

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

millions of €

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

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

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

CONSOLIDATED INCOME STATEMENT

millions of €

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

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

^a Figures adjusted for Q2 2018 and H1 2018.

EARNINGS PER SHARE

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

millions of €

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

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

SIGNIFICANT EVENTS AND TRANSACTIONS

ACCOUNTING POLICIES

In accordance with § 115 of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), Deutsche Telekom AG's half-year financial report comprises interim consolidated financial statements and an interim management report for the Group as well as a responsibility statement pursuant to § 297 (2) sentence 4 and § 315 (1) sentence 6 of the German Commercial Code (Handelsgesetzbuch – HGB). The interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial reporting as adopted by the EU. The interim management report for the Group was prepared in accordance with the German Securities Trading Act (Wertpapierhandelsgesetz).

STATEMENT OF COMPLIANCE

The interim consolidated financial statements for the period ended June 30, 2019 are in compliance with International Accounting Standard (IAS) 34. As permitted by IAS 34, it has been decided to publish a condensed version compared to the consolidated financial statements at December 31, 2018. All IFRSs applied by Deutsche Telekom have been adopted by the European Commission for use within the EU.

In the opinion of the Board of Management, the reviewed half-year financial report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the results of operations and financial position of the Group. Please refer to the [notes to the consolidated financial statements](#) as of December 31, 2018 for the accounting policies applied for the Group's financial reporting.

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

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

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

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

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

Significant policy elections and practical expedients are exercised as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For more information on standards, interpretations, and amendments that have been issued but not yet applied, as well as disclosures on the recognition and measurement of items in the statement of financial position and discretionary decisions and estimation uncertainties, please refer to the 2018 Annual Report, section “[Summary of accounting policies](#)” in the notes to the consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES AND CHANGES IN THE REPORTING STRUCTURE

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

CHANGES IN THE COMPOSITION OF THE GROUP

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

ACQUISITION OF TELE2 NETHERLANDS HOLDING N.V.

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

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

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

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

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

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

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

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

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

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

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

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

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

SALE OF TELEKOM ALBANIA

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

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

AGREED BUSINESS COMBINATION OF T-MOBILE US AND SPRINT

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

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

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

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

OTE SHARE BUY-BACK

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

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

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

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TRADE AND OTHER RECEIVABLES

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

CONTRACT ASSETS

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

INVENTORIES

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

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets increased by EUR 1.3 billion to EUR 66.3 billion. Additions totaling EUR 2.8 billion increased the carrying amount. They

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

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

RIGHT-OF-USE ASSETS

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

CAPITALIZED CONTRACT COSTS

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

OTHER FINANCIAL ASSETS

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

TRADE AND OTHER PAYABLES

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

OTHER LIABILITIES

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

OTHER PROVISIONS

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

FINANCIAL LIABILITIES

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

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

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

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

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

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

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

LEASE LIABILITIES

The first-time application of IFRS 16 led to the recognition of current and non-current lease liabilities totaling EUR 18.1 billion. These also included the finance lease liabilities that used to be reported under financial liabilities. The carrying amount of the recognized lease

liabilities increased to EUR 19.3 billion as of June 30, 2019. Overall, lease liabilities in the amount of EUR 4.0 billion are due within one year. For more information on the application of the new accounting standard, please refer to the section "Accounting policies" and the explanations on right-of-use assets.

CONTRACT LIABILITIES

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

PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

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

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

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

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

SHAREHOLDERS' EQUITY

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

resulted in transactions with owners which increased shareholders' equity by EUR 0.5 billion, and effects of EUR 0.2 billion from changes in the composition of the Group. For more information, please refer to the section "[Changes in the composition of the Group](#)."

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

NET REVENUE

Net revenue breaks down into the following revenue categories:

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

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

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

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

OTHER OPERATING INCOME

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

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

OTHER OPERATING EXPENSES

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

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

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

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

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

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

INCOME TAXES

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

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

NET CASH FROM OPERATING ACTIVITIES

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

NET CASH USED IN INVESTING ACTIVITIES

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

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

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

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

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

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

NET CASH USED IN FINANCING ACTIVITIES

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

NON-CASH TRANSACTIONS

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

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

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

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

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

SEGMENT REPORTING

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

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

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

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

Segment information in the first half of the year

millions of €

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

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

CONTINGENT LIABILITIES

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

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

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

OTHER FINANCIAL OBLIGATIONS

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

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

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

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

DISCLOSURES ON FINANCIAL INSTRUMENTS

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

millions of €

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

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

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

millions of €

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

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

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

When determining the fair value, it is important to maximize the use of current inputs observable in liquid markets for the financial instrument in question and minimize the use of other inputs (e.g., historical prices, prices for similar instruments, prices on illiquid markets). A three-level measurement hierarchy is defined for these purposes. If prices quoted in liquid markets are available at the reporting date for the respective financial instrument, these will be used unadjusted for the measurement (Level 1 measurement). Other input parameters are then irrelevant for

the measurement. One such example is shares and bonds that are actively traded on a stock exchange. Even if quoted prices on liquid markets are not available at the reporting date for the respective financial instrument, the instrument can be measured using other inputs that are observable on the market at the reporting date (Level 2 measurement). The conditions for this are that no major adjustments have been made to the observable inputs and no unobservable inputs are used. Examples of Level 2 measurements are collateralized interest rate swaps, currency forwards, and cross-currency swaps that can be measured using current interest rates or exchange rates. If the conditions for a Level 1 or Level 2 measurement are not met, a Level 3 measurement is applied. In such cases, major adjustments must be made to observable inputs or unobservable inputs must be used.

Financial instruments measured at fair value

millions of €

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

Financial instruments measured at fair value

millions of €

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

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

The listed bonds and other securitized liabilities are assigned to Level 1 or Level 2 depending on the market liquidity of the relevant instrument.

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

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

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

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

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

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

millions of €

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

The equity instruments assigned to Level 3 that are measured at fair value through other comprehensive income and carried under other financial assets are equity investments with a carrying amount of EUR 391 million measured using the best information available at the reporting date. As a rule, Deutsche Telekom considers transactions involving shares in those companies to have the greatest relevance. Transactions involving shares in comparable companies are also considered. The proximity of the relevant transaction to the reporting date, and the question of whether it was conducted at arm's length, are relevant for deciding which information is used for the measurement. Furthermore, the degree of similarity between the object being measured and comparable companies must be taken into consideration. Based on Deutsche Telekom's own assessment, the fair values of the equity investments at the reporting date could be determined with sufficient reliability. Please refer to the table above for the development of the carrying amounts in the reporting period. At the reporting date, investments with a carrying amount of EUR 45 million were held for sale, while there were no plans to sell the remaining investments. In the case of investments with a carrying amount of EUR 246 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why the share prices agreed in the transactions were to be used without adjustment for the measurement as of June 30, 2019. In the case of investments with a

carrying amount of EUR 97 million, an analysis of operational indicators (especially revenue, EBIT, and liquidity) revealed that the carrying amounts were equivalent to current fair values. Due to better comparability, previous arm's-length transactions involving shares in these companies are preferable to more recent transactions involving shares in similar companies. In the case of investments with a carrying amount of EUR 48 million, for which the last arm's length transactions relating to shares in these companies took place some time ago, a measurement performed more recently relating to shares in similar companies provides the most reliable representation of the fair values. Here, multiples to the reference variable of expected revenue (ranging between 3.2 and 11.2) were taken. The 25 percent quantile, the median, or the 75 percent quantile was used for the multiples depending on the specific circumstances. If other values had been used for the multiples and for the expected revenue amounts, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table below.

The derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial assets relate to options embedded in bonds issued by T-Mobile US with a carrying amount of EUR 514 million when translated into euros. The options, which can be exercised by T-Mobile US at any time, allow early redemption of the

bonds at fixed exercise prices. Observable market prices are available regularly and also at the reporting date for the bonds as entire instruments, but not for the options embedded therein. The termination rights are measured using an option pricing model. Historical interest rate volatilities of bonds issued by T-Mobile US and comparable issuers are used for the measurement because these provide a more reliable estimate at the reporting date than current market interest rate volatilities. The absolute figure used for the interest rate volatility at the current reporting date was between 1.2 and 2.0 percent. The spread curve, which is also unobservable, was derived on the basis of current market prices of bonds issued by T-Mobile US and debt instruments of comparable issuers. The spreads used at the current reporting date were between 1.8 and 2.4 percent for the maturities of the bonds and between 0.3 and 1.6 percent for shorter terms. For the mean reversion input, which is likewise unobservable, 10 percent was used. In our

opinion, the values used constitute the best estimate in each case. If other values had been used for interest rate volatility, spread curve or mean reversion, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table below. In the reporting period, net income of EUR 416 million when translated into euros was recognized under Level 3 in other financial income/expense for unrealized gains for the options in the portfolio at the reporting date. Please refer to the table above for the development of the carrying amounts in the reporting period. The changes in value recognized in profit or loss in the reporting period were mainly attributable to fluctuations in the interest rates and historical interest rate volatilities in absolute terms that are relevant for measurement. Due to their distinctiveness, these instruments constitute a separate class of financial instruments.

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

millions of €

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

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

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

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

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

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

With a carrying amount of EUR 111 million when translated into euros, the derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial liabilities relate to energy forward agreements embedded in contracts entered into by T-Mobile US. The same applies to derivative financial assets with a carrying amount of EUR 4 million when translated into euros. These agreements consist of two components: the energy forward agreement and the acquisition of renewable energy credits by T-Mobile US. The contracts have been entered into with energy producers since 2017 and run for terms of between 12 and 20 years from the commencement of commercial operation. In the case of one energy forward agreement, commercial operations began at the end of 2017; with the others, commercial operations are set to begin between 2019 and 2021. The respective settlement period of the energy forward agreement, which is accounted for separately as a derivative, also starts when the facility begins

commercial operation. Under the energy forward agreements, T-Mobile US receives variable amounts based on the facility's actual energy output and the then current energy prices, and pays fixed amounts per unit of energy generated throughout the term of the contract. The energy forward agreements are measured using valuation models because no observable market prices are available. The value of the derivatives is materially influenced by the facility's future energy output, for which T-Mobile US estimated a value of 2,899 gigawatt hours per year at the reporting date. The value of the derivatives is also significantly influenced by future energy prices, which are not observable for the period beyond five years. Further, the value of the derivatives is materially influenced by the future prices for renewable energy credits, which are also not observable. For the unobservable portion of the term, T-Mobile US used on-peak energy prices of between EUR 16.88/MWh and EUR 68.17/MWh when translated into euros and

off-peak prices of between EUR 12.45/MWh and EUR 43.16/MWh when translated into euros. An average on-peak/off-peak ratio of 47 percent was used. In our opinion, the values used constitute the best estimate in each case. If other values had been used for future energy prices, future energy output, or future prices of renewable energy credits, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table above. In the reporting period, a net expense of EUR 67 million (when translated into euros) was recognized under the Level 3 measurement in other operating income/expense for unrealized losses for the derivatives. Please refer to the corresponding table for the development of the carrying amounts in the reporting period. The market-price changes in the reporting period were largely attributable to changes in observable and unobservable energy prices and to interest rate effects. Due to their distinctiveness, these instruments constitute a separate class of financial instruments. In the view of T-Mobile US, the contracts were entered into at current market conditions, and the most appropriate parameters for the unobservable inputs were used for measurement purposes. The transaction price at inception was zero in each case. Since the unobservable inputs have a material influence on the measurement of the derivatives, the respective amount resulting from initial measurement was not carried on initial recognition. Instead, these amounts are amortized in profit or loss on a straight-line basis over the period of commercial energy generation (for a total amount of EUR 13 million per year when translated into euros). This amortization adjusts the effects from measuring the derivatives in each accounting period using the respective valuation models and updated parameters. All amounts from the measurement of the derivatives are presented in net terms per contract in the statement of financial position (derivative financial assets/liabilities) and in the income statement (other operating income/expenses). The difference yet to be amortized in the income statement developed as follows during the reporting period:

Energy forward agreements

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

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

The financial liabilities measured at fair value through profit or loss and assigned to Level 3 include derivative financial liabilities with a carrying

amount of EUR 7 million resulting from an option granted to third parties for the purchase of shares in an associate of Deutsche Telekom. The option was granted in connection with a sale of shares in this associate, and no notable fluctuations in value are expected. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments.

DISCLOSURES ON CREDIT RISK

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

When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom provided cash collateral in the amount of EUR 5 million as of the reporting date (December 31, 2018: EUR 299 million) to counterparties pursuant to collateral agreements. The cash collateral paid is offset by corresponding net derivative positions of EUR 3 million at the reporting date (December 31, 2018: EUR 285 million), which is why it was not exposed to any credit risks in this amount.

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

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

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

RELATED-PARTY DISCLOSURES

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

EXECUTIVE BODIES

CHANGES IN THE COMPOSITION OF THE BOARD OF MANAGEMENT

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

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

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

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

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

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

EVENTS AFTER THE REPORTING PERIOD

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

RESPONSIBILITY STATEMENT

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

Bonn, August 8, 2019

Deutsche Telekom AG
Board of Management

Timotheus Höttges

Adel Al-Saleh

Birgit Bohle

Srini Gopalan

Dr. Christian P. Illek

Dr. Thomas Kremer

Thorsten Langheim

Claudia Nemat

Dr. Dirk Wössner

REVIEW REPORT

To Deutsche Telekom AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to June 30, 2019, which are part of the half-year financial report pursuant to § 115 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to the interim financial reporting as adopted by the EU and to the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim Group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Review Engagements, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation,

with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU and that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

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

Frankfurt/Main, August 8, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels
Wirtschaftsprüfer

Thomas Tandetzki
Wirtschaftsprüfer