is delivered to the customer. The increase in equipment revenues was partially offset by a lower average revenue per device sold and also a decline in the number of devices sold primarily due to promotions for devices and the impact of JUMP! On Demand.

EBITDA, adjusted EBITDA, adjusted EBITDA margin

Adjusted EBITDA increased by 41.8 percent to EUR 4.1 billion in the first half of 2016, compared to EUR 2.9 billion in the first half of 2015. In U.S. dollars, adjusted EBITDA increased by 42.7 percent in the first half of 2016, compared to the first half of 2015. Adjusted EBITDA was positively impacted by increased branded postpaid and prepay service revenues resulting from strong customer response to T-Mobile US' Un-carrier initiatives and the ongoing success of promotional activities. Lower losses on equipment sales were driven by the impact of customers leasing devices with JUMP! On Demand as the related costs of leased devices are capitalized and depreciated over the lease term and are excluded from adjusted EBITDA. Additionally, focused cost control and synergies realized from the decommissioning of the MetroPCS CDMA network contributed to the adjusted EBITDA increase during the first half of 2016. These effects were partially offset by an increase in costs to support T-Mobile US' growing total customer base, including higher employee-related costs, higher commissions driven by an increase in T-Mobile US' branded customer additions, and higher promotional costs. The adjusted EBITDA margin increased to 25.5 percent in the first half of 2016, compared to 20.0 percent in the first half of 2015 due to the factors described above.

Adjusted EBITDA in the first half of 2016 excludes EUR 0.3 billion of special factors primarily related to a non-cash gain from a spectrum license transaction with AT&T, partially offset by costs relating to the decommissioning of the MetroPCS CDMA network and stock-based compensation costs. Overall, EBITDA increased to EUR 4.4 billion in the first half of 2016, compared to EUR 2.7 billion in the first half of 2015 due to the factors described above, including the impact of special factors.

EBIT

EBIT increased to EUR 1.8 billion in the first half of 2016, compared to EUR 1.0 billion in the first half of 2015. This was driven by higher adjusted EBITDA, partially offset by higher depreciation expense. Depreciation related to devices leased under T-Mobile US' JUMP! On Demand program launched at the end of the second quarter of 2015, as well as an increase from the build-out of T-Mobile US' 4G/LTE network, resulted in increased depreciation expense in the first half of 2016.

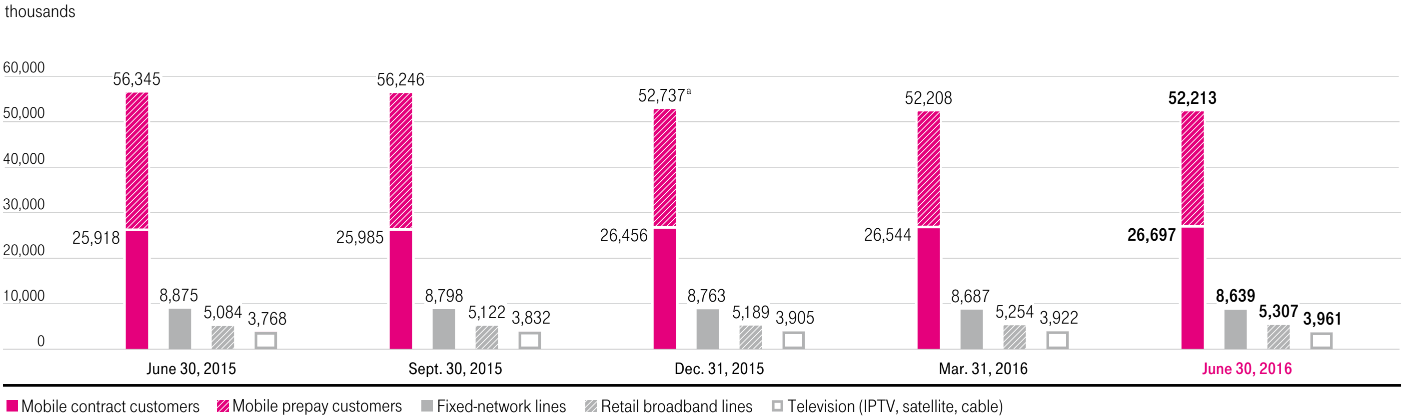
Cash capex

Cash capex decreased to EUR 3.0 billion in the first half of 2016, compared to EUR 4.0 billion in the first half of 2015, due primarily to EUR 2.1 billion of spectrum licenses acquired primarily through the U.S. FCC auction in January 2015 offset by payments of EUR 0.6 billion for the acquisition of spectrum licenses during the first half of 2016 as T-Mobile US continues to invest in network capex for the build-out of the 4G/LTE network.

EUROPE

CUSTOMER DEVELOPMENT

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 46 and 47.



[a] In the fourth quarter of 2015, the number of mobile customers in Poland decreased by 3,838 thousand in connection with the deactivation of inactive prepaid SIM cards.

thousands

		June 30, 2016	Mar. 31, 2016	Change June 30, 2016/ Mar. 31, 2016 %	Dec. 31, 2015	Change June 30, 2016/ Dec. 31, 2015 %	June 30, 2015	Change June 30, 2016/ June 30, 2015 %
EUROPE, TOTAL[a]	Mobile customers	52,213	52,208	0.0 %	52,737	(1.0) %	56,345	(7.3) %
	Fixed-network lines	8,639	8,687	(0.6) %	8,763	(1.4) %	8,875	(2.7) %
	Of which: IP-based	4,514	4,261	5.9 %	4,132	9.2 %	3,805	18.6 %
	Retail broadband lines	5,307	5,254	1.0 %	5,189	2.3 %	5,084	4.4 %
	Television (IPTV, satellite, cable)	3,961	3,922	1.0 %	3,905	1.4 %	3,768	5.1 %
	Unbundled local loop lines (ULLs)/ wholesale PSTN	2,239	2,242	(0.1) %	2,239	–	2,257	(0.8) %
	Wholesale bundled lines	124	122	1.6 %	121	2.5 %	126	(1.6) %
	Wholesale unbundled lines	227	215	5.6 %	199	14.1 %	167	35.9 %
GREECE	Mobile customers	7,610	7,477	1.8 %	7,399	2.9 %	7,387	3.0 %
	Fixed-network lines	2,576	2,583	(0.3) %	2,586	(0.4) %	2,591	(0.6) %
	Broadband lines	1,611	1,574	2.4 %	1,531	5.2 %	1,448	11.3 %
ROMANIA	Mobile customers	5,909	5,934	(0.4) %	5,992	(1.4) %	6,015	(1.8) %
	Fixed-network lines	2,029	2,055	(1.3) %	2,091	(3.0) %	2,153	(5.8) %
	Broadband lines	1,204	1,204	–	1,186	1.5 %	1,186	1.5 %
HUNGARY	Mobile customers	5,344	5,372	(0.5) %	5,504	(2.9) %	5,476	(2.4) %
	Fixed-network lines	1,655	1,659	(0.2) %	1,674	(1.1) %	1,671	(1.0) %
	Broadband lines	1,035	1,028	0.7 %	1,023	1.2 %	1,000	3.5 %
POLAND[a]	Mobile customers	11,635	11,821	(1.6) %	12,056	(3.5) %	15,827	(26.5) %
	Fixed-network lines	18	18	–	18	–	18	–
	Broadband lines	15	17	(11.8) %	15	–	13	15.4 %
CZECH REPUBLIC	Mobile customers	6,008	6,024	(0.3) %	6,019	(0.2) %	5,996	0.2 %
	Fixed-network lines	140	141	(0.7) %	154	(9.1) %	152	(7.9) %
	Broadband lines	133	133	–	134	(0.7) %	143	(7.0) %
CROATIA	Mobile customers	2,246	2,206	1.8 %	2,233	0.6 %	2,241	0.2 %
	Fixed-network lines	1,009	1,012	(0.3) %	1,004	0.5 %	1,038	(2.8) %
	Broadband lines	762	749	1.7 %	741	2.8 %	733	4.0 %
NETHERLANDS	Mobile customers	3,671	3,668	0.1 %	3,677	(0.2) %	3,689	(0.5) %
SLOVAKIA	Mobile customers	2,227	2,231	(0.2) %	2,235	(0.4) %	2,196	1.4 %
	Fixed-network lines	848	851	(0.4) %	855	(0.8) %	864	(1.9) %
	Broadband lines	618	609	1.5 %	599	3.2 %	578	6.9 %
AUSTRIA	Mobile customers	4,275	4,221	1.3 %	4,323	(1.1) %	3,934	8.7 %
OTHER[b]	Mobile customers	3,287	3,255	1.0 %	3,299	(0.4) %	3,585	(8.3) %
	Fixed-network lines	365	367	(0.5) %	381	(4.2) %	389	(6.2) %
	Broadband lines	284	283	0.4 %	285	(0.4) %	291	(2.4) %

[a] In the fourth quarter of 2015, the number of mobile customers in Poland decreased by 3,838 thousand in connection with the deactivation of inactive prepaid SIM cards.
[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

The national companies of our Europe operating segment once again had to face the challenge of a highly competitive market environment in the first half of 2016. We completed the launch of our convergent product portfolio MagentaOne in all our integrated national companies. As of June 30, 2016, we had around 1.1 million FMC customers – 19.2 percent more than a year earlier. One key success factor of our convergent product portfolio is the joint marketing of fixed-network and mobile communications for a seamless telecommunications experience. The TV business in particular is a guarantee for success in this regard. The key to this successful marketing is, on the one hand, the wide variety of our TV services and, on the other, the provision of high bandwidths, which we achieve through a mix of technologies depending on the telecommunications infrastructure available in each of our national companies. For this reason, we are systematically driving forward the roll-out of fast, fiber-optic lines (FTTH, FTTB and FTTC) in the fixed network. In mobile communications, we can already offer our customers in a number of countries transmission rates of up to 375 Mbit/s via LTE Advanced/4G+. As part of our pan-European network strategy, we also increased the number of IP lines – primarily thanks to the successful migration from traditional PSTN lines to IP technology.

We also aim to be the best integrated provider around the globe for our customers with regard to the Internet of Things (IoT). In machine-to-machine (M2M) communications, we offer customer-oriented solution components along the value chain. Here, we benefit from the solutions and integration expertise of T-Systems, a strong partner network, and the commencing implementation of our Smart Cities strategy.

Mobile communications
As of June 30, 2016, we had a total mobile customer base of 52.2 million, a slight decline of 1.0 percent compared with the end of 2015, mainly due to customer losses in the prepay segment. There is intense competition in the prepay business in our European mobile markets due in particular to aggressive MVNO pricing. As a result of our strategy of focusing on high-value contract customers, there was slight growth in this business of 0.9 percent. The number of contract customers increased compared with year-end 2015 to 26.7 million. Many of our national companies contributed to this result, in particular Austria, the Netherlands, and Romania. At the end of the second quarter of 2016, contract customers accounted for 51.1 percent of the total customer base.

This success is attributable to our high-performance networks. 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. This is borne out by regular independent mobile communications tests – including Best in Test from P3 Communications, which distinguished our national companies in the Netherlands, the F.Y.R.O. Macedonia, and Montenegro. Part of our network strategy is to systematically build out our mobile networks with 4G/LTE technology, to increase transmission rates in all our national companies. Thanks to investments in our 4G/LTE network, our customers enjoy better network coverage with fast mobile broadband. As of the end of the first half of 2016, we already covered 75 percent of the population in the countries of our operating segment with LTE, thus reaching more than 97 million people in total. By 2018, we want to achieve total network coverage of between 75 and 95 percent. Not only the high level of data volumes used, but also the sales figures for mobile devices prove that our customers actually use these high bandwidths, with smartphones accounting again for a high proportion – 79 percent – of all devices sold in the first half of 2016.

Fixed network
Our TV and entertainment offerings have evolved into an important pillar of the consumer business, which is why we continuously invest in improving our entertainment services. This entails, on the one hand, a portfolio with an impressive selection of film, sports, and TV content. However, we are also working hard on providing services that our customers can use in high quality – anywhere and on all devices. Since April of this year, our customers in Greece, for example, have been benefiting from a new hybrid TV service that combines the advantages of satellite TV and IPTV. Our customers endorse our innovations: In the first half of 2016, the number of TV customers increased slightly year-on-year by 1.4 percent to 4.0 million; compared with the first six months of 2015, the number of TV customers increased by as much as 5.1 percent. The majority of the 193 thousand net additions 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 (FMC) and are offering the convergent product MagentaOne to customers in all our integrated countries with great success. As of June 30, 2016, we had won some 1.1 million FMC customers, an increase of 19.2 percent. Greece, Romania, and Croatia in particular contributed to this growth. After focusing on the consumer segment, we are now also extending the MagentaOne offering to the business customer segment: As of the second quarter of 2016, we now also offer MagentaOne Business in Slovakia and Hungary – in addition to Romania, the F.Y.R.O. Macedonia, Croatia, and Greece. The technical basis for FMC products is a simplified and standardized network; this requires the national companies with a fixed-network architecture to migrate to IP technology. As of June 30, 2016, we recorded 4.5 million IP-based lines – an increase of 9.2 percent compared with the end of 2015. At segment level, IP-based lines accounted for 52.3 percent of all lines. The successful completion of IP migration in Slovakia and the F.Y.R.O. Macedonia in 2014 was followed by Montenegro and Croatia in 2015. The conversion to IP technology in Hungary was already well advanced as of June 30, 2016; we expect the migration of PSTN lines to be completed by the end of the year. As of the end of the reporting period, 8.6 million customers in our Europe operating segment were using a fixed-network line, 1.4 percent fewer than at the end of 2015. The main reason for this decline is line losses in traditional telephony (PSTN).

The number of retail broadband lines continued to grow apace, increasing by 2.3 percent in the first half of 2016 to 5.3 million lines, up 4.4 percent compared with the prior-year period. Thanks to the high proportion of DSL technology in the last few quarters, the number of broadband lines has grown steadily. Our commitment to invest more in fiber-optic-based lines in the integrated countries of our operating segment is being well received by customers: In the first half of 2016, we generated strong double-digit growth compared with the end of 2015. Household coverage with optical fiber increased again overall, reaching 21.4 percent as of the reporting date. By 2018, we want 50 percent of households in our integrated national companies to have access to fiber-optic lines (FTTx), i.e., transmission rates of up to 100 Mbit/s.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2016	Q2 2016	Q2 2015	Change %	H1 2016	H1 2015	Change %	FY 2015
TOTAL REVENUE		3,080	3,106	3,209	(3.2)%	6,186	6,366	(2.8)%	13,024
Greece		685	701	704	(0.4)%	1,386	1,396	(0.7)%	2,878
Romania		234	242	241	0.4%	476	482	(1.2)%	984
Hungary		403	408	453	(9.9)%	811	898	(9.7)%	1,848
Poland		378	343	385	(10.9)%	721	767	(6.0)%	1,544
Czech Republic		229	233	231	0.9%	462	457	1.1%	958
Croatia		220	230	222	3.6%	450	433	3.9%	909
Netherlands		324	319	362	(11.9)%	643	708	(9.2)%	1,394
Slovakia		187	186	185	0.5%	373	372	0.3%	783
Austria		208	208	205	1.5%	416	402	3.5%	829
Other[a]		270	293	271	8.1%	563	550	2.4%	1,136
Profit from operations (EBIT)		326	377	391	(3.6)%	703	717	(2.0)%	1,476
EBIT margin	%	10.6	12.1	12.2		11.4	11.3		11.3
Depreciation, amortization and impairment losses		(636)	(639)	(626)	(2.1)%	(1,275)	(1,262)	(1.0)%	(2,632)
EBITDA		962	1,016	1,017	(0.1)%	1,978	1,979	(0.1)%	4,108
Special factors affecting EBITDA		(24)	(22)	(64)	65.6%	(46)	(118)	61.0%	(221)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		986	1,038	1,081	(4.0)%	2,024	2,097	(3.5)%	4,329
Greece		267	268	267	0.4%	535	530	0.9%	1,118
Romania		38	38	49	(22.4)%	76	104	(26.9)%	205
Hungary		126	144	145	(0.7)%	270	260	3.8%	526
Poland		120	100	145	(31.0)%	220	275	(20.0)%	580
Czech Republic		99	100	96	4.2%	199	185	7.6%	390
Croatia		82	95	90	5.6%	177	171	3.5%	367
Netherlands		88	102	124	(17.7)%	190	257	(26.1)%	500
Slovakia		78	79	76	3.9%	157	149	5.4%	296
Austria		69	70	66	6.1%	139	131	6.1%	259
Other[a]		20	42	19	n. a.	62	32	93.8%	88
EBITDA margin (adjusted for special factors)	%	32.0	33.4	33.7		32.7	32.9		33.2
CASH CAPEX		(1,009)	(391)	(303)	(29.0)%	(1,400)	(801)	(74.8)%	(1,667)

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

[a] Other: national companies of 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, Group Technology, and Pan-Net.

Total revenue

Our Europe operating segment generated total revenue of EUR 6.2 billion in the first half of 2016, a year-on-year decrease of 2.8 percent. In organic terms, i.e., excluding the spin-off of the energy resale business in Hungary as of January 1, 2016 and assuming constant exchange rates, segment revenue decreased only slightly by 0.8 percent. Excluding the development of business in the Netherlands, organic revenue in the Europe operating segment would in fact have increased by 0.3 percent on the prior-year level.

Decisions by regulatory authorities continued to put pressure on our organic revenue in the first half of 2016 due to reduced mobile termination rates, especially in Hungary. Intense competition on the telecommunications markets of our national companies also had a negative impact.

The decline in revenue at segment level was mitigated by the strategic growth areas, where revenue increased by 4.5 percent. Thus the growth areas accounted for 30.3 percent of segment revenue. Revenue from mobile data business increased by 5.3 percent compared with the prior-year period to EUR 880 million. Most countries of our operating segment made a contribution to this growth, especially the Czech Republic, Austria, and Hungary. The majority of absolute revenue growth from mobile data business was attributable to consumers. Attractive rate plans combined with a broad portfolio of terminal equipment resulted in a substantial increase in the usage of data services, especially by contract customers. Thanks to our innovative TV and program management, the TV business continued its upward trend of the past few quarters: In the first half of 2016, TV revenue increased by 11.6 percent and accounted for some 28 percent of the revenue increases generated in the growth areas. The B2B/ICT business with business customers also recorded year-on-year growth in revenue in the first half of the year, thanks to the expanded product and service portfolio, as well as to the acquisition of the GTS Central Europe group in 2014. We are already growing faster than the market in the area of the B2B cloud, where we are profiting from the systematic exchange of cloud best practices between our national companies and the Systems Solutions segment, enabling us to better exploit growth opportunities in the local markets.

In addition to the growth areas, we recorded increases in revenue both in wholesale business and in sales of mobile terminal equipment.

Considered by country, the organic revenue trend was hit hardest by the decline in operations in the Netherlands in the first half of 2016. In particular, competition-driven price reductions, especially in consumer business, had a negative impact on service revenues. Slight increases in visitor revenues (revenues from third parties for roaming in our home network) made a positive contribution to revenue. At the end of May 2016, we launched our new marketing campaign under the name Live Forward. Our varied range of products and services is to convince our customers to make the most of the opportunities a digital lifestyle offers them.

Romania and Greece also recorded revenue losses on an organic basis. In Romania, the fixed-network business declined primarily due to lower revenue from voice telephony and the B2B/ICT business, which was only partially offset by growth in the mobile business. In Greece, the mobile business declined compared with the first six months of the prior year. The national companies in Austria, Hungary, and Croatia in particular made positive contributions to organic segment revenue, thereby almost offsetting the declines.

EBITDA, adjusted EBITDA

Our Europe operating segment generated adjusted EBITDA of EUR 2.0 billion in the first half of 2016, a year-on-year decrease of 3.5 percent. In organic terms, i.e., excluding the spin-off of the energy resale business in Hungary as of January 1, 2016 and assuming constant exchange rates, adjusted EBITDA decreased by 2.6 percent. Excluding the development of business in the Netherlands, organic adjusted EBITDA in the Europe operating segment would in fact have increased slightly by 0.7 percent.

Adjusted EBITDA was impacted, on the one hand, by the overall decrease in revenue at segment level and, on the other, by the increase in direct costs, partly due to higher interconnection costs. Changes in legislation, e.g., taxes and duties, national austerity programs, as in Greece for example, and regulatory decisions put additional pressure on our earnings. We were only partially able to offset these negative effects by slightly reducing indirect costs.

Considering adjusted EBITDA by country, the decline was attributable to the Netherlands, Poland, Romania, and the Greek mobile operations. By contrast, the adjusted EBITDA generated in Hungary and the Czech Republic in particular, as well as in the fixed-network business in Greece, increased.

At EUR 2.0 billion, EBITDA remained at the prior-year level, with two effects offsetting each other. In the prior-year period, EBITDA was impacted by higher negative special effects: in particular in Greece, due to expenses for staff-related measures, primarily in the fixed-network business, and Slovakia, due to the expense to settle a claim for damages against Slovak Telekom. This effect was offset by the mainly revenue-related decrease in adjusted EBITDA in the first half of 2016.

Development of operations in selected countries

With our aim of becoming the leading European telecommunications provider, the majority of our national companies are pursuing the strategy of developing into integrated all-IP players that provide the 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, the best network access, and optimized processes and customer interfaces. Most of our national companies already operate in both fixed-network and mobile communications in their respective markets. We present the following three national companies by way of example:

Greece. In Greece, revenue stood at EUR 1.4 billion, more or less on a par with the prior-year level. The still strained economic situation, the intensely competitive environment, and the new tax legislation had a negative impact on mobile revenue overall. Declining revenue in voice telephony in particular impacted negatively on service revenues. The main reason was a decline in the use of voice services. Despite strong growth in data business as a result of an increase in the data volume, the decline in voice telephony was only partially offset. Revenue from the sale of mobile terminal equipment also decreased compared with the prior-year period.

The revenue increase in the fixed-network business almost completely offset the revenue decline from mobile business. The TV business in particular proved to be a steady growth driver, with revenue increasing significantly by some 50 percent compared with the first half of 2015. The successful launch of the FMC product CosmoteOne also contributed to this growth. We continued our range of innovative TV services in the second quarter of 2016. Revenue from broadband-only business also profited from the increase in DSL lines. In addition, the business customer segment B2B/ICT made a significant positive contribution to fixed-network revenue with double-digit growth, which overall offset the negative effects from the decline in voice telephony.

In the first half of 2016, adjusted EBITDA in Greece totaled EUR 535 million, up a moderate 0.9 percent against the prior-year period, due to savings in both direct and indirect costs. The latter mainly relate to lower personnel costs.

Hungary. In Hungary, revenue decreased by 9.7 percent year-on-year to EUR 811 million. Excluding the spin-off of the energy resale business and assuming constant exchange rates, revenue increased slightly by 1.9 percent on an organic basis. This growth is largely attributable to the positive trend in fixed-network business, especially due to the increase in revenue from broadband and TV business. Broadband and TV business accounted for 48 percent of total fixed-network revenue in the first half of 2016. The number of broadband lines increased gradually. Our TV business also profited from this, attracting customers with its innovative services across all screens. Furthermore, the successful start of MagentaOne last year made a positive contribution. Since June 2016, we have also been offering this service to our business customers. Thanks to these positive contributions, we more than offset the revenue declines in both traditional telephony and the business customer segment B2B/ICT.

Mobile revenues remained stable at the prior-year level. The decline in service revenues, especially in voice telephony, is due almost entirely to lower termination charges as a result of mobile regulation. The positive trend in business with mobile data revenue continued in the first half of 2016 with an increase of 9.7 percent, thus partially offsetting the revenue declines. This positive development is, among other factors, the result of our high-speed mobile network and the huge reach. Furthermore, we successfully marketed innovative products, which is reflected both in the usage behavior of our customers and by the fact that smartphones accounted for a high proportion of all terminal devices sold. This can also be seen in terminal equipment revenue.

Adjusted EBITDA increased by 3.8 percent year-on-year in the first half of 2016 to EUR 270 million. In organic terms, adjusted EBITDA grew by as much as 7.1 percent.

Austria. In Austria, we generated revenue of EUR 416 million in the first half of 2016, up 3.5 percent compared with the same six months of the prior year. This rise is largely attributable to higher revenue from mobile data business, which increased as a percentage of total revenues thanks to continued strong growth in the number of contract customers. Revenue from voice telephony remained stable compared with the prior-year period, while revenue from the SMS business decreased. In particular, the successful launch of the new rate plan model last year, as well as high demand for smartphones resulted in a sharp increase in the usage of our data services, and business with the sale of mobile terminal equipment also made a positive contribution to revenue performance.

Adjusted EBITDA increased by 6.1 percent year-on-year in the first half of 2016 to EUR 139 million. Higher revenue offset an increase in direct costs attributable to market investments. Indirect costs were down slightly on the prior-year period.

EBIT

At EUR 703 million, EBIT in our Europe operating segment decreased only slightly year-on-year in the first half of 2016. Depreciation, amortization and impairment losses increased slightly compared with the prior-year period.

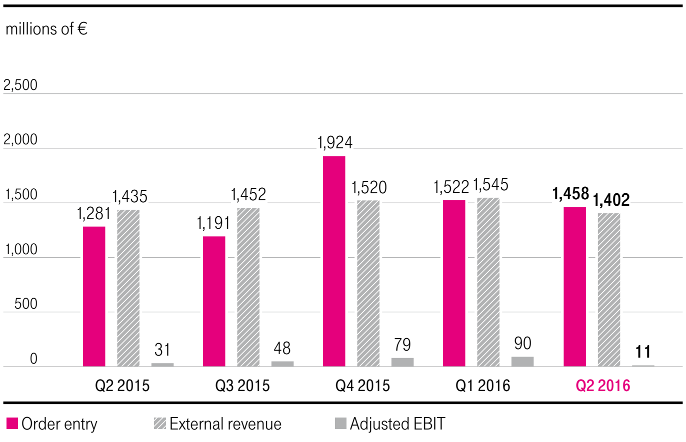
Cash capex

In the first half of 2016, our Europe operating segment reported cash capex of EUR 1.4 billion. This increase of EUR 599 million compared with the prior-year period was primarily due to the acquisition of mobile spectrum in Poland and the frequency extension in the Netherlands in the first quarter of 2016.

SYSTEMS SOLUTIONS

SELECTED KPIs

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 46 and 47.



		June 30, 2016	Mar. 31, 2016	Change June 30, 2016/ Mar. 31, 2016 %	Dec. 31, 2015	Change June 30, 2016/ Dec. 31, 2015 %	June 30, 2015	Change June 30, 2016/ June 30, 2015 %
ORDER ENTRY	millions of €	2,980	1,522	n. a.	5,608	n. a.	2,493	19.5 %
COMPUTING & DESKTOP SERVICES								
Number of servers managed and serviced	units	66,002	63,255	4.3 %	62,590	5.5 %	61,768	6.9 %
Number of workstations managed and serviced	millions	1.73	1.67	3.6 %	1.71	1.2 %	1.64	5.5 %
SYSTEMS INTEGRATION								
Hours billed	millions	3.6	1.7	n. a.	5.3	n. a.	2.7	33.3 %
Utilization rate	%	83.4	82.1	1.3 %p	82.9	0.5 %p	82.3	1.1 %p

Development of business

In the first half of 2016, our Systems Solutions operating segment performed well compared with the prior-year period, with the Market Unit also profiting from the completion of the set-up phase in connection with our corporate customer project to set up and operate an electronic toll collection system in Belgium. Strengthened by the realignment, our standard solutions from the growth area of cloud computing in particular won out over the competition and its aggressive pricing. For example, revenue from cloud computing increased by 21 percent compared with the prior-year period. 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. Against this background, the number of servers managed and serviced increased by 6.9 percent compared with the first half of 2015. At the data centers, technical advances made it possible to set up ever larger and higher-performance units, which had a positive impact on our cost efficiency. The number of workstations managed and serviced increased by 5.5 percent compared with the first half of 2015.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2016	Q2 2016	Q2 2015	Change %	H1 2016	H1 2015	Change %	FY 2015
TOTAL REVENUE		2,045	2,009	2,073	(3.1)%	4,054	4,000	1.4%	8,194
Profit (loss) from operations (EBIT)		30	(99)	(237)	58.2%	(69)	(307)	77.5%	(541)
Special factors affecting EBIT		(60)	(110)	(268)	59.0%	(170)	(352)	51.7%	(713)
EBIT (adjusted for special factors)		90	11	31	(64.5)%	101	45	n. a.	172
EBIT margin (adjusted for special factors)	%	4.4	0.5	1.5		2.5	1.1		2.1
Depreciation, amortization and impairment losses		(116)	(164)	(221)	25.8%	(280)	(362)	22.7%	(634)
EBITDA		146	65	(16)	n. a.	211	55	n. a.	93
Special factors affecting EBITDA		(60)	(110)	(219)	49.8%	(170)	(293)	42.0%	(647)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		206	175	203	(13.8)%	381	348	9.5%	740
EBITDA margin (adjusted for special factors)	%	10.1	8.7	9.8		9.4	8.7		9.0
CASH CAPEX		(237)	(260)	(276)	5.8%	(497)	(524)	5.2%	(1,151)

Total revenue

Total revenue in our Systems Solutions operating segment in the first half of 2016 amounted to EUR 4.1 billion, a year-on-year increase of 1.4 percent.

Revenue of the Market Unit, i.e., essentially business with external customers, was up 1.8 percent compared with the first half of 2015 to EUR 3.3 billion; with international revenue increasing by another 2.9 percent. This was mainly due to the completion of the set-up phase for the toll collection system in Belgium in the first quarter of 2016. There was also a positive trend in revenue from new contracts, especially in cloud business. By contrast, the general downward price trend in ICT business and exchange rate effects had a negative impact on the Market Unit's revenue.

In the Telekom IT business unit, which mainly pools the Group's domestic internal IT activities, revenue was down 0.5 percent to EUR 0.7 billion against the prior year. Telekom IT's revenue is expected to decrease below the prior-year level over the course of the year due to planned further IT cost savings by the Group.

EBITDA, adjusted EBITDA

Adjusted EBITDA in our Systems Solutions operating segment increased by EUR 33 million or 9.5 percent in the first half of 2016, due to a substantially higher contribution from the Market Unit, which was up 19.5 percent. The increase in the Market Unit's earnings was primarily attributable to the completion in the first quarter of 2016 of the set-up phase for the toll collection system in Belgium. Adjusted EBITDA at Telekom IT decreased year-on-year by 18.7 percent to EUR 74 million, mainly due to the lower intragroup onward charging of costs from the licensing of the Group-wide ERP system. The adjusted EBITDA margin of our Systems Solutions operating segment increased from 8.7 percent in the prior-year period to 9.4 percent.

EBITDA also increased by EUR 156 million compared with the prior-year period to EUR 211 million, mainly due to the effects described under adjusted EBITDA and to a EUR 123 million decrease in special factors, primarily due to restructuring programs in the prior year.

EBIT, adjusted EBIT

Adjusted EBIT increased by EUR 56 million compared with the prior-year period, due in particular to the one-time effect in the Market Unit described under EBITDA. As a result, the adjusted EBIT margin rose from 1.1 percent in the first half of 2015 to 2.5 percent. Decreases in depreciation and amortization due to the migration of IT platforms also impacted positively on adjusted EBIT.

Cash capex

Cash capex stood at EUR 497 million in the reporting period. Our level of investment remains high and is attributable to the increasing advancement of the digitization of enterprises. For this reason, we are investing in growth areas such as connected car and healthcare, 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 and the consolidation of data centers, 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 2015 Annual Report, page 58 et seq.

millions of €

	Q1 2016	Q2 2016	Q2 2015	Change %	H1 2016	H1 2015	Change %	FY 2015
TOTAL REVENUE	513	542	584	(7.2)%	1,055	1,149	(8.2)%	2,275
Profit (loss) from operations (EBIT)	2,139	(436)	(231)	(88.7)%	1,703	(483)	n.a.	(860)
Depreciation, amortization and impairment losses	(130)	(129)	(138)	6.5%	(259)	(282)	8.2%	(627)
EBITDA	2,269	(307)	(93)	n.a.	1,962	(201)	n.a.	(233)
Special factors affecting EBITDA	2,386	(199)	(17)	n.a.	2,187	(103)	n.a.	319
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	(117)	(108)	(76)	(42.1)%	(225)	(98)	n.a.	(552)
CASH CAPEX	(60)	(51)	(65)	21.5%	(111)	(161)	31.1%	(342)

Total revenue

Total revenue in our Group Headquarters & Group Services segment in the first half of 2016 decreased by 8.2 percent year-on-year, mainly due to revenue lost in connection with the sale of our online platform t-online.de and our digital marketing company InteractiveMedia in November 2015 as well as the realignment of the Group Innovation+ unit. In addition, intragroup revenue decreased due to the continued efforts to optimize the use of land and buildings.

EBITDA, adjusted EBITDA

Adjusted EBITDA at Group Headquarters & Group Services decreased by EUR 127 million year-on-year in the first half of 2016, mainly due to income of EUR 175 million recorded in the first quarter of 2015 in connection with an agreement to settle a complaints procedure under anti-trust law. Excluding this one-time effect, adjusted EBITDA was up EUR 48 million compared with the first half of 2015, primarily due to lower personnel costs as a result of the continued staff restructuring at Vivento. Additional positive effects result from the realignment of the Group Innovation+ unit and the reversal of provisions. By contrast, the adjusted EBITDA trend was negatively impacted by lower income from real estate sales and continued efforts to optimize the use of land and buildings. The loss of contributions in connection with the sale of t-online.de and InteractiveMedia and reduced income from reimbursements related to the sale of our EE joint venture to the UK company BT completed in January 2016, also had a negative impact on adjusted EBITDA in the first half of 2016.

Overall, positive special factors of EUR 2.2 billion affected EBITDA in the first half of 2016. These factors resulted primarily from the sale of our EE joint venture to the UK company BT, which was completed in January 2016. We generated income of some EUR 2.5 billion from this sale. The sale of shares in Scout24 AG in April 2016 also generated income of some EUR 0.1 billion. Expenses of around EUR 0.3 billion, especially for staff-related measures, had a negative impact on EBITDA in the reporting period. Special factors in the prior-year period consisted primarily of expenses for staff-related measures.

EBIT

The year-on-year increase in EBIT by EUR 2.2 billion is primarily attributable to income from the disposal of our EE joint venture in the reporting period. Depreciation, amortization and impairment losses were down EUR 23 million on the prior-year level.

Cash capex

Cash capex decreased year-on-year by EUR 50 million, due to the purchase of fewer vehicles and licenses.

EVENTS AFTER THE REPORTING PERIOD (JUNE 30, 2016)

Cash outflows for the acquisition of mobile spectrum in Poland. A payment of around EUR 0.5 billion was made on July 4, 2016 for mobile spectrum acquired by T-Mobile Polska in June 2016.

Dividend payment by BT. On July 13, 2016 the annual general meeting of BT resolved that the final dividend of GBP 0.096 per share be declared to be payable on September 5, 2016 to holders of ordinary shares registered at the close of business on August 12, 2016. Deutsche Telekom expects a dividend payment of GBP 114.8 million for its 12.0 percent financial stake in BT.

For information on the European Commission's statement of July 19, 2016 on the **regulatory procedure for vectoring in areas near local exchanges**, please refer to the section "The economic environment," page 10 et seq.

FORECAST

The statements in this section reflect the current views of our management. To date, there is no evidence that the forecasts published in the 2015 combined management report have significantly changed (2015 Annual Report, page 116 et seq.). Accordingly, the statements made therein remain valid. For additional information and recent changes in the economic situation, please refer to the section "The economic environment" in this interim Group management report. Readers are also referred to the Disclaimer at the end of this report.

RISKS AND OPPORTUNITIES

This section provides important additional information and explains recent changes in the risks and opportunities as described in the combined management report for the 2015 financial year (2015 Annual Report, page 125 et seq.). Readers are also referred to the Disclaimer at the end of this report.

LITIGATION

Toll Collect arbitration proceedings. In the Toll Collect arbitration proceedings another hearing took place in June 2016. There is no reason to adjust the provisions for risk recognized in 2014 in the statement of financial position.

Claims by partnering publishers of telephone directories. Five partnering publishers of telephone directories, whose civil actions are still pending, are now pursuing their claims in parallel through administrative court actions against the Federal Network Agency.

Monthly charges for the unbundled local loop. The new rulings issued and the withdrawal of claims following the implementation of settlement agreements with (former) complainants (please refer to "Regulation," page 34) result in deeming the remaining risk from the proceedings concerning the ULL monthly and one-time charges to be low. As a result, we will not report further about the proceedings which are still pending in the future.

Claim for damages in Malaysia despite earlier, contrary, legal final arbitration ruling. Celcom Malaysia Berhad (Celcom) and Technology Resources Industries Berhad are pursuing actions with the state courts in Kuala Lumpur, Malaysia, against eleven defendants in total, including DeTeAsia Holding GmbH, a subsidiary of Deutsche Telekom AG. The complainants are demanding damages and compensation of USD 232 million plus interest. DeTeAsia Holding GmbH had enforced this amount against Celcom in 2005 on the basis of a final ruling in its favor. The first instance proceedings are scheduled for October 2016. At present the financial impact of these proceedings cannot be assessed with sufficient certainty.

PROCEEDINGS CONCLUDED IN 2016

Claims for damages concerning the charges for the provision of subscriber data. In 2005, telegate AG filed a claim against Deutsche Telekom AG for damages of approximately EUR 86 million plus interest. telegate AG alleged that Deutsche Telekom AG charged excessive prices for the provision of subscriber data between 1997 and 1999. Also in 2005, Dr. Harisch, founder of telegate AG, filed a claim against Deutsche Telekom AG for damages of most recently around EUR 612 million plus interest. After both Dr. Harisch and telegate AG had lost their cases in the courts of first and second instance, the complaint filed by Dr. Harisch against the non-allowance of appeal was dismissed by the Federal Court of Justice in April 2015. The Federal Court of Justice has now also dismissed the complaint by telegate AG against non-allowance of appeal in a ruling dated April 12, 2016. Thus both claims have now been dismissed with final and binding effect and the proceedings have thus been terminated.

Claim for compensation against OTE. In the legal action that Lannet Communications S. A. took against OTE claiming compensation for damages amounting to around EUR 176 million plus interest, the relevant court in Athens ruled in favor of OTE on April 8, 2016, and requested that the claimant withdraw its claim. The decision has now become final and legally binding; the proceedings have thus been terminated.

ANTI-TRUST PROCEEDINGS

Claims for damages against Slovak Telekom following the European Commission's decision to impose fines. Following the fining decision of the European Commission dated October 15, 2014, in addition to Orange Slovensko and SWAN, Slovanet has now also filed a damage action against Slovak Telekom with the civil court in Bratislava. Slovanet is claiming compensation for alleged damages of EUR 63 million plus interest. The action by Slovanet has not been formally served upon Slovak Telekom as of yet. In the proceedings against Orange Slovensko, Slovak Telekom already filed a statement of defense in January 2016 and is currently preparing its defense in the proceedings against SWAN. At present the financial impact of these proceedings cannot be assessed with sufficient certainty.

FINANCIAL RISKS

There is as yet no objective evidence of an impairment loss on Deutsche Telekom's financial stake in BT to be recognized in profit or loss. Nevertheless, we are monitoring the ongoing development of the fair value of the BT share – depending on the further development of the exchange rate and/or the share price – for signs of any impairment.

REGULATION

Consumer protection. In February 2014, the Federal Network Agency had presented a draft regulation designed to achieve more transparency and greater cost control in telecommunications services. The draft regulation is expected to be adopted by the end of the third quarter of 2016 following agreement with the relevant ministries. Back in September 2015, the Federal Network Agency launched its measuring system that enables consumers to measure the bandwidths available on their fixed-network and mobile lines. A report on the line bandwidths achieved throughout Germany was published in June 2016 without much press reaction. The regulation will enter into force after a six-month transposition period. For some rules an extended transposition period of twelve months is envisaged.

Retrospective new ruling on rate approvals. The settlement agreements concluded in 2015 with complainants concerning the ULL one-time charges, in which the originally approved charges were agreed and the contractual parties undertook to withdraw pending claims, were implemented in full by April 2016. On this basis, we submitted corresponding rate applications to the Federal Network Agency on September 23, 2015 and November 30, 2015, which were approved on November 5, 2015 and February 1, 2016. Thus the past ULL one-time charges in the amount of the original approval have now become legal and binding for almost the entire market.

Awarding of frequencies. With regard to risks and opportunities in relation to spectrum regulation, particular note should be made of the proceedings currently in preparation or in planning in some countries for the awarding of spectrum. The allocations mainly relate to the auctioning of spectrum in the 0.8 GHz, 1.8 GHz, 2.6 GHz, 3.5 GHz, and 3.7 GHz ranges. Award procedures are currently being prepared in Greece, the United Kingdom, Montenegro, the Czech Republic, and Slovakia, which are expected to be held by the end of 2016. The 0.8/2.6 GHz auction launched in February 2015 in Poland came to its conclusion in June 2016. In the end, T-Mobile Polska acquired 2x10 MHz in the 0.8 GHz range and 2x15 MHz in the 2.6 GHz range. Due to complaints already filed against the auction process, a legal review of the procedure is to be expected. In the Czech Republic, T-Mobile Czech Republic was able to secure 2x10 MHz and a block of 25 MHz of spectrum in the 2.6 GHz range as additional capacity in an auction in June 2016. A decision on the extension of the rights of use for T-Mobile Czech Republic's existing 0.9/1.8 GHz spectrum is expected by the end of 2016. In addition, there are plans for the award of 3.7 GHz spectrum, which is expected by spring 2017. In the United States, the first phase of the Incentive Auction to reallocate former broadcast spectrum to mobile communications usage with a commercial target of 126 MHz and a possible price of more than USD 86 billion was completed in June 2016. This first phase of the auction was aimed at broadcasters, while the second phase T-Mobile US has prepared for, scheduled for fall 2016, will focus on the sale of released spectrum to interested mobile communications providers.

On October 27, 2015, the EU parliament and the European Council adopted the **EU Regulation concerning the single market for electronic communications**, which contains provisions on net neutrality, international roaming, and obligations to provide information.

- **Net neutrality.** The Body of European Regulators for Electronic Communications (BEREC) is currently working on guidelines for implementing the regulation on net neutrality. The public consultation on these guidelines gives rise to the risk of restrictive application of the regulation. The publication has been announced for the end of August 2016.

- **Information requirements.** In addition to the provisions on net neutrality, the BEREC guidelines published for consultation also include far-reaching provisions on obligations to provide information that significantly constrict the legal framework of the EU regulation. Under these provisions, all customers are to be able to access all information on bandwidths; the information would also have to be made available to all existing customers retrospectively. Both of these measures entail corresponding revenue risks. However, since the guidelines are not binding in law, the national implementation remains to be seen.

- **International roaming.** In the first quarter of 2016, the European Commission completed a consultation on further measures to abolish roaming surcharges and on June 15, 2016, published a legislative proposal for the further regulation of wholesale roaming charges. Under this proposal, some regulated wholesale roaming charges are to be very significantly reduced as of June 15, 2017. The draft bill is to be adopted by the European Council and Parliament by mid 2017. Changes to the current draft are possible. The reduction in regulated wholesale roaming charges gives rise to revenue risks – e.g., from the misuse of the international roaming mechanism to circumvent national terms and conditions – for us and our international subsidiaries.

On March 15, 2016, the European Commission launched a public consultation to evaluate the **termination rate recommendation** dated May 7, 2009, with a deadline of June 7, 2016. This consultation is intended, on the one hand, to examine the effects of the "pure LRIC cost standard" introduced with the previous termination rate recommendation, and, on the other, to ask questions about the future regulatory measures. Future regulatory measures entail both risks and opportunities. Risks result from the related future rate reductions, while the opportunities relate to the fact that the Commission could deregulate the termination market.

In Germany, the Federal Network Agency is now also planning to apply the "pure LRIC cost standard" in accordance with the termination rate recommendation of the European Commission. A corresponding draft consultation for the regulatory order for mobile termination was put out for national consultation in the second quarter of 2016 and the European Commission was notified. There are concerns that the rates approval proceedings on a "pure LRIC" basis pending in the fourth quarter of 2016 will lead to substantial rate reductions.

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, 2016	Dec. 31, 2015	Change	Change %	June 30, 2015
ASSETS					
CURRENT ASSETS	24,518	32,184	(7,666)	(23.8) %	27,325
Cash and cash equivalents	7,207	6,897	310	4.5 %	4,694
Trade and other receivables	8,825	9,238	(413)	(4.5) %	10,600
Current recoverable income taxes	159	129	30	23.3 %	143
Other financial assets	4,172	5,805	(1,633)	(28.1) %	2,109
Inventories	1,890	1,847	43	2.3 %	1,690
Other assets	1,802	1,346	456	33.9 %	1,631
Non-current assets and disposal groups held for sale	463	6,922	(6,459)	(93.3) %	6,458
NON-CURRENT ASSETS	118,948	111,736	7,212	6.5 %	107,653
Intangible assets	58,269	57,025	1,244	2.2 %	57,165
Property, plant and equipment	44,901	44,637	264	0.6 %	41,027
Investments accounted for using the equity method	782	822	(40)	(4.9) %	534
Other financial assets	9,218	3,530	5,688	n. a.	3,046
Deferred tax assets	5,208	5,248	(40)	(0.8) %	5,507
Other assets	570	474	96	20.3 %	374
TOTAL ASSETS	143,466	143,920	(454)	(0.3) %	134,978
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES	30,286	33,548	(3,262)	(9.7) %	32,603
Financial liabilities	12,570	14,439	(1,869)	(12.9) %	15,152
Trade and other payables	9,442	11,090	(1,648)	(14.9) %	9,158
Income tax liabilities	203	197	6	3.0 %	302
Other provisions	2,852	3,367	(515)	(15.3) %	3,150
Other liabilities	5,129	4,451	678	15.2 %	4,831
Liabilities directly associated with non-current assets and disposal groups held for sale	90	4	86	n. a.	10
NON-CURRENT LIABILITIES	76,212	72,222	3,990	5.5 %	66,414
Financial liabilities	50,361	47,941	2,420	5.0 %	43,093
Provisions for pensions and other employee benefits	8,818	8,028	790	9.8 %	8,033
Other provisions	3,155	2,978	177	5.9 %	2,339
Deferred tax liabilities	9,529	9,205	324	3.5 %	8,913
Other liabilities	4,349	4,070	279	6.9 %	4,036
LIABILITIES	106,498	105,770	728	0.7 %	99,017
SHAREHOLDERS' EQUITY	36,968	38,150	(1,182)	(3.1) %	35,961
Issued capital	11,973	11,793	180	1.5 %	11,793
Treasury shares	(50)	(51)	1	2.0 %	(53)
	11,923	11,742	181	1.5 %	11,740
Capital reserves	53,288	52,412	876	1.7 %	52,361
Retained earnings including carryforwards	(39,007)	(38,969)	(38)	(0.1) %	(38,827)
Total other comprehensive income	(1,958)	(178)	(1,780)	n. a.	(491)
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale	–	1,139	(1,139)	n. a.	1,337
Net profit (loss)	3,746	3,254	492	15.1 %	1,499
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	27,992	29,400	(1,408)	(4.8) %	27,619
Non-controlling interests	8,976	8,750	226	2.6 %	8,342
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	143,466	143,920	(454)	(0.3) %	134,978

CONSOLIDATED INCOME STATEMENT

millions of €

	Q2 2016	Q2 2015	Change %	H1 2016	H1 2015	Change %	FY 2015
NET REVENUE	**17,817**	**17,428**	**2.2 %**	**35,447**	**34,270**	**3.4 %**	**69,228**
Other operating income	258	337	(23.4) %	3,437	734	n. a.	2,008
Changes in inventories	(6)	3	n. a.	6	8	(25.0) %	(11)
Own capitalized costs	518	464	11.6 %	998	965	3.4 %	2,041
Goods and services purchased	(8,764)	(8,869)	1.2 %	(17,427)	(17,776)	2.0 %	(35,706)
Personnel costs	(4,365)	(4,064)	(7.4) %	(8,427)	(7,934)	(6.2) %	(15,856)
Other operating expenses	(761)	(765)	0.5 %	(1,670)	(1,573)	(6.2) %	(3,316)
Depreciation, amortization and impairment losses	(3,151)	(2,728)	(15.5) %	(6,293)	(5,422)	(16.1) %	(11,360)
PROFIT FROM OPERATIONS	**1,546**	**1,806**	**(14.4) %**	**6,071**	**3,272**	**85.5 %**	**7,028**
Finance costs	(652)	(577)	(13.0) %	(1,285)	(1,177)	(9.2) %	(2,363)
Interest income	48	56	(14.3) %	110	121	(9.1) %	246
Interest expense	(700)	(633)	(10.6) %	(1,395)	(1,298)	(7.5) %	(2,609)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(1)	13	n. a.	1	11	(90.9) %	24
Other financial income (expense)	(93)	(200)	53.5 %	324	(41)	n. a.	89
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(746)**	**(764)**	**2.4 %**	**(960)**	**(1,207)**	**20.5 %**	**(2,250)**
PROFIT BEFORE INCOME TAXES	**800**	**1,042**	**(23.2) %**	**5,111**	**2,065**	**n. a.**	**4,778**
Income taxes	(114)	(283)	59.7 %	(1,048)	(517)	n. a.	(1,276)
PROFIT (LOSS)	**686**	**759**	**(9.6) %**	**4,063**	**1,548**	**n. a.**	**3,502**
PROFIT (LOSS) ATTRIBUTABLE TO							
Owners of the parent (net profit (loss))	621	712	(12.8) %	3,746	1,499	n. a.	3,254
Non-controlling interests	65	47	38.3 %	317	49	n. a.	248

EARNINGS PER SHARE

		Q2 2016	Q2 2015	Change %	H1 2016	H1 2015	Change %	FY 2015
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	621	712	(12.8) %	3,746	1,499	n. a.	3,254
Weighted average number of ordinary shares (basic/diluted)	millions	4,597	4,525	1.6 %	4,597	4,525	1.6 %	4,553
EARNINGS PER SHARE BASIC/DILUTED	€	**0.13**	**0.16**	**(18.8) %**	**0.81**	**0.33**	**n. a.**	**0.71**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	Q2 2016	Q2 2015	Change	H1 2016	H1 2015	Change	FY 2015
PROFIT (LOSS)	**686**	**759**	**(73)**	**4,063**	**1,548**	**2,515**	**3,502**
Items not reclassified to the income statement retrospectively							
Gain (loss) from the remeasurement of defined benefit plans	(440)	1,191	(1,631)	(1,078)	425	(1,503)	230
Share of profit (loss) of investments accounted for using the equity method	0	0	0	0	0	0	0
Income taxes relating to components of other comprehensive income	136	(364)	500	332	(131)	463	(60)
	(304)	**827**	**(1,131)**	**(746)**	**294**	**(1,040)**	**170**
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	(948)	4	(952)	4
Change in other comprehensive income (not recognized in income statement)	549	(607)	1,156	(633)	1,853	(2,486)	2,000
Available-for-sale financial assets							
Recognition of other comprehensive income in income statement	6	(2)	8	5	0	5	0
Change in other comprehensive income (not recognized in income statement)	(986)	(1)	(985)	(1,445)	4	(1,449)	31
Gains (losses) from hedging instruments							
Recognition of other comprehensive income in income statement	54	65	(11)	298	(339)	637	(255)
Change in other comprehensive income (not recognized in income statement)	69	47	22	(340)	652	(992)	653
Share of profit (loss) of investments accounted for using the equity method							
Recognition of other comprehensive income in income statement	0	0	0	7	0	7	0
Change in other comprehensive income (not recognized in income statement)	0	0	0	1	3	(2)	25
Income taxes relating to components of other comprehensive income	(39)	(36)	(3)	14	(97)	111	(127)
	(347)	**(534)**	**187**	**(3,041)**	**2,080**	**(5,121)**	**2,331**
OTHER COMPREHENSIVE INCOME	**(651)**	**293**	**(944)**	**(3,787)**	**2,374**	**(6,161)**	**2,501**
TOTAL COMPREHENSIVE INCOME	**35**	**1,052**	**(1,017)**	**276**	**3,922**	**(3,646)**	**6,003**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO							
Owners of the parent	(165)	1,208	(1,373)	58	3,478	(3,420)	5,221
Non-controlling interests	200	(156)	356	218	444	(226)	782

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, 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**
BALANCE AT JANUARY 1, 2016	**11,793**	**(51)**	**52,412**	**(38,969)**	**3,254**
Changes in the composition of the Group					
Transactions with owners			(47)		
Unappropriated profit (loss) carried forward				3,254	(3,254)
Dividends				(2,523)	
Capital increase at Deutsche Telekom AG	180		839		
Capital increase from share-based payment			84		
Share buy-back/shares held in a trust deposit		1		2	
Profit (loss)					3,746
Other comprehensive income				(735)	
TOTAL COMPREHENSIVE INCOME					
Transfer to retained earnings				(36)	
BALANCE AT JUNE 30, 2016	**11,973**	**(50)**	**53,288**	**(39,007)**	**3,746**

	Issued capital and reserves attributable to owners of the parent						Total	Non-controlling interests	Total shareholders' equity
	Total other comprehensive income								
	Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets	Hedging instruments	Investments accounted for using the equity method	Taxes			
	(1,247)	**(62)**	**79**	**340**	**(42)**	**(108)**	**25,437**	**8,629**	**34,066**
							–	–	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		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**
	427	**(62)**	**110**	**738**	**(17)**	**(235)**	**29,400**	**8,750**	**38,150**
							–	(2)	(2)
	(2)						(49)	62	13
							0	–	0
							(2,523)	(97)	(2,620)
							1,019	0	1,019
							84	45	129
							3	–	3
							3,746	317	4,063
	(1,489)		(1,443)	(42)	8	13	(3,688)	(99)	(3,787)
							58	**218**	**276**
					36		0		0
	(1,064)	**(62)**	**(1,333)**	**696**	**27**	**(222)**	**27,992**	**8,976**	**36,968**

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

	Q2 2016	Q2 2015	H1 2016	H1 2015	FY 2015
PROFIT BEFORE INCOME TAXES	**800**	**1,042**	**5,111**	**2,065**	**4,778**
Depreciation, amortization and impairment losses	3,151	2,728	6,293	5,422	11,360
(Profit) loss from financial activities	746	764	960	1,207	2,250
(Profit) loss on the disposal of fully consolidated subsidiaries	(1)	1	(7)	1	(583)
(Income) loss from the sale of stakes accounted for using the equity method	(55)	–	(2,562)	–	–
Other non-cash transactions	73	57	164	116	243
(Gain) loss from the disposal of intangible assets and property, plant and equipment	11	(35)	(399)	(25)	(87)
Change in assets carried as working capital	251	340	(166)	82	(1,438)
Change in provisions	(302)	(422)	(394)	(376)	112
Change in other liabilities carried as working capital	(320)	(52)	(192)	26	878
Income taxes received (paid)	(135)	(164)	(267)	(300)	(695)
Dividends received	5	211	180	490	578
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	289	51	289	101	100
CASH GENERATED FROM OPERATIONS	**4,513**	**4,521**	**9,010**	**8,809**	**17,496**
Interest paid	(894)	(972)	(2,061)	(2,152)	(3,464)
Interest received	312	322	478	522	965
NET CASH FROM OPERATING ACTIVITIES	**3,931**	**3,871**	**7,427**	**7,179**	**14,997**
Cash outflows for investments in					
Intangible assets	(824)	(2,394)	(2,531)	(4,834)	(6,446)
Property, plant and equipment	(1,879)	(1,936)	(4,068)	(3,925)	(8,167)
Non-current financial assets	(43)	(52)	(353)	(113)	(493)
Payments to acquire control of subsidiaries and associates	(1)	(1)	0	(9)	(28)
Proceeds from disposal of					
Intangible assets	0	1	0	1	4
Property, plant and equipment	53	78	210	165	363
Non-current financial assets	110	27	153	36	446
Proceeds from the loss of control of subsidiaries and associates	0	(7)	11	(8)	(58)
Net change in short-term investments and marketable securities and receivables	353	460	615	1,928	(638)
Other	2	0	(4)	(2)	2
NET CASH USED IN INVESTING ACTIVITIES	**(2,229)**	**(3,824)**	**(5,967)**	**(6,761)**	**(15,015)**
Proceeds from issue of current financial liabilities	7,451	12,112	15,348	14,846	33,490
Repayment of current financial liabilities	(9,142)	(10,268)	(20,543)	(16,539)	(36,944)
Proceeds from issue of non-current financial liabilities	1,377	1	5,836	600	5,247
Repayment of non-current financial liabilities	0	(17)	0	(157)	(207)
Dividends (including to non-controlling interests)	(1,547)	(1,231)	(1,556)	(1,231)	(1,256)
Repayment of lease liabilities	(87)	(43)	(163)	(96)	(224)
Deutsche Telekom AG share buy-back	–	–	–	–	(15)
Sale of Deutsche Telekom AG treasury shares	–	–	–	–	31
Cash inflows from transactions with non-controlling entities	11	16	12	35	43
Cash outflows from transactions with non-controlling entities	(3)	(900)	(46)	(900)	(1,041)
Other	0	(64)	0	(88)	–
NET CASH USED IN FINANCING ACTIVITIES	**(1,940)**	**(394)**	**(1,112)**	**(3,530)**	**(876)**
Effect of exchange rate changes on cash and cash equivalents	113	(59)	(38)	282	267
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	–	–	–	1	1
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(125)**	**(406)**	**310**	**(2,829)**	**(626)**
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD	**7,332**	**5,100**	**6,897**	**7,523**	**7,523**
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	**7,207**	**4,694**	**7,207**	**4,694**	**6,897**

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, 2016 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, 2015. All IFRSs applied by Deutsche Telekom have been adopted by the European Commission for use within the EU.

In the opinion of the Board of Management, the reviewed half-year financial report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the results of operations and financial position of the Group. Please refer to the notes to the consolidated financial statements as of December 31, 2015 for the accounting policies applied for the Group's financial reporting (2015 Annual Report, page 161 et seq.).

INITIAL APPLICATION OF NEW STANDARDS AND INTERPRETATIONS AS WELL AS AMENDMENTS TO STANDARDS AND INTERPRETATIONS IN THE REPORTING PERIOD RELEVANT FOR THE 2016 FINANCIAL YEAR

Pronouncement	Title	To be applied by Deutsche Telekom	Expected amendments	Expected impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows
Amendments to IAS 1	Disclosure Initiative	Jan. 1, 2016	The amendments will allow disclosures in the financial statements to be simplified, with a focus on materiality.	No material impact.
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	Jan. 1, 2016	A revenue-based depreciation method for property, plant and equipment is not permissible, whereas for intangible assets there is only a refutable assumption that such a method is not appropriate.	No material impact.
Amendments to IAS 16 and IAS 41	Bearer Plants	Jan. 1, 2016		No relevance for Deutsche Telekom.
Amendments to IAS 19	Defined Benefit Plans – Employee Contributions	Jan. 1, 2016	The objective of the amendments is to simplify the accounting for contributions from employees or third parties to a defined benefit plan. The simplified accounting permits such contributions to be recognized as a reduction in the current service cost in the period in which the related service is rendered if the amounts of the contributions are independent of the number of years of service.	No material impact.
Amendments to IAS 27	Equity Method in Separate Financial Statements	Jan. 1, 2016		No relevance for Deutsche Telekom.
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	Jan. 1, 2016	When an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3, is acquired, all of the principles on business combinations accounting in IFRS 3 and other IFRSs are to be applied, except for those principles that conflict with the guidance in IFRS 11.	Since the amendments concern only future transactions, it is not possible to forecast their impact on the presentation of Deutsche Telekom's results of operations or financial position.
Annual Improvements Project	Annual Improvements to IFRSs 2010–2012 Cycle	Jan. 1, 2016	Clarification of many published standards.	No material impact.
Annual Improvements Project	Annual Improvements to IFRSs 2012–2014 Cycle	Jan. 1, 2016	Clarification of many published standards.	No material impact.

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 161 et seq. of the 2015 Annual Report.

CHANGES IN ACCOUNTING POLICIES AND CHANGES IN THE REPORTING STRUCTURE

To harmonize Deutsche Telekom's internal management structure, the presentation of the consolidated income statement was changed from the cost-of-sales method to the performance-related total cost method as of January 1, 2016. The change to the total cost method is a voluntary change in accounting policy within the meaning of IAS 8.14b. To ensure comparability with prior-year periods, the corresponding figures were adjusted retrospectively.

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Magyar Telekom's business customer operations consist of a unit in Hungary that mainly provides ICT services for business and corporate customers. Comparative figures have been adjusted retrospectively.

CHANGES IN THE COMPOSITION OF THE GROUP AND TRANSACTIONS WITH OWNERS

Sale of the EE joint venture

After the British Competition and Markets Authority (CMA) had approved the sale of the EE joint venture to the UK company BT unconditionally and without remedies in January 2016, Deutsche Telekom AG and the French telecommunications provider Orange consummated the transaction on January 29, 2016 at a purchase price of GBP 13.2 billion. In return for its stake in the EE joint venture, Deutsche Telekom AG received a financial stake of 12.0 percent in BT and a cash payment of GBP 25.7 million. The sale generated income of approximately EUR 2.5 billion. Around EUR 0.9 billion of this amount resulted from effects recognized directly in equity in prior years. In addition, on January 25, 2016, the shareholders received a final dividend totaling GBP 0.3 billion from the former EE joint venture, in which Deutsche Telekom AG participated with its capital share at that date of 50 percent. The financial stake in BT received in connection with this transaction is disclosed as available-for-sale financial assets under other financial assets. The financial stake is measured at fair value directly in equity. For more information, please refer to "Other financial assets" in the section "Selected notes to the consolidated statement of financial position," page 43, and to "Disclosures on financial instruments" in the section "Other disclosures," page 48 et seq.

PRESENTATION OF THE QUANTITATIVE EFFECTS ON THE COMPOSITION OF THE GROUP IN THE FIRST HALF OF 2016

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 from the spin-off of the energy resale business in Hungary as of January 1, 2016.

The presented effects in the Group Headquarters & Group Services segment resulted from the sale of the online platform t-online.de and the digital marketing company InteractiveMedia in the fourth quarter of 2015.

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

millions of €

	Total H1 2016	H1 2015								Organic change H1 2016
		Total	Germany	United States	Europe	Systems Solutions	Group Headquarters & Group Services	Reconciliation	Pro-forma [a]	
Net revenue	35,447	34,270			(88)		(51)		34,131	1,316
Other operating income	3,437	734			0		(1)		733	2,704
Changes in inventories	6	8			0		0		8	(2)
Own capitalized costs	998	965			0		0		965	33
Goods and services purchased	(17,427)	(17,776)			84		5		(17,687)	260
Personnel costs	(8,427)	(7,934)			1		18		(7,915)	(512)
Other operating expenses	(1,670)	(1,573)			0		15		(1,558)	(112)
Depreciation, amortization and impairment losses	(6,293)	(5,422)			0		2		(5,420)	(873)
PROFIT (LOSS) FROM OPERATIONS	**6,071**	**3,272**	**0**	**0**	**(3)**	**0**	**(12)**	**0**	**3,257**	**2,814**
Finance costs	(1,285)	(1,177)			0		0		(1,177)	(108)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	1	11			0		0		11	(10)
Other financial income (expense)	324	(41)			0		0		(41)	365
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(960)**	**(1,207)**	**0**	**0**	**0**	**0**	**0**	**0**	**(1,207)**	**247**
PROFIT (LOSS) BEFORE INCOME TAXES	**5,111**	**2,065**	**0**	**0**	**(3)**	**0**	**(12)**	**0**	**2,050**	**3,061**
Income taxes	(1,048)	(517)			0		0		(517)	(531)
PROFIT (LOSS)	**4,063**	**1,548**	**0**	**0**	**(3)**	**0**	**(12)**	**0**	**1,533**	**2,530**

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

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TRADE AND OTHER RECEIVABLES

Trade and other receivables decreased by EUR 0.4 billion to EUR 8.8 billion. Factoring agreements concluded in the reporting period concerning monthly revolving sales of trade receivables due resulted in a reduction in receivables. Exchange rate effects, mainly from the translation of U.S. dollars into euros, likewise had a reducing effect. Receivables recognized in connection with the set-up phase of the electronic toll collection system in Belgium completed in the first half of 2016 and its transition to the operating phase had an offsetting effect. For further information on the toll collection system in Belgium, please refer to "Service concession arrangements" in the section "Other disclosures," page 53.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

The decrease in the carrying amounts of the non-current assets and disposal groups held for sale of EUR 6.5 billion to EUR 0.5 billion is largely due to the following effects. Firstly, the sale consummated on January 29, 2016 of the stake in the EE joint venture, which has been reclassified since December 2014, reduced the net carrying amount by EUR 5.8 billion. In this context, exchange rate effects totaling EUR 0.2 billion from the translation of pounds sterling to euros also lowered the net carrying amount compared with December 31, 2015. Secondly, the transaction agreed in the third quarter of 2015 for the exchange of spectrum licenses between T-Mobile US and AT&T with the aim of improving the mobile network coverage of T-Mobile US was completed in March 2016. This transaction reduced the net carrying amount by EUR 0.7 billion. A transaction agreed with Sprint in the first quarter of 2016 for the exchange of spectrum licenses, also aimed at improving the mobile network coverage of T-Mobile US, had an increasing effect on the carrying amount of EUR 0.3 billion.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets increased from EUR 57.0 billion to EUR 58.3 billion, mainly due to additions totaling EUR 4.2 billion. This includes among other factors EUR 1.1 billion for the purchase of spectrum licenses by T-Mobile US, in particular from the exchange of spectrum licenses with AT&T that was completed in March 2016. Furthermore, there were additions from the acquisition of spectrum licenses by T-Mobile US in January 2016 for around EUR 0.5 billion and by T-Mobile Polska for around EUR 0.5 billion. Carrying amounts also increased as a result of additions to advance payments and intangible assets under development totaling EUR 1.8 billion. These payments related to capital expenditure for network software in the United States operating segment and the spectrum licenses acquired by T-Mobile Polska as the second-highest bidder in June 2016. Negative exchange rate effects, primarily from the translation of U.S. dollars into euros, reduced the carrying amount by EUR 0.7 billion. Amortization of EUR 2.0 billion as well as the reclassification of assets worth EUR 0.3 billion to non-current assets and disposal groups held for sale also lowered the carrying amount.

Property, plant and equipment increased by EUR 0.3 billion compared to December 31, 2015 to EUR 44.9 billion. Additions of EUR 5.2 billion primarily in the United States and Germany operating segments increased the carrying amount. This also included EUR 0.9 billion of capitalized higher-priced mobile devices. These relate to the business model JUMP! On Demand introduced at T-Mobile US in June 2015 under which customers no longer purchase the device but lease it. By contrast, exchange rate effects, primarily from the translation of U.S. dollars into euros, reduced the carrying amount by EUR 0.3 billion. Depreciation charges of EUR 4.3 billion had a decreasing effect on the carrying amount, as did disposals of EUR 0.3 billion.

OTHER FINANCIAL ASSETS

Other financial assets increased by EUR 4.1 billion compared with December 31, 2015 to EUR 13.4 billion. The increase is mainly attributable to the addition of EUR 7.4 billion in connection with the 12.0 percent financial stake in the form of shares in BT resulting from the sale of the stake in the EE joint venture that was consummated on January 29, 2016. The carrying amount of EUR 5.9 billion as of June 30, 2016 resulted from the subsequent measurement of this exchange-traded financial stake that is measured at fair value directly in equity and classified as an available-for-sale financial asset. For more information, please refer to "Disclosures on financial instruments" in the section "Other disclosures," page 48 et seq. A refundable deposit of around EUR 2.0 billion recorded at the reporting date in connection with a potential asset purchase in the United States and positive remeasurement effects of EUR 0.4 billion from embedded options in bonds issued by T-Mobile US also increased this item. U.S. government bonds with a volume of EUR 2.8 billion that fell due in the first half of 2016 reduced the carrying amount of other financial assets. The premature cancellation in June 2016 of interest rate derivatives with a fair value of EUR 0.6 billion likewise lowered the carrying amount. In the consolidated statement of cash flows, payments from derivatives are reported in the same item as the associated hedged items. Accordingly, the settlement payment was presented under net cash from operating activities in the amount of EUR 0.3 billion and under net cash used in financing activities in the amount of EUR 0.3 billion.

TRADE AND OTHER PAYABLES

Trade and other payables decreased by EUR 1.6 billion compared with the end of 2015 to EUR 9.4 billion. Apart from the reduction in the portfolio of liabilities at the national companies of the Europe operating segment, in the Germany operating segment, and at T-Mobile US, this decrease was also attributable to exchange rate effects from the translation of U.S. dollars into euros.

FINANCIAL LIABILITIES

Financial liabilities increased by EUR 0.6 billion to a total of EUR 62.9 billion compared with the end of 2015.

On March 23, 2016, Deutsche Telekom International Finance B.V. with the guarantee of Deutsche Telekom AG issued a Eurobond of EUR 4.5 billion in three tranches under a debt issuance program: a four-year variable-interest tranche with a volume of EUR 1.25 billion and a mark-up of 35 basis points above the 3-month EURIBOR, a seven-year fixed-interest tranche with a volume of EUR 1.75 billion and a coupon of 0.625 percent, and a 12-year tranche with a volume of EUR 1.5 billion and a fixed coupon of 1.5 percent. On April 1, 2016, T-Mobile US issued Senior Notes with a total volume of USD 1.0 billion. T-Mobile US expects to use the net proceeds from this offering for the purchase of 700 MHz A-block spectrum and other spectrum purchases. Also in April 2016, Deutsche Telekom International Finance B.V. with the guarantee of Deutsche Telekom AG issued a Eurobond of EUR 0.5 billion under a debt issuance program. The issuance forms part of the Company's general corporate financing.

In the first six months of 2016, U.S. dollar bonds were repaid in the amount of USD 1.0 billion (around EUR 0.9 billion) and USD 1.25 billion (around EUR 1.1 billion), as were Eurobonds totaling EUR 0.9 billion, commercial paper in the amount of EUR 0.7 billion (net), and promissory notes in the amount of EUR 0.4 billion (net). The decrease in liabilities to banks of EUR 1.0 billion also reduced the carrying amount of the financial liabilities.

In addition, exchange rate effects from the translation of U.S. dollars into euros reduced financial liabilities by around EUR 0.4 billion.

The following table shows the composition and maturity structure of financial liabilities as of June 30, 2016:

millions of €

	June 30, 2016	Due within 1 year	Due >1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	49,707	7,145	16,912	25,650
Liabilities to banks	3,196	905	1,445	846
Finance lease liabilities	2,080	381	999	700
Liabilities to non-banks from promissory notes	545	0	229	316
Liabilities with the right of creditors to priority repayment in the event of default	1,779	18	72	1,689
Other interest-bearing liabilities	2,593	1,924	471	198
Other non-interest-bearing liabilities	2,059	1,917	140	2
Derivative financial liabilities	972	280	225	467
FINANCIAL LIABILITIES	**62,931**	**12,570**	**20,493**	**29,868**

PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

Provisions for pensions and other employee benefits increased by EUR 0.8 billion to EUR 8.8 billion, mainly due to interest rate adjustments which resulted in an actuarial loss of EUR 1.1 billion to be recognized directly in equity. An increase in the plan assets by EUR 0.3 billion in Germany in the first quarter of 2016 (allocation under contractual trust agreement) reduced the provisions for pensions and other employee benefits.

Deutsche Telekom reduced the yield on the capital accounts in its company pension plan in Germany from an annual 3.75 percent to 3.50 percent by changing the plan in March 2016. The objective of the change is to achieve a standard Group-wide market return on the contributions to the capital account using a capital market-based interest rate. As interest rates had fallen sharply, the return was no longer in line with the market. The change in the interest rate will be applied prospectively and will result in an insignificant positive one-time effect in the 2016 consolidated income statement.

SHAREHOLDERS' EQUITY

The resolution on the dividend payout of EUR 0.55 per share for the 2015 financial year gave shareholders the choice between payment in cash or having their dividend entitlement converted into Deutsche Telekom AG shares. In June 2016, dividend entitlements of Deutsche Telekom AG shareholders amounting to EUR 1.0 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 2016. This increased capital reserves by EUR 0.8 billion, the number of shares by 70.3 million.

As a result of the consummation of the sale of the EE joint venture on January 29, 2016, the gain of EUR 0.9 billion from the translation of pounds sterling into euros that had until this date been disclosed in shareholders' equity under other comprehensive income were reclassified through profit or loss to the consolidated income statement and disclosed under other operating income. The losses recognized directly in equity of EUR 1.4 billion from the remeasurement of available-for-sale financial assets resulted from the subsequent measurement of the financial stake in BT.

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

OTHER OPERATING INCOME

millions of €

	H1 2016	H1 2015
Income from the disposal of non-current assets	478	92
Income from insurance compensation	30	25
Income from reimbursements	108	136
Income from ancillary services	18	25
Miscellaneous other operating income	2,803	456
Of which: income from divestitures and from the sale of stakes accounted for using the equity method	2,569	–
	3,437	**734**

Income from the disposal of non-current assets increased by EUR 0.4 billion compared with the first half of 2015. This is attributable to the income from a transaction for the exchange of spectrum licenses between T-Mobile US and AT&T that was completed in March 2016. Miscellaneous other operating income increased year-on-year by EUR 2.3 billion to a total of EUR 2.8 billion. One of the main items driving this increase was income from divestitures and from the sale of stakes accounted for using the equity method of EUR 2.5 billion resulting from the sale of the stake in the EE joint venture. Around EUR 0.9 billion of this amount resulted from effects recognized directly in equity in previous years. Income of around EUR 0.1 billion from the sale of approximately 2.6 million shares of Scout24 AG that was consummated on April 18, 2016 also increased this item. In the prior-year period, miscellaneous other operating income had included income of EUR 175 million from an agreement to settle a complaints procedure under anti-trust law.

OTHER OPERATING EXPENSES

millions of €

	H1 2016	H1 2015
Legal and audit fees	(96)	(97)
Losses from asset disposals	(78)	(67)
Income (expense) from measurement of receivables	(419)	(398)
Other taxes	(238)	(202)
Miscellaneous other operating expenses	(839)	(809)
	(1,670)	**(1,573)**

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

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Depreciation, amortization and impairment losses increased by EUR 0.9 billion year-on-year to EUR 6.3 billion. This increase was attributable to the build-out of the 4G/LTE network and the launch of the JUMP! On Demand program in the United States operating segment in June 2015. Together these led to a higher depreciation and amortization base.

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

Other financial income improved year-on-year, mainly as a result of remeasurement effects resulting from the subsequent measurement of the options (termination rights) embedded in bonds issued by T-Mobile US. In addition, effects resulting from the subsequent measurement of embedded derivatives contained in the Mandatory Convertible Preferred Stocks of T-Mobile US had a less strong negative impact. Other financial income includes a final dividend payment of EUR 0.2 billion from the former EE joint venture received on January 25, 2016. In the prior-year period, a dividend payment of EUR 0.4 billion had been recognized as income under this item.

INCOME TAXES

A tax expense of EUR 1.0 billion was recorded in the first half of 2016. The comparatively low tax ratio is in particular due to the fact that the sale of the stake in the EE joint venture is tax-free. The tax expense increased year-on-year by EUR 0.5 billion primarily as a result of a higher profit before income tax.

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash from operating activities

Net cash from operating activities increased by EUR 0.2 billion year-on-year to EUR 7.4 billion, mainly as a result of the positive business development of the United States operating segment. During the reporting period, factoring agreements were concluded concerning monthly revolving sales of trade receivables. Factoring agreements resulted in positive effects of EUR 1.0 billion on net cash from operating activities in the reporting period. This mainly relates to factoring agreements in the United States and Germany operating segments. The effect from factoring agreements in the prior-year period totaled EUR 0.6 billion. Cash inflows from the cancellation of or changes in the terms of interest rate derivatives had a positive effect of EUR 0.3 billion in the reporting period (prior-year period: EUR 0.1 billion). An increase in cash outflows for staff-related restructuring and pensions of EUR 0.3 billion year-on-year had a negative impact on net cash from operating activities. In addition, a dividend payment from the former EE joint venture that was EUR 0.2 billion lower than in the previous year and a dividend of EUR 0.1 billion received from the Scout24 group in the prior year had a negative impact on net cash from operating activities.

Net cash used in investing activities

millions of €

	H1 2016	H1 2015
Cash capex		
Germany operating segment	(1,817)	(3,571)
United States operating segment	(3,007)	(3,959)
Europe operating segment	(1,400)	(801)
Systems Solutions operating segment	(497)	(524)
Group Headquarters & Group Services	(111)	(161)
Reconciliation	233	257
	(6,599)	**(8,759)**
Net cash flows for collateral deposited for hedging transactions	(2,246)	1,525
Proceeds from the disposal of property, plant and equipment	210	165
Allocation under contractual trust agreement (CTA) on pension commitments	(250)	–
Acquisition/sale of government bonds, net	2,775	–
Other	143	308
	(5,967)	**(6,761)**

Cash capex decreased by EUR 2.2 billion to EUR 6.6 billion. In the reporting period, mobile spectrum licenses were acquired for a total of EUR 1.1 billion, primarily in the United States and Europe operating segments. In the prior-year period, the United States and Germany operating segments in particular had acquired mobile spectrum licenses for EUR 3.7 billion. In addition, cash capex, excluding spectrum investment, increased primarily in the United States operating segment in connection with the network modernization, including the roll-out of the 4G/LTE network.

Net cash used in financing activities

millions of €

	H1 2016	H1 2015
Repayment of bonds	(2,867)	(3,764)
Dividends (including to non-controlling interests)	(1,556)	(1,231)
Repayment of financial liabilities from financed capex and opex	(213)	(467)
Repayment of EIB loans	(650)	(412)
Net cash flows for collateral deposited for hedging transactions	429	(350)
Repayment of lease liabilities	(163)	(96)
Repayment of financial liabilities for media broadcasting rights	(83)	(115)
Cash deposits from the EE joint venture, net	(220)	(220)
Deutsche Telekom AG share buy-back	–	–
Money market loans, net	(150)	740
Cash flows from continuing involvement factoring, net	8	38
Sale of Deutsche Telekom AG treasury shares	–	–
Loans taken out with the EIB	–	599
Promissory notes, net	(582)	(179)
Issuance of bonds	5,836	–
Commercial paper, net	(694)	3,156
Cash inflows from transactions with non-controlling entities		
T-Mobile US capital increase	–	–
T-Mobile US stock options	12	35
	12	**35**
Cash outflows from transactions with non-controlling entities		
Acquisition of the remaining shares in Slovak Telekom	–	(900)
T-Mobile US share buy-back	(45)	(87)
Other	(1)	–
	(46)	**(987)**
Other	(173)	(277)
	(1,112)	**(3,530)**

Non-cash transactions in the consolidated statement of cash flows

In June 2016, dividend entitlements of Deutsche Telekom AG shareholders in the amount of EUR 1.0 billion did not have an effect on net cash used in financing activities when fulfilled; rather, they were substituted by shares from authorized capital (please refer to "Shareholders' equity," page 44). The dividend entitlements of Deutsche Telekom AG shareholders having an effect on cash flows totaled EUR 1.5 billion. In the previous year, dividend entitlements of Deutsche Telekom AG shareholders amounting to EUR 1.1 billion did not have an impact on cash flows, while dividend entitlements of EUR 1.2 billion did have an effect on cash flows.

In the first half of 2016, Deutsche Telekom chose financing options totaling EUR 0.2 billion under which the payments for trade payables from operating and investing activities primarily become due at a later point in time by involving banks in the process (H1 2015: EUR 0.7 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 financing activities.

In the first half of 2016, Deutsche Telekom leased network equipment for a total of EUR 0.3 billion (H1 2015: EUR 0.3 billion), which is classified as a finance lease. The finance lease is shown under financial liabilities in the statement of financial position. Future repayments of the liabilities will be recognized in net cash used in 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 2016 for future consideration for acquired broadcasting rights (H1 2015: EUR 0.1 billion). As soon as the payments have been made, they are disclosed under net cash used in financing activities.

In the United States operating segment, mobile devices amounting to EUR 0.9 billion were recognized under property, plant and equipment in the reporting period. These relate to the business model JUMP! On Demand introduced at T-Mobile US in the previous year under which customers no longer purchase the device but lease it. The payments are presented under net cash from operating activities.

In the United States operating segment, the exchange of spectrum licenses between T-Mobile US and AT&T agreed in the third quarter of 2015 was completed in March 2016 and spectrum licenses with a value of EUR 1.1 billion were acquired in a non-cash transaction.

From the sale of the EE joint venture to the UK company BT, which was consummated on January 29, 2016, Deutsche Telekom received the purchase price of GBP 13.2 billion for its stake in the form of a financial stake of 12.0 percent in BT and a cash payment of GBP 25.7 million.

SEGMENT REPORTING

The table on the following page gives an overall summary of Deutsche Telekom's operating segments and the Group Headquarters & Group Services segment for the first halves of 2016 and 2015.

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Magyar Telekom's business customer operations consist of a unit in Hungary that mainly provides ICT services for business and corporate customers. Comparative figures have been adjusted retrospectively.

The measurement principles for Deutsche Telekom's segment reporting structure are primarily based on the IFRSs adopted in the consolidated financial statements. Deutsche Telekom evaluates the segments' performance based on revenue and profit or loss from operations (EBIT), among other factors. Revenue generated and goods and services exchanged between segments are calculated on the basis of market prices. As a rule, services provided by Telekom IT are charged at cost. Development services commissioned after January 1, 2016 are not charged but capitalized at segment level in accordance with the internal control logic.

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 19 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 2016	10,212	646	10,858	1,956	(1,904)	(8)	32,889	26,290	19
	H1 2015	10,500	669	11,169	2,346	(1,881)	0	33,552	26,270	20
United States	H1 2016	16,011	1	16,012	1,777	(2,614)	0	63,235	46,200	208
	H1 2015	14,348	0	14,348	1,001	(1,691)	0	62,534	46,087	215
Europe	H1 2016	6,038	148	6,186	703	(1,271)	(4)	30,319	12,217	61
	H1 2015	6,248	118	6,366	717	(1,261)	(1)	30,437	12,543	61
Systems Solutions	H1 2016	2,947	1,107	4,054	(69)	(280)	0	9,096	6,275	18
	H1 2015	2,855	1,145	4,000	(307)	(331)	(31)	8,701	5,870	21
Group Headquarters & Group Services	H1 2016	239	816	1,055	1,703	(248)	(11)	44,251	51,602	475
	H1 2015	319	830	1,149	(483)	(266)	(16)	44,532	50,830	504
TOTAL	**H1 2016**	**35,447**	**2,718**	**38,165**	**6,070**	**(6,317)**	**(23)**	**179,790**	**142,584**	**781**
	H1 2015	**34,270**	**2,762**	**37,032**	**3,274**	**(5,430)**	**(48)**	**179,756**	**141,600**	**821**
Reconciliation	H1 2016	–	(2,718)	(2,718)	1	48	(1)	(36,324)	(36,086)	1
	H1 2015	–	(2,762)	(2,762)	(2)	56	–	(35,836)	(35,830)	1
GROUP	**H1 2016**	**35,447**	**–**	**35,447**	**6,071**	**(6,269)**	**(24)**	**143,466**	**106,498**	**782**
	H1 2015	**34,270**	**–**	**34,270**	**3,272**	**(5,374)**	**(48)**	**143,920**	**105,770**	**822**

[a] Figures relate to the reporting dates of June 30, 2016 and December 31, 2015, 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 2015 financial year.

Claims by partnering publishers of telephone directories. Five partnering publishers of telephone directories, whose civil actions are still pending, are now pursuing their claims in parallel through administrative court actions against the Federal Network Agency.

Claim for damages in Malaysia despite earlier, contrary, legal final arbitration ruling. Celcom Malaysia Berhad (Celcom) and Technology Resources Industries Berhad are pursuing actions with the state courts in Kuala Lumpur, Malaysia, against eleven defendants in total, including DeTeAsia Holding GmbH, a subsidiary of Deutsche Telekom AG. The complainants are demanding damages and compensation of USD 232 million plus interest. DeTeAsia Holding GmbH had enforced this amount against Celcom in 2005 on the basis of a final ruling in its favor. The first instance proceedings are scheduled for October 2016. At present the financial impact of these proceedings cannot be assessed with sufficient certainty.

Claim for compensation against OTE. In the legal action that Lannet Communications S. A. took against OTE claiming compensation for damages amounting to around EUR 176 million plus interest, the relevant court in Athens ruled in favor of OTE on April 8, 2016, and requested that the claimant withdraw its claim. The decision has now become final and legally binding; the proceedings have thus been terminated.

Claims for damages against Slovak Telekom following the European Commission's decision to impose fines. Following the fining decision of the European Commission dated October 15, 2014, in addition to Orange Slovensko and SWAN, Slovanet has now also filed a damage action against Slovak Telekom with the civil court in Bratislava. Slovanet is claiming compensation for alleged damages of EUR 63 million plus interest. The action by Slovanet has not been formally served upon Slovak Telekom as of yet. In the proceedings against Orange Slovensko, Slovak Telekom already filed a statement of defense in January 2016 and is currently preparing its defense in the proceedings against SWAN. At present the financial impact of these proceedings cannot be assessed with sufficient certainty.

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, 2016:

millions of €

	June 30, 2016
Future obligations from operating leases	21,034
Purchase commitments regarding property, plant and equipment	2,209
Purchase commitments regarding intangible assets	1,606
Firm purchase commitments for inventories	2,531
Other purchase commitments and similar obligations	12,200
Payment obligations to the Civil Service Pension Fund	4,005
Purchase commitments for interests in other companies	1
Miscellaneous other obligations	34
	43,620

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, 2016	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	7,207	7,207			
Trade receivables	LaR	8,546	8,546			
Originated loans and receivables	LaR/n. a.	4,375	4,192			
Of which: collateral paid	LaR	109	109			
Other non-derivative financial assets						
Held-to-maturity investments	HtM	6	6			
Available-for-sale financial assets	AfS	6,497		152	6,345	
Derivative financial assets						
Derivatives without a hedging relationship	FAHfT	1,523				1,523
Of which: termination rights embedded in bonds issued	FAHfT	762				762
Derivatives with a hedging relationship	n. a.	987			487	500
LIABILITIES						
Trade payables	FLAC	9,393	9,393			
Bonds and other securitized liabilities	FLAC	49,707	49,707			
Liabilities to banks	FLAC	3,196	3,196			
Liabilities to non-banks from promissory notes	FLAC	545	545			
Liabilities with the right of creditors to priority repayment in the event of default	FLAC	1,779	1,779			
Other interest-bearing liabilities	FLAC	2,593	2,593			
Of which: collateral received	FLAC	1,475	1,475			
Other non-interest-bearing liabilities	FLAC	2,059	2,059			
Finance lease liabilities	n. a.	2,080				
Derivative financial liabilities						
Derivatives without a hedging relationship	FLHfT	916				916
Of which: conversion rights embedded in Mandatory Convertible Preferred Stock	FLHfT	395				395
Of which: options granted to third parties for the purchase of shares in subsidiaries	FLHfT	–				
Derivatives with a hedging relationship	n. a.	56			35	21
Derivative financial liabilities directly associated with non-current assets and disposal groups held for sale	FLHfT	43				43
Of which: aggregated by category in accordance with IAS 39						
Loans and receivables	LaR	19,945	19,945			
Held-to-maturity investments	HtM	6	6			
Available-for-sale financial assets	AfS	6,497		152	6,345	
Financial assets held for trading	FAHfT	1,523				1,523
Financial liabilities measured at amortized cost	FLAC	69,272	69,272			
Financial liabilities held for trading	FLHfT	959				959

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

Trade receivables include receivables amounting to EUR 1.3 billion (December 31, 2015: EUR 1.0 billion) due in more than one year. The fair value generally equates to the carrying amount. The available-for-sale financial assets measured at cost relate to equity instruments for which there is no quoted market price in an active market and the fair value of which cannot be reliably measured.

Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value June 30, 2016[a]	Category in accordance with IAS 39	Carrying amounts Dec. 31, 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	Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2015[a]
	–	LaR	6,897	6,897					–
	–	LaR	8,752	8,752					–
183	4,418	LaR/n. a.	3,283	3,076				207	3,318
	–	LaR	98	98					–
	–	HtM	10	10					–
	6,345	AfS	3,354		156	3,198			3,198
	1,523	FAHfT	1,526				1,526		1,526
	762	FAHfT	390				390		390
	987	n. a.	1,160			870	290		1,160
	–	FLAC	11,037	11,037					–
	55,643	FLAC	47,766	47,766					52,194
	3,298	FLAC	4,190	4,190					4,247
	708	FLAC	934	934					1,069
	1,820	FLAC	1,822	1,822					1,830
	2,629	FLAC	3,009	3,009					3,059
	–	FLAC	1,740	1,740					–
	–	FLAC	1,798	1,798					–
2,080	2,429	n. a.	1,927					1,927	2,166
	916	FLHfT	817				817		817
	395	FLHfT	298				298		298
	–	FLHfT	39				39		39
	56	n. a.	117			107	10		117
	43		–						–
	4,235	LaR	18,725	18,725					3,111
	–	HtM	10	10					–
	6,345	AfS	3,354		156	3,198			3,198
	1,523	FAHfT	1,526				1,526		1,526
	64,098	FLAC	70,556	70,556					62,399
	959	FLHfT	817				817		817

Financial instruments measured at fair value
millions of €

	June 30, 2016				Dec. 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
Available-for-sale financial assets (AfS)	6,085		260	**6,345**	2,931		267	**3,198**
Financial assets held for trading (FAHfT)		761	762	**1,523**		1,136	390	**1,526**
Derivative financial assets with a hedging relationship		987		**987**		1,160		**1,160**
LIABILITIES								
Financial liabilities held for trading (FLHfT)		521	395	**916**		480	337	**817**
Derivative financial liabilities with a hedging relationship		56		**56**		117		**117**
Derivative financial liabilities directly associated with non-current assets and disposal groups held for sale			43	**43**				**–**

Of the available-for-sale financial assets (AfS) presented under other non-derivative financial assets, the instruments presented in the different levels constitute separate classes of financial instruments. The total volume of instruments recognized as Level 1 amounting to EUR 6,085 million (December 31, 2015: EUR 2,931 million) comprises two separate classes of financial instruments. The first comprises listed debt securities with a carrying amount equivalent to around EUR 0.1 billion. The second is a strategic financial stake of 12 percent in BT, received in the reporting period, with a carrying amount equivalent to around EUR 5.9 billion. The vote in the United Kingdom at the end of June 2016 to leave the European Union and the political implementation of this vote gave rise to uncertainty and a marked increase in volatility on the international financial markets, which is currently also impacting on the fair value of the financial stake in BT. Whether these immediate reactions will be sustained is nevertheless impossible to foresee at the present time. Consequently, at the reporting date there is as yet no objective indication of a permanent impairment of the carrying amount of this investment to be recognized in profit or loss. In each case, the fair values of the total volume of instruments recognized as Level 1 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, 2016	**267**	**390**	**(298)**
Additions (including first-time categorization as Level 3)	10	34	–
Value decreases recognized in profit/loss	0	(77)	(137)
Value increases recognized in profit/loss	–	421	35
Value decreases recognized directly in equity	(1)	–	–
Value increases recognized directly in equity	2	–	–
Disposals	(18)	–	–
Currency translation effects recognized directly in equity	–	(6)	5
CARRYING AMOUNT AS OF JUNE 30, 2016	**260**	**762**	**(395)**

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 260 million measured using the best information available at the reporting date. As a rule, Deutsche Telekom considers executed transactions involving shares in those companies to have the greatest relevance. Executed transactions involving shares in comparable companies are also considered. The closeness of the transaction in question to the reporting date and the question of whether the transaction was at arm's length are relevant for the decision on which information will ultimately be used for the measurement. Furthermore, the degree of similarity between the object being measured and comparable companies must be taken into consideration. Based on Deutsche Telekom's own assessment, the fair values of the equity investments at the reporting date could be determined with sufficient reliability. In the case of investments with a carrying amount of EUR 109 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why the share prices agreed in the transactions were to be used without adjustment for the measurement as of June 30, 2016. In the case of investments with a carrying amount of EUR 129 million, although the last arm's length transactions relating to shares in these companies took place some time ago, based on the analysis of operational development (in particular revenue, EBIT and liquidity), the previous carrying amount nevertheless corresponds to the fair value and, due to limited comparability, is preferable to measurement on the basis of transactions executed more recently relating to shares in comparable companies. In the case of investments with a carrying amount of EUR 22 million, for which the last arm's length transactions relating to shares in these companies took place some time ago, measurement on the basis of transactions executed more recently relating to shares in comparable companies provides the most reliable representation of the fair values. Here, multiples to the reference variable of net revenue (ranging between 1.40 and 5.56) were used, taking the respective median. In certain cases, due to specific circumstances, valuation discounts need to be applied to the respective multiples. 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 2 million higher (EUR 7 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 2 million higher (EUR 2 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. Please refer to the table on the previous page for the development of the carrying amounts in the reporting period. No plans existed as of the reporting date to sell these investments.

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

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

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

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 762 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 are used for the measurement because 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 2.4 and 3.0 percent. The spread curve, which is also unobservable, was derived on the basis of current market prices of bonds issued by T-Mobile US and debt instruments of comparable issuers. The spreads used at the current reporting date were between 3.5 and 4.8 percent for the maturities of the bonds and between 2.2 and 3.1 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 87 million higher (EUR 73 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 218 million lower (EUR 300 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 16 million lower (EUR 27 million higher) when translated into euros. In the reporting period, net income of EUR 344 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 50 for the development of the carrying amounts in the reporting period. The changes in value recognized in profit or loss in the reporting period are mainly attributable to fluctuations in the interest rates and historical interest rate volatilities in absolute terms that are relevant for measurement. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments.

The financial liabilities held for trading assigned to Level 3 that are presented under financial liabilities with a carrying amount of EUR 395 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 is available regularly and at the reporting date for the Mandatory Convertible Preferred Stock as an entire instrument, but not for the options embedded therein. The conversion rights are 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 125 million lower (EUR 123 million higher) when translated into euros. If a market interest rate 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 12 million lower (EUR 8 million higher) when translated into euros. In the reporting period, a net expense of EUR 102 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 50 for the development of the carrying amount in the reporting period. The changes in value recognized in profit or loss in the reporting period are mainly due to fluctuations in the share price of T-Mobile US. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments.

The financial liabilities assigned to Level 3 include derivative financial liabilities with a carrying amount of EUR 43 million resulting from an option granted to third parties in the 2015 financial year for the purchase of shares in a subsidiary of Deutsche Telekom. The term ends in 2017 and no notable fluctuations in value are expected in future. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments. In the reporting period, the derivative financial liabilities were reclassified as derivative financial liabilities directly associated with non-current assets and disposal groups held for sale.

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 1,475 million (December 31, 2015: EUR 1,740 million). The credit risk was thus reduced by EUR 1,417 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 1,748 million as of the reporting date (December 31, 2015: EUR 2,296 million) had a maximum credit risk of EUR 13 million (December 31, 2015: EUR 79 million) as of June 30, 2016. 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 109 million (December 31, 2015: EUR 98 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 102 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.

SERVICE CONCESSION ARRANGEMENTS

Satellic NV, Machelen, Belgium, signed a contractual arrangement with Viapass on July 25, 2014, the public agency responsible for toll collection in Belgium, for the set-up, operation, and financing of an electronic toll collection system. Following Viapass' acceptance of the system on March 30, 2016, the set-up phase was completed on March 31, 2016. As a result, income of EUR 0.1 billion from the construction contract was recognized as of March 31, 2016. Trade receivables amounted to EUR 0.5 billion. Total expenses of EUR 0.4 billion were associated with the construction contract for the system. With the operation phase having started on April 1, 2016, the separate fees for operation and maintenance services will in the future be recognized as revenue in the respective periods in accordance with the provisions of IAS 18. Net revenue of EUR 0.2 billion was recorded in the first half of 2016.

RELATED-PARTY DISCLOSURES

There were no significant changes at June 30, 2016 to the related-party disclosures reported in the consolidated financial statements as of December 31, 2015, with the exception of the matters described in the following.

Since the consummation of the sale on January 29, 2016, the EE joint venture is no longer a related party of Deutsche Telekom AG. At the December 31, 2015 reporting date, there were loan commitments of EUR 0.3 billion. The arrangement concerning the loan commitments allowed for unilateral termination by Deutsche Telekom with immediate effect upon consummation of the sale. At the closing date of the transaction, Deutsche Telekom AG exercised this termination right. As a result, obligations from the loan commitment no longer exist. The loan guarantees and guarantee statements of EUR 0.9 billion given to external contracting parties of the former EE joint venture that were disclosed as of December 31, 2015 are fully covered as of June 30, 2016 with contractual recourse claims vis-à-vis BT.

Net funds of EUR 0.2 billion that had been invested by the former EE joint venture were repaid to the company by Deutsche Telekom upon consummation of the sale on January 29, 2016.

The Federal Republic of Germany (Federal Republic) and KfW Bankengruppe requested their dividend entitlements for the 2015 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, 16,491 thousand shares were transferred to the Federal Republic and 15,055 thousand shares to KfW Bankengruppe in June 2016. As of June 30, 2016, the Federal Republic held a share of 14.5 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

At its meeting on June 30, 2016, the Supervisory Board of Deutsche Telekom AG resolved to extend the Group Board of Management by setting up a new Board department Technology and Innovation. The new department will be headed by Claudia Nemat effective January 1, 2017, who is currently responsible for the Europe and Technology department.

At its meeting on June 30, 2016, the Supervisory Board of Deutsche Telekom AG also appointed Srini Gopalan as Board member responsible for Europe effective January 1, 2017.

Changes in the composition of the Supervisory Board

Waltraud Litzenberger resigned her position as member of the Supervisory Board of Deutsche Telekom AG effective midnight December 31, 2015. Nicole Koch was court-appointed to the Supervisory Board of Deutsche Telekom AG effective January 1, 2016. Dr. Hubertus von Grünberg's term of office on the Supervisory Board expired at the end of the 2016 shareholders' meeting. Dr. Helga Jung was elected to the Supervisory Board by the 2016 shareholders' meeting.

EVENTS AFTER THE REPORTING PERIOD (JUNE 30, 2016)

Cash outflows for the acquisition of mobile spectrum in Poland. A payment of around EUR 0.5 billion was made on July 4, 2016 for mobile spectrum acquired by T-Mobile Polska in June 2016.

Dividend payment by BT. On July 13, 2016 the annual general meeting of BT resolved that the final dividend of GBP 0.096 per share be declared to be payable on September 5, 2016 to holders of ordinary shares registered at the close of business on August 12, 2016. Deutsche Telekom expects a dividend payment of GBP 114.8 million for its 12.0 percent financial stake in BT.

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 11, 2016

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, 2016, 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 11, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Kayser
Wirtschaftsprüfer

Thomas Tandetzki
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 2015 financial year:

millions of €

	EBITDA H1 2016	EBIT H1 2016	EBITDA H1 2015	EBIT H1 2015	EBITDA FY 2015	EBIT FY 2015
EBITDA/EBIT	**12,364**	**6,071**	**8,694**	**3,272**	**18,388**	**7,028**
GERMANY	**(537)**	**(537)**	**(208)**	**(208)**	**(545)**	**(545)**
Staff-related measures	(499)	(499)	(153)	(153)	(402)	(402)
Non-staff-related restructuring	(25)	(25)	(50)	(50)	(112)	(112)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	(13)	(13)	(5)	(5)	(31)	(31)
UNITED STATES	**311**	**311**	**(185)**	**(185)**	**(425)**	**(425)**
Staff-related measures	(9)	(9)	(42)	(42)	(50)	(50)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	320	320	(148)	(148)	(382)	(382)
Impairment losses	–	0	–	0	–	0
Other	0	0	5	5	7	7
EUROPE	**(46)**	**(46)**	**(118)**	**(117)**	**(221)**	**(264)**
Staff-related measures	(51)	(51)	(119)	(119)	(177)	(177)
Non-staff-related restructuring	(2)	(2)	(4)	(4)	(14)	(14)
Effects of deconsolidations, disposals and acquisitions	7	7	36	36	31	31
Impairment losses	–	0	–	0	–	(43)
Other	0	0	(31)	(30)	(61)	(61)
SYSTEMS SOLUTIONS	**(170)**	**(170)**	**(293)**	**(352)**	**(647)**	**(713)**
Staff-related measures	(111)	(111)	(151)	(151)	(367)	(367)
Non-staff-related restructuring	(7)	(7)	(131)	(134)	(259)	(263)
Effects of deconsolidations, disposals and acquisitions	0	0	(6)	(6)	(4)	(4)
Other	(52)	(52)	(5)	(61)	(17)	(79)
GROUP HEADQUARTERS & GROUP SERVICES	**2,187**	**2,187**	**(103)**	**(103)**	**319**	**303**
Staff-related measures	(243)	(243)	(74)	(74)	(213)	(213)
Non-staff-related restructuring	(29)	(29)	(37)	(37)	(48)	(48)
Effects of deconsolidations, disposals and acquisitions	2,494	2,494	11	11	574	574
Impairment losses	–	0	–	0	–	0
Other	(35)	(35)	(3)	(3)	6	(10)
GROUP RECONCILIATION	**(1)**	**(1)**	**1**	**0**	**(1)**	**(1)**
Staff-related measures	0	0	0	0	(1)	(1)
Non-staff-related restructuring	0	0	1	1	0	1
Effects of deconsolidations, disposals and acquisitions	(1)	(1)	0	0	1	1
Other	0	0	0	(1)	(1)	(2)
TOTAL SPECIAL FACTORS	**1,744**	**1,744**	**(906)**	**(965)**	**(1,520)**	**(1,645)**
EBITDA/EBIT (ADJUSTED FOR SPECIAL FACTORS)	**10,620**	**4,327**	**9,600**	**4,237**	**19,908**	**8,673**
Profit (loss) from financial activities (adjusted for special factors)		(961)		(1,190)		(2,233)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		**3,366**		**3,047**		**6,440**
Income taxes (adjusted for special factors)		(1,006)		(810)		(1,927)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		**2,360**		**2,237**		**4,513**
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		2,101		2,114		4,113
Non-controlling interests (adjusted for special factors)		259		123		400

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, 2016	Dec. 31, 2015	Change	Change %	June 30, 2015
Financial liabilities (current)	12,570	14,439	(1,869)	(12.9)%	15,152
Financial liabilities (non-current)	50,361	47,941	2,420	5.0%	43,093
FINANCIAL LIABILITIES	**62,931**	**62,380**	**551**	**0.9%**	**58,245**
Accrued interest	(813)	(1,014)	201	19.8%	(853)
Other	(1,299)	(857)	(442)	(51.6)%	(866)
GROSS DEBT	**60,819**	**60,509**	**310**	**0.5%**	**56,526**
Cash and cash equivalents	7,207	6,897	310	4.5%	4,694
Available-for-sale financial assets/ financial assets held for trading	99	2,877	(2,778)	(96.6)%	215
Derivative financial assets	2,510	2,686	(176)	(6.6)%	2,337
Other financial assets	2,311	479	1,832	n. a.	445
NET DEBT	**48,692**	**47,570**	**1,122**	**2.4%**	**48,835**

RECONCILIATION FOR THE CHANGE IN DISCLOSURE OF KEY FIGURES FOR THE PRIOR-YEAR COMPARATIVE PERIOD IN THE FIRST HALF OF 2016

millions of €

	Total revenue	Profit (loss) from operations (EBIT)	EBITDA	Adjusted EBITDA	Depreciation and amortization	Impairment losses	Segment assets [a]	Segment liabilities [a]
H1 2015/JUNE 30, 2015 PRESENTATION AS OF JUNE 30, 2015 – AS REPORTED								
Germany	11,169	2,346	4,227	4,435	(1,881)	–	33,552	26,270
United States	14,348	1,001	2,692	2,877	(1,691)	–	62,534	46,087
Europe	6,242	705	1,960	2,077	(1,254)	(1)	30,296	12,595
Systems Solutions	4,167	(295)	75	368	(339)	(31)	9,067	6,043
Group Headquarters & Group Services	1,149	(483)	(201)	(98)	(266)	(16)	44,532	50,830
TOTAL	**37,075**	**3,274**	**8,753**	**9,659**	**(5,431)**	**(48)**	**179,981**	**141,825**
Reconciliation	(2,805)	(2)	(59)	(59)	57	–	(36,061)	(36,055)
GROUP	**34,270**	**3,272**	**8,694**	**9,600**	**(5,374)**	**(48)**	**143,920**	**105,770**
H1 2015/JUNE 30, 2015 +/– CHANGE IN DISCLOSURE OF MAGYAR TELEKOM AS OF JANUARY 1, 2015								
Germany	–	–	–	–	–	–	–	–
United States	–	–	–	–	–	–	–	–
Europe	124	12	19	20	(7)	–	141	(52)
Systems Solutions	(167)	(12)	(20)	(20)	8	–	(366)	(173)
Group Headquarters & Group Services	–	–	–	–	–	–	–	–
TOTAL	**(43)**	**–**	**(1)**	**–**	**1**	**–**	**(225)**	**(225)**
Reconciliation	43	–	1	–	(1)	–	225	225
GROUP	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
H1 2015/JUNE 30, 2015 = PRESENTATION AS OF JUNE 30, 2016								
Germany	11,169	2,346	4,227	4,435	(1,881)	–	33,552	26,270
United States	14,348	1,001	2,692	2,877	(1,691)	–	62,534	46,087
Europe	6,366	717	1,979	2,097	(1,261)	(1)	30,437	12,543
Systems Solutions	4,000	(307)	55	348	(331)	(31)	8,701	5,870
Group Headquarters & Group Services	1,149	(483)	(201)	(98)	(266)	(16)	44,532	50,830
TOTAL	**37,032**	**3,274**	**8,752**	**9,659**	**(5,430)**	**(48)**	**179,756**	**141,600**
Reconciliation	(2,762)	(2)	(58)	(59)	56	–	(35,836)	(35,830)
GROUP	**34,270**	**3,272**	**8,694**	**9,600**	**(5,374)**	**(48)**	**143,920**	**105,770**

[a] Figures relate to the reporting date December 31, 2015.

GLOSSARY

For definitions, please refer to the 2015 Annual Report and the glossary therein (page 251 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 11, 2016	November 10, 2016	March 2, 2017
Publication of the Interim Group Report as of June 30, 2016	Publication of the Interim Group Report as of September 30, 2016	Publication of the 2016 Annual Report
May 11, 2017	**May 31, 2017**	**August 3, 2017**
Publication of the Interim Group Report as of March 31, 2017	2017 Shareholders' meeting	Publication of the Interim Group Report as of June 30, 2017

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

CONTACTS

Deutsche Telekom AG
Corporate Communications
D-53262 Bonn

Phone +49 (0) 228 181 4949
Fax +49 (0) 228 181 94004
E-mail media@telekom.de
www.telekom.com

Please refer all questions relating to the T-Share to:
Phone +49 (0) 228 181 88880
Fax +49 (0) 228 181 88899
E-mail investor.relations@telekom.de

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/geschaeftsbericht2015
www.telekom.com/annualreport2015

The English version of the Interim Group Report for January 1 to June 30, 2016 is a translation of the German version of the Interim Group Report. The German version is legally binding.

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

KNr. 642 100 014A (German)
KNr. 642 100 015A (English)

Printed on chlorine-free bleached paper using mineral oil-free inks.

If your mobile phone has QR recognition software you can directly access our Investor Relations website by scanning this code.