JANUARY 1 TO MARCH 31, 2015

INTERIM GROUP REPORT

LIFE IS FOR SHARING.

SELECTED FINANCIAL DATA OF THE GROUP

millions of €

		Q1 2015	Q1 2014	Change %	FY 2014
REVENUE AND EARNINGS					
Net revenue		16,842	14,894	13.1 %	62,658
Of which: domestic	%	37.0	41.3		39.9
Of which: international	%	63.0	58.7		60.1
Profit from operations (EBIT)		1,466	3,142	(53.3) %	7,247
Net profit (loss)		787	1,817	(56.7) %	2,924
Net profit (loss) (adjusted for special factors)		1,036	587	76.5 %	2,422
EBITDA		4,160	5,638	(26.2) %	17,821
EBITDA (adjusted for special factors)		4,574	4,121	11.0 %	17,569
EBITDA margin (adjusted for special factors)	%	27.2	27.7		28.0
Earnings per share basic/diluted	€	0.17	0.41	(58.5) %	0.65
STATEMENT OF FINANCIAL POSITION					
Total assets		137,461	117,343	17.1 %	129,360
Shareholders' equity		36,996	32,766	12.9 %	34,066
Equity ratio	%	26.9	27.9		26.3
Net debt		46,310	37,964	22.0 %	42,500
CASH FLOWS					
Net cash from operating activities		3,308	2,962	11.7 %	13,393
Cash capex		(4,429)	(2,197)	n. a.	(11,844)
Free cash flow (before dividend payments and spectrum investment)		865	983	(12.0) %	4,140
Net cash used in investing activities		(2,937)	(348)	n. a.	(10,761)
Net cash used in financing activities		(3,136)	(2,906)	(7.9) %	(3,434)

NUMBER OF FIXED-NETWORK AND MOBILE CUSTOMERS

millions

	Mar. 31, 2015	Dec. 31, 2014	Change Mar. 31, 2015/ Dec. 31, 2014 %	Mar. 31, 2014	Change Mar. 31, 2015/ Mar. 31, 2014 %
Mobile customers	152.4	150.5	1.3 %	145.4	4.8 %
Fixed-network lines	29.5	29.8	(1.0) %	30.5	(3.3) %
Broadband lines [a]	17.5	17.4	0.6 %	17.2	1.7 %

[a] Excluding wholesale.

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

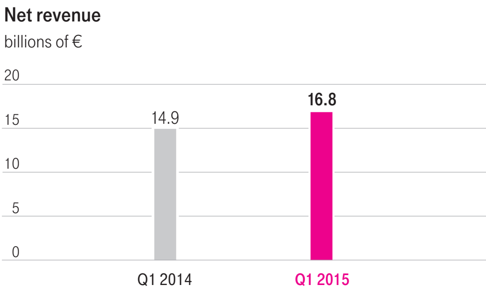
CONTENTS

TO OUR SHAREHOLDERS

DEVELOPMENTS IN THE GROUP

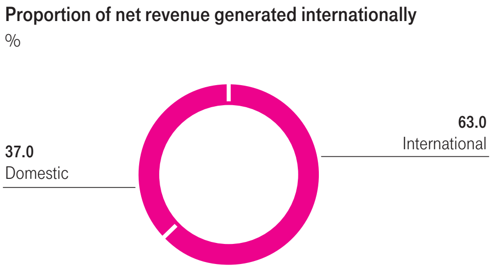
NET REVENUE

- Net revenue increased substantially by 13.1 percent. In addition to exchange rate effects, our United States operating segment in particular contributed to this trend thanks to continued strong customer additions.
- In our home market of Germany, we increased our revenue by 1.9 percent – the mobile business in particular gained momentum.
- We were able to maintain revenue in our Europe operating segment at more or less the prior-year level, despite intense competition.
- Owing to the realignment of our business model, the contribution to revenue made by our Systems Solutions operating segment was lower than in the prior-year quarter, as expected.
- On a like-for-like basis, i.e., excluding exchange rate effects and effects from changes in the composition of the Group, net revenue increased by EUR 0.8 billion or 4.7 percent.



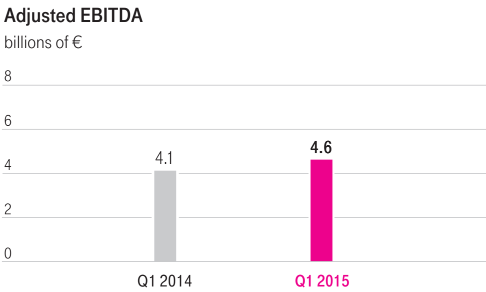
PROPORTION OF NET REVENUE GENERATED INTERNATIONALLY

- The proportion of net revenue generated internationally increased to 63.0 percent, compared with 58.7 percent in the first quarter of 2014.
- The proportion of net revenue generated by our United States operating segment increased substantially by 6.9 percentage points, such that it made the largest contribution to net revenue.
- By contrast, the proportions contributed by our Germany, Europe, and Systems Solutions operating segments as well as the Group Headquarters & Group Services segment shrank.



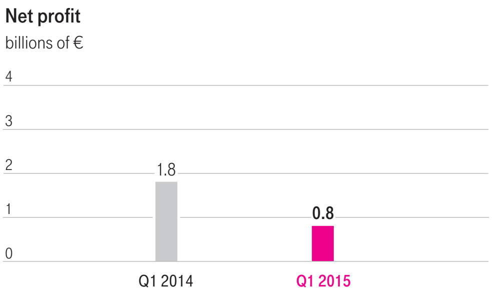
ADJUSTED EBITDA

- Adjusted EBITDA increased by 11.0 percent. This includes positive exchange rate effects of around EUR 0.2 billion, primarily from the translation of U.S. dollars into euros.
- Strong customer growth at T-Mobile US as a result of its Un-carrier initiatives as well as initial successes from the realignment of our business model at T-Systems in particular had a positive impact.
- Adjusted EBITDA was reduced by higher costs incurred for market investments in particular in Germany and the United States, and operational EBITDA decreases in some European countries. The negative effects were partially offset by our comprehensive cost management.
- The adjusted EBITDA margin decreased from 27.7 to 27.2 percent in the reporting period. The operating segments with the strongest margins are still Germany with 39.6 percent and Europe with 32.5 percent.

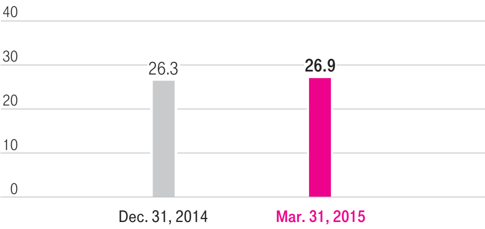


NET PROFIT

- Net profit decreased by EUR 1.0 billion to EUR 0.8 billion.
- This decline was primarily due to income of EUR 1.7 billion recorded in the prior year from divestitures in connection with the disposal of the Scout24 group. It was also attributable to the increase of EUR 0.2 billion in depreciation and amortization compared with the prior-year period, primarily due to the roll-out of the LTE network as part of T-Mobile US' network modernization program.
- This decrease was partially offset by a EUR 0.3 billion lower loss from financial activities and a EUR 0.3 billion lower tax expense.



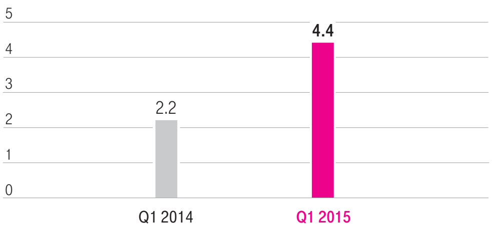
Equity ratio
%



EQUITY RATIO

- Total assets increased by EUR 8.1 billion compared with the end of 2014, mainly due to exchange rate effects.
- Shareholders' equity increased by EUR 2.9 billion compared with December 31, 2014 to EUR 37.0 billion.
- Profit after taxes (EUR 0.8 billion) and currency translation effects recognized directly in equity (EUR 2.5 billion), and the measurement of hedging instruments (EUR 0.2 billion) increased shareholders' equity.
- Actuarial losses recognized directly in equity (EUR 0.5 billion after taxes) as a result of the sustained decline in interest rates decreased shareholders' equity.

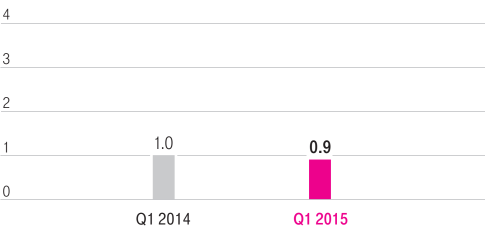
Cash capex
billions of €



CASH CAPEX

- Cash capex (including spectrum investment) increased by EUR 2.2 billion to EUR 4.4 billion.
- This was mainly due to spectrum acquired in the first quarter of 2015, primarily in the United States, for EUR 1.9 billion. In the prior-year period, a total of EUR 0.1 billion had been invested in mobile spectrum (primarily in the Czech Republic).
- Adjusted for the effects of spectrum acquisition, cash capex was up on the prior-year level at EUR 0.5 billion.

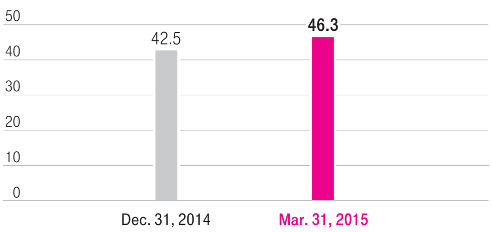
Free cash flow (before dividend payments, spectrum investment)
billions of €



FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)

- At EUR 0.9 billion, free cash flow was slightly below the prior-year level.
- The increase of EUR 0.5 billion in cash capex (before spectrum investment) contributed to this trend. In the Germany operating segment, the increase in cash capex was mainly attributable to the investments as part of the integrated network strategy in the vectoring/fiber-optic cable build-out as well as in the IP transformation and the LTE infrastructure.
- Net cash from operating activities increased by EUR 0.3 billion year-on-year, thus having a partially offsetting effect. EUR 0.1 billion of this year-on-year increase was due to factoring agreements. Net cash from operating activities was reduced by EUR 0.1 billion higher net interest payments.

Net debt
billions of €



NET DEBT

- Net debt increased by EUR 3.8 billion compared with the end of 2014.
- The acquisition of mobile spectrum (EUR 1.9 billion), exchange rate effects (EUR 1.9 billion), and a large number of other effects increased net debt.
- Free cash flow of EUR 0.9 billion reduced net debt.

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

DEUTSCHE TELEKOM AT A GLANCE

Deutsche Telekom got off to a successful start to the year with the first quarter of 2015. Net revenue increased by 13.1 percent to EUR 16.8 billion. This strong revenue growth was mainly driven by the U.S. business, which was up 36.1 percent, benefiting from both continued strong customer additions and the strong U.S. dollar. The Germany and Europe operating segments, however, also showed trend improvements compared with the prior year: Germany recorded slight revenue growth of 1.9 percent, while Europe saw a decline of just 0.6 percent, therefore remaining almost stable.

Equally substantial growth of 11.0 percent was recorded in adjusted EBITDA, which increased to around EUR 4.6 billion. The U.S. business was the main driver here too, reporting an increase of 45.1 percent. Adjusted EBITDA decreased slightly in the Germany and Europe operating segments. In Germany this decrease was primarily due to higher customer acquisition and retention expenses and in Europe it was mainly attributable to the revenue decline.

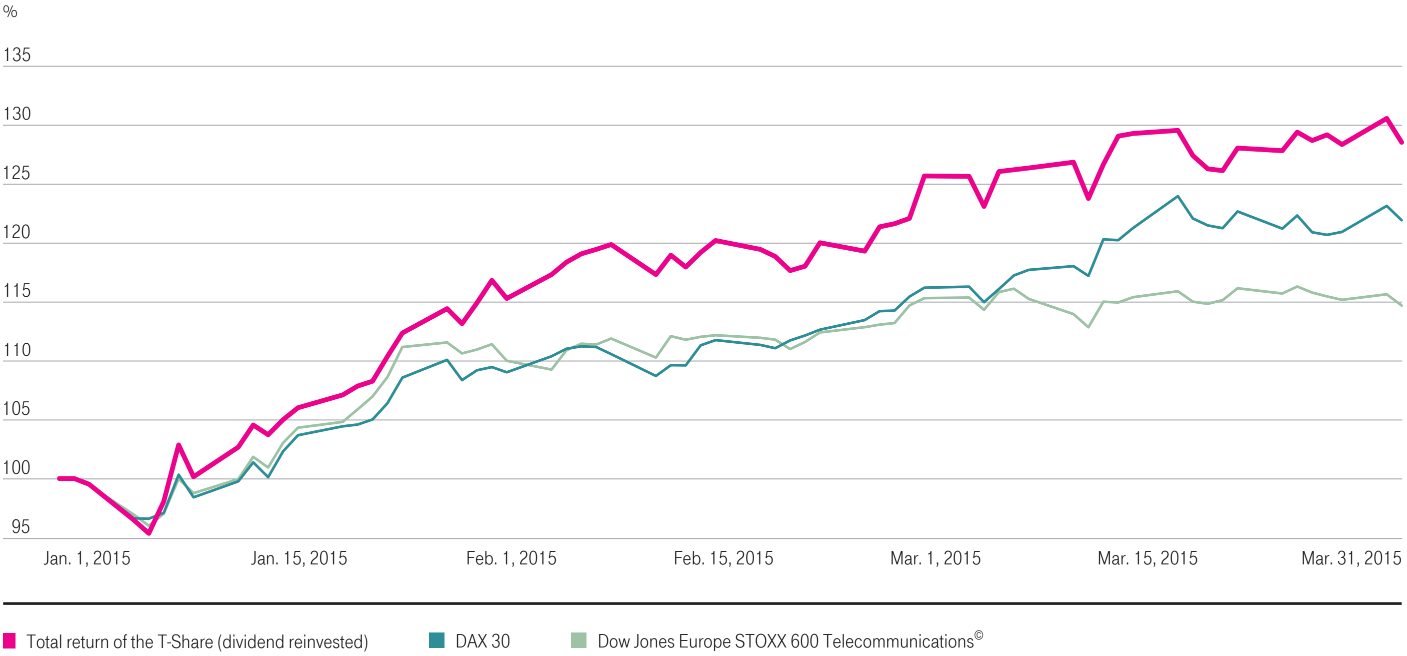
Cash capex increased substantially as expected to EUR 4.4 billion in the first quarter of 2015, in particular as a result of the acquisition of mobile spectrum in the United States for EUR 1.9 billion. But even excluding the acquisition of spectrum, cash capex increased due to our ongoing high investments in network infrastructure, especially in Germany. Accordingly, free cash flow of EUR 0.9 billion was EUR 0.1 billion lower than the prior-year figure.

Net profit decreased substantially by EUR 1.0 billion in the first quarter of 2015 to EUR 0.8 billion. This decrease was mainly attributable to income of EUR 1.7 billion recorded in the prior year from the deconsolidation of the Scout24 group.

In view of the business development in the first three months of 2015, Deutsche Telekom confirms its guidance for the full year.

THE T-SHARE

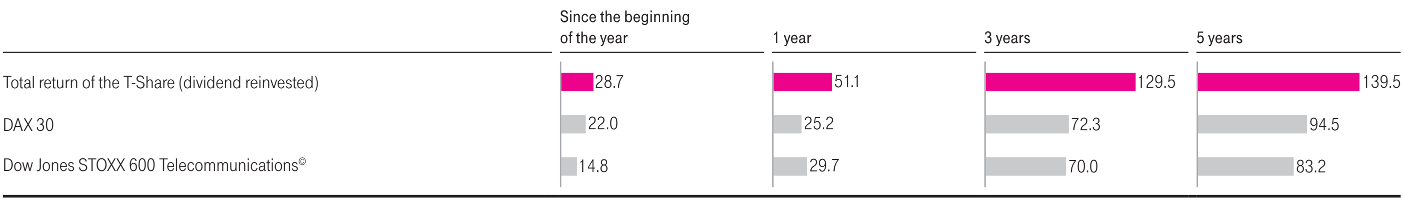
Total return of the T-Share in the first quarter of 2015



T-Share performance

		Q1 2015	Q1 2014	FY 2014
XETRA CLOSING PRICES				
Share price on the last trading day	€	17.05	11.73	13.25
Year high	€	17.32	12.83	13.71
Year low	€	12.63	11.28	10.35
WEIGHTING OF THE T-SHARE IN MAJOR STOCK INDEXES				
DAX 30	%	5.4	4.3	5.1
Dow Jones Euro STOXX 50©	%	2.2	1.7	2.1
Dow Jones Europe STOXX 600 Telecommunications©	%	13.9	11.6	12.6
Market capitalization	billions of €	77.3	52.2	60.1
Number of shares issued	millions	4,536	4,451	4,536

Historical performance of the T-Share as of March 31, 2015
%



The upwards trajectory on the stock markets continued unchanged in the first three months of 2015. The ongoing expansive monetary policy of the European Central Bank (ECB) gave rise to new highs on the European exchanges. The DAX 30 in particular profited from the inflow of funds, climbing 22.0 percent in the first quarter, closely followed by the Dow Jones Euro STOXX 50©, which rallied by around 17.5 percent. The trend for non-European indexes was somewhat more subdued: The Japanese Nikkei increased some 10 percent, while the Dow Jones remained effectively unchanged.

The market for telecommunications stocks performed slightly weaker than the overall environment in Europe, although remaining clearly positive. The Dow Jones Europe STOXX 600 Telecommunications© climbed by 14.8 percent in the first quarter of 2015.

In the same period, the T-Share outperformed the DAX 30 and the sector index. As of March 31, 2015, growth stood at 28.7 percent on a total return basis. Having started the year in step with the DAX 30, our full-year figures and strategic outlook gave an additional boost to the performance of the T-Share price.

HIGHLIGHTS IN THE FIRST QUARTER OF 2015

DEVELOPMENTS AT SENIOR MANAGEMENT LEVEL

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

CORPORATE TRANSACTIONS

Agreement on the sale of the EE joint venture. On February 5, 2015, we and the French telecommunications operator Orange reached an agreement with the British telecommunications operator BT on the sale of the EE joint venture. Upon closing of the transaction at an agreed purchase price of GBP 12.5 billion, Deutsche Telekom will become the largest shareholder in BT with a stake of approximately 12 percent. Depending on BT's share price and other factors at closing, we may receive a cash payment in addition to the stake of around 12 percent in BT. The transaction has yet to be approved by BT's shareholders and the responsible authorities. Closing is expected before the end of March 2016. The EE joint venture, which is part of the Group Headquarters & Group Services segment, is reported under non-current assets and disposal groups held for sale.

INVESTMENTS IN NETWORKS AND SPECTRUM

In January 2015, the U.S. Federal Communications Commission (FCC) announced that T-Mobile US was the winning bidder of **AWS-3 spectrum licenses** covering approximately 97 million people for an aggregate bid price of EUR 1.6 billion. T-Mobile US paid the FCC EUR 1.3 billion for the AWS spectrum licenses in the first quarter of 2015, which is in addition to a deposit of EUR 0.3 billion provided to the FCC in connection with the auction in 2014. The FCC formally assigned the AWS-3 frequencies that were auctioned in January 2015 on April 8, 2015.

As part of our integrated pan-European **IP network strategy**, we connected our first three national companies with each other at the start of March 2015. Customers in Croatia, Hungary and Slovakia can now buy standardized products via the centralized production model, with the business customer service Cloud VPN being the first product available. Television services and video game offerings for consumers will follow during the course of the year. We are also continuing to drive forward the build-out of our mobile network: In February 2015, our Croatian subsidiary Hrvatski Telekom increased the maximum speed in the mobile 4G network from 75 Mbit/s to 150 Mbit/s. In Greece, the 4G+ network was launched on the market at the start of the year: In selected regions, customers of Cosmote can surf the mobile Internet at top speeds of 300 Mbit/s.

PARTNERSHIPS

In February 2015, we entered into a Europe-wide partnership with Airbnb. Airbnb is an established online marketplace where customers can advertise and book unique accommodation all over the world. This partnership advances our strategic objective of also pursuing innovation through partnerships. The partnership will allow Airbnb to focus even more on mobile devices and address new users throughout Europe.

At the Mobile World Congress in Barcelona in early March 2015, our partnership with Intel Security was announced. This partnership will enable us to offer the True Key™ password and identity management solution to our customers across Europe. The True Key application provided by Intel Security facilitates password management and gives simple, fast and secure access to the digital world. We also announced at the Mobile World Congress the expansion of our strategic partnership with Microsoft: In the future, we will work together across Europe on sales and marketing of Lumia smartphones and intend to extend this collaboration to also include Microsoft online services. Together with Microsoft's extensive portfolio of terminal equipment, services and platforms, we will address consumers and business customers who want to use their smartphones to switch quickly and easily between professional and private use and offer them a consistent user experience.

With our partner Huawei we will also work together in the area of information technology in future. For years we have been cooperating in the area of network components. In March 2015 we extended our globally valid framework agreement to include IT infrastructure components and to develop new cloud solutions together. Huawei will contribute its hardware and solution expertise from China, and T-Systems its extensive cloud expertise.

NEW PRODUCTS

With the new family app myKIDIO, we showcased for visitors of the Mobile World Congress how an entertainment program can be integrated in a car's infotainment system. The app gives families access to high-quality audio books, films, and TV shows all selected by editorial staff. The entertainment program is available for smartphones and tablets as well as in BMWs via BMW ConnectedDrive. BurdaNews is taking charge of marketing and customer relationships for myKIDIO. We are responsible for the app's functionality, operate the platform, and develop the technology for use in the car.

At CeBIT in March 2015, we presented five digitization packages especially designed for small and medium-sized enterprises under the motto Wirtschaftswunder 4.0 – Digitization made in Germany. In addition to MagentaEINS Business, which bundles fixed network, mobile communications and cloud applications, we also presented the Industry 4.0 package which allows small and medium-sized enterprises to connect their machines quickly and easily, and monitor production conditions. The package includes everything a machine needs to go online: hardware, SIM card with data rate plan, and access to the Cloud of Things platform, which records and processes equipment and sensor data.

Security-related products were another focus of our trade fair stand at this year's CeBIT. Together with four German IT security providers, we have put together a free security package for consumers and small to medium-sized business customers. The collection of protection programs closes all main security gaps in computers, smartphones, and tablets, and will be available in the second quarter of 2015. The Cyber Threat Detector and the Advanced Cyber Defense for SMEs are new security platforms for large and medium-sized enterprises.

Un-carrier 9.0: Business Freedom. In March 2015, T-Mobile US introduced a set of simple, transparent, and affordable rate plans that provide all business customers with unlimited talk and text, and 1GB of 4G LTE data. Additional data can either be purchased on a per line or pooled basis. In March 2015, in addition to phase 9.0, T-Mobile US also unveiled two major initiatives for consumers: Un-contract and Carrier Freedom.

Following a pilot with almost 10,000 customers, the new mobile TV offering from T-Mobile Polska was launched commercially in February 2015. Our customers in Poland can choose from two rate plans, which include between 17 and 32 TV channels. They can benefit from a video service comprising a wide range of films. Customers can even use the TV offering on two devices at the same time, on a smartphone and a tablet for instance.

AWARDS

Deutsche Telekom once again ranked highly in the Brand Finance Global 500: Based on figures as of January 1, 2015, the ranking gives us the highest brand value in the history of our Company, at USD 31.1 billion, making us the most valuable European telecommunications brand and the most valuable German brand after BMW.

We were awarded the TÜV seal with the overall score of "good" for the third year in a row for our hotline service, in the shops, and in technical service. In February 2015, the TÜV Rheinland technical inspection agency surveyed a representative sample of customers who responded positively with regard to our reliability, friendliness, and expertise. We also won best in test again in this year's hotline test of mobile providers by "connect" magazine. We scored highly on short waiting times, good availability, and competent service.

In the Experton Group's Social Business Vendor Benchmark, we maintained our position as leading company for social business. T-Systems and our subsidiary T-Systems Multimedia Solutions once again scored highly with their cooperation expertise in the "advice and integration" category.

INTERIM GROUP MANAGEMENT REPORT

GROUP STRUCTURE, STRATEGY, AND MANAGEMENT

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

THE ECONOMIC ENVIRONMENT

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

MACROECONOMIC DEVELOPMENT

Global economic growth was restrained in the first quarter of 2015. Stimuli like the low oil price or substantial fluctuations in exchange rates that primarily helped exporting economies were offset by negative factors such as the fall in demand in emerging markets, or the harsh winter in North America.

In our core markets, the majority of economies recorded positive trends again in the first three months of 2015, in terms of overall economic production. The situation on the labor market has also further improved. In Germany, gross domestic product (GDP) grew 1.7 percent compared with the prior-year quarter. This trend was caused by factors such as the relatively warm winter as well as the low oil price, the weak euro, and the recovery of the majority of European economies. The Germany labor market once again proved robust, with the unemployment rate currently standing at 6.8 percent.

The U.S. economy recorded only a slight year-on-year increase in overall economic production in the first quarter of 2015, mainly due to the harsh winter. GDP increased by 3.3 percent compared with the prior-year quarter. The ongoing positive trend in the labor market saw a fall in unemployment in the United States to 5.5 percent in March 2015, the lowest level since March 2010.

Economic development in our Europe operating segment was positive on the whole; however the economic recovery in Greece stalled in the first quarter of 2015 due to the renewed flare-up of the sovereign debt crisis. In most countries, the improvement in the labor market situation was only marginal. The still relatively high rate of unemployment is keeping inflation low.

OUTLOOK

Barring any significant escalations in geopolitical hotspots or a further Europe-wide sovereign debt or banking crisis, we expect global economic growth to accelerate again in the course of 2015 and 2016.

OVERALL ECONOMIC RISKS

The economic development and outlook for our markets have improved, in part through the ECB's expansive monetary policy. However, a renewed intensification of the sovereign debt crisis and the possibility that the banking crisis will flare up again remain the greatest economic risks for our European footprint countries in particular. A radical escalation of current or future geopolitical crises may also have an adverse effect on the economies of the countries in which we operate. The economic trend in Greece could be adversely affected by a substantial deviation from the budget and economic policy agreed with the main lenders.

TELECOMMUNICATIONS MARKET

Consolidation pressure remains high in the European telecommunications industry. This is primarily due to declining revenues, among other factors, due to growing competition. At the same time, high investments are needed for the network roll-out: Ultimately, what is needed is to keep pace with the fast rising data volumes and speeds. Since December 2014, the European Commission has been scrutinizing the planned acquisition of Jazztel by Orange in Spain. In addition, BT intends to acquire our EE joint venture, and Hutchison 3G has announced its intention to take over O_2 UK from Telefónica.

REGULATION

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

AWARDING OF FREQUENCIES

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

- On January 29, 2015, the Federal Network Agency in **Germany** set out the final conditions for awarding the 0.9 and 1.8 GHz frequency rights from the GSM licenses of German network operators as well as for the assignment of further spectrum from the 0.7 GHz (Digital Dividend II) and 1.5 GHz ranges. Telekom Deutschland submitted its application to take part in the auction in good time on March 6, 2015. At the end of April 2015, the Federal Network Agency announced that the following participants had been admitted: Telefónica, Telekom Deutschland, and Vodafone. The auction is to start on May 27, 2015.

- In **Albania**, AMC, a subsidiary of our Greek subsidiary OTE, applied for the extension of its GSM license with frequencies in the 0.9 and 1.8 GHz ranges, which expired in August 2014. Since all requirements were met, the extension of the license was approved in January 2015. Furthermore, on March 2, 2015, the Albanian regulatory authority AKEP started a process for awarding frequencies in the 1.8 GHz range, in which AMC successfully participated. The frequencies have still not yet been specifically assigned. AKEP will award further mobile spectrum in the 2.6 GHz range in the first half of 2015.

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

- There were further delays in preparations for the frequency auctions in **Montenegro**, where the publication of the final award rules and the start of the bidding phase had been expected for the first half of 2014. At the start of April 2015, the regulatory authority announced that there will be two consultations on the conditions of award by summer 2015, the rules will be finalized by November 2015, and the auction will be held in the first quarter of 2016.

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

DEVELOPMENT OF BUSINESS IN THE GROUP

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

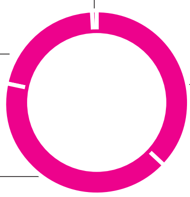
In the first three months of the 2015 financial year, we generated net revenue of EUR 16.8 billion, up by a substantial EUR 1.9 billion or 13.1 percent compared with the same period in the prior year. In addition to exchange rate effects, our United States operating segment in particular contributed to this revenue trend thanks to continued strong customer additions as a result of its Un-carrier initiatives. Our Germany operating segment held its own, particularly in the mobile market, recording an overall increase of 1.9 percent. In our Europe operating segment, revenue remained almost unchanged despite competition-induced price reductions in mobile and fixed-network communications, and regulatory decisions, thanks in part to the consistent focus on growth areas in our national companies. The realignment of T-Systems' business model had a negative impact on revenue in our Systems Solutions operating segment, as did the general downward trend in prices for IT and communications services.

Excluding the positive exchange rate effects of EUR 1.1 billion in total – in particular from the translation of U.S. dollars into euros – and slightly positive effects of changes in the composition of the Group, revenue increased by EUR 0.8 billion or 4.7 percent year-on-year. For details on the revenue trends in our Germany, United States, Europe, and Systems Solutions operating segments as well as in the Group Headquarters & Group Services segment, please refer to the section "Development of business in the operating segments," page 15 et seq.

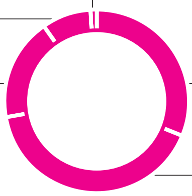
Contribution of the segments to net revenue
millions of €

	Q1 2015	Q1 2014	Change	Change %	FY 2014
NET REVENUE	**16,842**	**14,894**	**1,948**	**13.1 %**	**62,658**
Germany	5,589	5,483	106	1.9 %	22,257
United States	6,905	5,074	1,831	36.1 %	22,408
Europe	3,106	3,125	(19)	(0.6) %	12,972
Systems Solutions	2,001	2,052	(51)	(2.5) %	8,601
Group Headquarters & Group Services	565	622	(57)	(9.2) %	2,516
Intersegment revenue	(1,324)	(1,462)	138	9.4 %	(6,096)

Breakdown of revenue by regions
%



Contribution of the segments to net revenue[a]
%



[a] For more information on net revenue, please refer to the disclosures under segment reporting in the interim consolidated financial statements, page 41.

At 41.0 percent, our United States operating segment provided the largest contribution to net revenue of the Group. This was a substantial increase of 6.9 percentage points compared with the prior-year period, due in particular to ongoing strong customer additions. By contrast, the contribution by our Germany, Europe, and Systems Solutions operating segments and the Group Headquarters & Group Services segment decreased. The proportion of net revenue generated internationally continued to increase, rising from 58.7 percent in the prior-year period to 63.0 percent.

EBITDA, ADJUSTED EBITDA

Our **EBITDA** decreased year-on-year by EUR 1.5 billion to EUR 4.2 billion, mainly due to income of EUR 1.7 billion from the deconsolidation of the Scout24 group recognized as a special factor in the prior year. Negative special factors amounting to EUR 0.4 billion were included in EBITDA in the first quarter of 2015. They mainly comprised expenses incurred in connection with staff-related measures and non-staff related restructuring expenses which on a netted basis were EUR 0.1 billion higher than in the prior-year period. Furthermore, expenses of around EUR 0.1 billion from the decommissioning of the MetroPCS CDMA network had a negative effect in the first quarter of 2015.

Excluding special factors, **adjusted EBITDA** increased year-on-year by EUR 0.5 billion to EUR 4.6 billion in the first quarter of 2015. Exchange rate effects of EUR 0.2 billion, especially from the translation of U.S. dollars into euros, had a positive effect on the development of adjusted EBITDA. The agreement to settle an ongoing complaints procedure under anti-trust law resulted in income of EUR 175 million. For detailed information on the development of EBITDA/adjusted EBITDA in our segments, please refer to the section “Development of business in the operating segments,” page 15 et seq.

Contribution of the segments to adjusted Group EBITDA
millions of €

	Q1 2015	Q1 2014	Change	Change %	FY 2014
EBITDA (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	**4,574**	**4,121**	**453**	**11.0 %**	**17,569**
Germany	2,211	2,230	(19)	(0.9) %	8,810
United States	1,225	844	381	45.1 %	4,296
Europe	1,008	1,027	(19)	(1.9) %	4,432
Systems Solutions	154	138	16	11.6 %	835
Group Headquarters & Group Services	(22)	(118)	96	81.4 %	(667)
Reconciliation	(2)	0	(2)	n. a.	(137)

EBIT
Group EBIT decreased substantially by EUR 1.7 billion to EUR 1.5 billion compared with the first quarter of 2014, primarily due to income recorded in the prior year from divestitures in connection with the disposal of the Scout24 group. A EUR 0.2 billion increase in depreciation and amortization compared with the prior-year period, mainly attributable to the roll-out of the LTE network as part of T-Mobile US' network modernization program, also had a negative impact on the development of EBIT.

PROFIT/LOSS BEFORE INCOME TAXES
Profit before income taxes decreased significantly by EUR 1.4 billion year-on-year to EUR 1.0 billion as a result of the aforementioned effects. Loss from financial activities decreased by EUR 0.3 billion year-on-year, mainly due to the dividend payment of EUR 0.3 billion received from the EE joint venture. The dividend payment recognized in profit or loss related to the reclassification in December 2014 of our stake in the joint venture as non-current assets and disposal groups held for sale.

NET PROFIT
Net profit decreased by EUR 1.0 billion to EUR 0.8 billion. The tax expense for the current financial year amounted to EUR 0.2 billion, down EUR 0.3 billion compared with the same period in the prior year. For further information, please refer to the interim consolidated financial statements, page 39.

Profit attributable to non-controlling interests remained stable compared with the prior-year period.

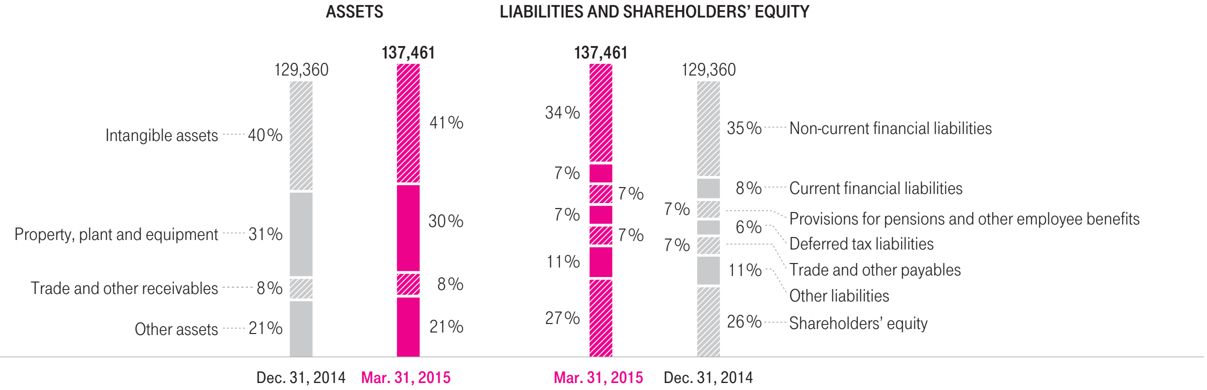
Number of employees (at the reporting date)

	Mar. 31, 2015	Dec. 31, 2014
Germany	69,404	68,754
United States	40,492	39,683
Europe	51,507	51,982
Systems Solutions	46,853	47,762
Group Headquarters & Group Services	18,927	19,631
NUMBER OF EMPLOYEES IN THE GROUP	**227,184**	**227,811**
Of which: civil servants (in Germany, with an active service relationship)	19,765	19,881

The Group's headcount decreased slightly by 0.3 percent compared with the end of 2014. Our segments showed countervailing trends to some extent. In the Germany operating segment, we increased the headcount by 0.9 percent in the first quarter of 2015 compared with the end of 2014 as staff were taken on primarily for the build-out and upgrade of our "networks of the future." The total number of employees in our United States operating segment increased by 2.0 percent in the first quarter of 2015 due to an increase in retail and customer support employees to support the growing T-Mobile US customer base. In our Europe operating segment, staff levels decreased by 0.9 percent compared with December 31, 2014, mainly due to efficiency enhancement measures especially in Romania and Hungary. Headcount in our Systems Solutions operating segment declined by 1.9 percent, largely due to staff restructuring measures in Germany. The number of employees in the Group Headquarters & Group Services segment was down 3.6 percent compared with the end of 2014, due to the continued staff restructuring.

FINANCIAL POSITION OF THE GROUP

Structure of the consolidated statement of financial position
millions of €



Total assets increased by EUR 8.1 billion compared with December 31, 2014, primarily influenced by the following factors:

Intangible assets increased by EUR 5.2 billion to EUR 56.8 billion, mainly due to exchange rate effects of EUR 3.5 billion, especially from the translation of U.S. dollars into euros. Capital expenditure totaling EUR 2.7 billion also increased the carrying amount of intangible assets. This includes EUR 1.9 billion for the purchase of mobile licenses by T-Mobile US, in particular in the January 2015 auction organized by the U.S. Federal Communications Commission (FCC). Amortization of EUR 1.0 billion had an offsetting effect.

Property, plant and equipment increased by EUR 1.6 billion compared to December 31, 2014 to EUR 41.2 billion. Capital expenditure of EUR 2.0 billion and exchange rate effects of EUR 1.4 billion, in particular from the translation of U.S. dollars into euros, increased the carrying amount. It was reduced by depreciation of EUR 1.7 billion and disposals of EUR 0.1 billion.

Trade and other receivables increased by EUR 0.2 billion to EUR 10.7 billion, due in particular to customer growth and an increased percentage of terminal equipment sold under installment plans in our United States operating segment. This results from T-Mobile US' strategy to introduce new rate plans under which terminal equipment is no longer sold at a subsidized price, but on the basis of a financing plan. By contrast, factoring agreements concluded in the reporting period concerning monthly revolving sales of current trade receivables decreased our trade receivables by EUR 0.7 billion.

As of March 31, 2015, **other assets** included the following significant effects: The increase of EUR 0.4 billion in the carrying amounts of **assets and disposal groups held for sale** resulted from exchange rate effects from the translation of pounds sterling into euros. Our stake in the EE joint venture was reclassified in December 2014. **Inventories** increased by EUR 0.3 billion, mainly due to increased stock levels of terminal equipment (in particular smartphones) at T-Mobile US.

Our current and non-current **financial liabilities** increased by EUR 1.9 billion compared with the end of 2014 to EUR 57.1 billion in total. For the main effects on financial liabilities, please refer to net cash used in financing activities, page 40, in the interim consolidated financial statements.

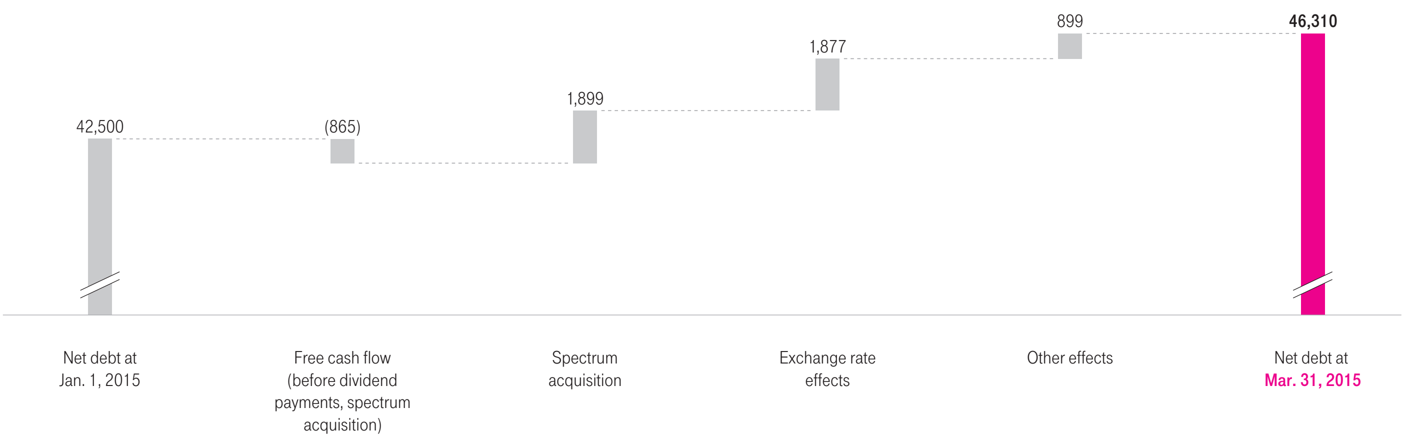
The EUR 0.7 billion increase in **provisions for pensions and other employee benefits** to EUR 9.2 billion was primarily attributable to the sustained decline in interest levels and resulting actuarial losses to be recognized directly in equity.

Deferred tax liabilities increased by EUR 1.5 billion to EUR 9.2 billion, especially due to exchange rate effects from the translation of U.S. dollars into euros.

Trade and other payables decreased by EUR 0.1 billion compared with the end of 2014. The decrease was attributable to almost all national companies of our Europe operating segment and our United States operating segment. Exchange rate effects from the translation of U.S. dollars into euros had an offsetting effect.

Shareholders' equity increased by EUR 2.9 billion compared with December 31, 2014 to EUR 37.0 billion, due to profit after taxes of EUR 0.8 billion, currency translation effects recognized directly in equity of EUR 2.5 billion, and the measurement of hedging instruments directly in equity of EUR 0.2 billion. This was contrasted by the recognition of actuarial losses (after taxes) of EUR 0.5 billion.

Changes in net debt
millions of €



Other effects of EUR 0.9 billion include, among other factors, financing options under which the payments for trade payables become due at a later point in time by involving banks in the process. These payables are now shown under financial liabilities in the statement of financial position. For more information on net debt, please refer to the disclosures on the reconciliation of the pro forma figures in the section "Additional information," pages 50 and 51.

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

	Q1 2015	Q1 2014	Change	Change %	FY 2014
CASH GENERATED FROM OPERATIONS	**4,288**	**3,860**	**428**	**11.1 %**	**15,911**
Interest received (paid)	(980)	(898)	(82)	(9.1) %	(2,518)
NET CASH FROM OPERATING ACTIVITIES	**3,308**	**2,962**	**346**	**11.7 %**	**13,393**
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment **(CASH CAPEX)**	(2,530)	(2,065)	(465)	(22.5) %	(9,534)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	87	86	1	1.2 %	281
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)	**865**	**983**	**(118)**	**(12.0) %**	**4,140**

Free cash flow. Free cash flow in the Group before dividend payments and spectrum investment decreased slightly by EUR 0.1 billion year-on-year. This was due to the increase of EUR 0.5 billion in cash outflows for investments in intangible assets (excluding goodwill and before spectrum investments) and property, plant and equipment. In the Germany operating segment, the increase in cash capex was mainly attributable to the investments as part of the integrated network strategy in the vectoring/fiber-optic cable build-out as well as in the IP transformation and the LTE infrastructure. Net cash from operating activities increased year-on-year by EUR 0.3 billion, as a result of the following effects: During the reporting period, factoring agreements were concluded concerning monthly revolving sales of current trade receivables. Factoring agreements resulted in positive effects of EUR 0.5 billion on net cash from operating activities in the first quarter of 2015. This primarily related to a factoring agreement that had already been terminated and wound up in 2014 and was concluded again in 2015. The effect from factoring agreements in the prior-year quarter totaled EUR 0.4 billion. Net cash from operating activities was reduced by EUR 0.1 billion higher net interest payments.

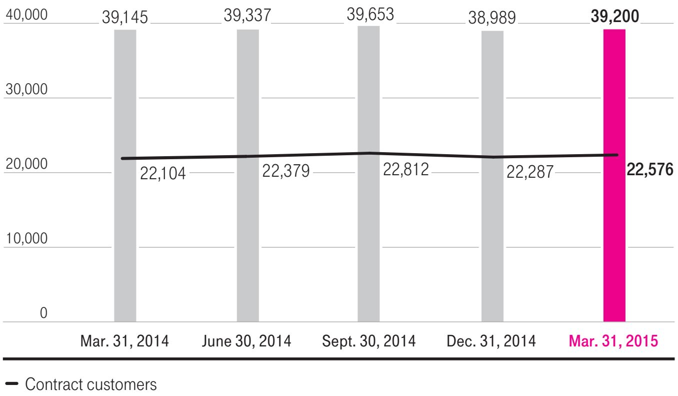
For further information on the statement of cash flows, please refer to the interim consolidated financial statements, page 40.

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS

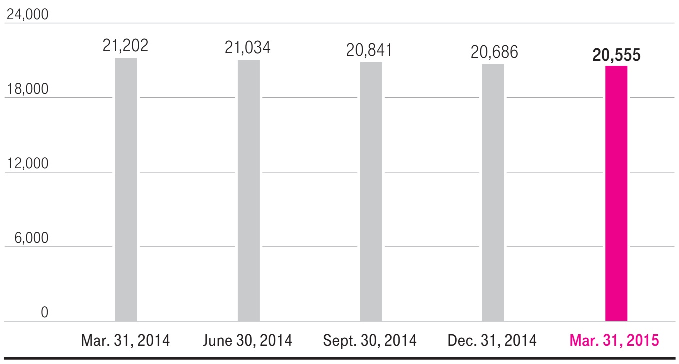
GERMANY

CUSTOMER DEVELOPMENT

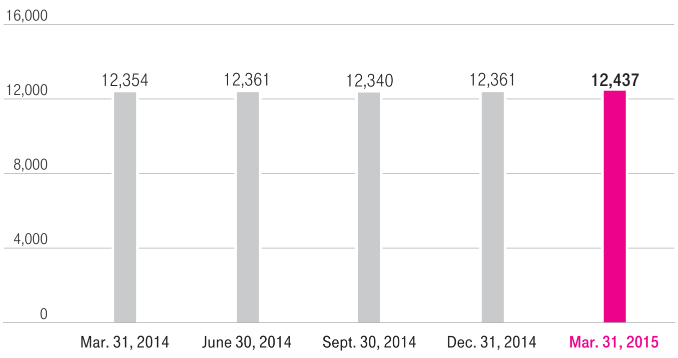
Mobile customers
thousands



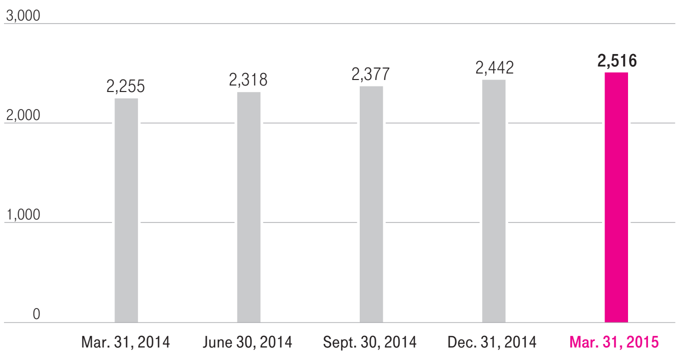
Fixed-network lines
thousands



Broadband lines
thousands



Television (IPTV, satellite)[a]
thousands



[a] Customers connected.

thousands

	Mar. 31, 2015	Dec. 31, 2014	Change Mar. 31, 2015/ Dec. 31, 2014 %	Mar. 31, 2014	Change Mar. 31, 2015/ Mar. 31, 2014 %
TOTAL					
Mobile customers	39,200	38,989	0.5 %	39,145	0.1 %
Contract customers	22,576	22,287	1.3 %	22,104	2.1 %
Prepay customers	16,624	16,701	(0.5) %	17,040	(2.4) %
Fixed-network lines	20,555	20,686	(0.6) %	21,202	(3.1) %
Of which: retail IP-based	5,120	4,383	16.8 %	2,640	93.9 %
Broadband lines	12,437	12,361	0.6 %	12,354	0.7 %
Of which: optical fiber	2,094	1,799	16.4 %	1,375	52.3 %
Television (IPTV, satellite)	2,516	2,442	3.0 %	2,255	11.6 %
Unbundled local loop lines (ULLs)	8,619	8,801	(2.1) %	9,207	(6.4) %
Wholesale unbundled lines	2,353	2,153	9.3 %	1,675	40.5 %
Of which: optical fiber	886	718	23.4 %	367	n. a.
Wholesale bundled lines	287	305	(5.9) %	362	(20.7) %
OF WHICH: CONSUMERS					
Mobile customers	28,945	29,068	(0.4) %	30,174	(4.1) %
Contract customers	16,303	16,040	1.6 %	16,112	1.2 %
Prepay customers	12,642	13,027	(3.0) %	14,061	(10.1) %
Fixed-network lines	16,158	16,260	(0.6) %	16,698	(3.2) %
Of which: retail IP-based	4,610	3,974	16.0 %	2,407	91.5 %
Broadband lines	10,012	9,938	0.7 %	9,927	0.9 %
Of which: optical fiber	1,806	1,547	16.7 %	1,171	54.2 %
Television (IPTV, satellite)	2,326	2,254	3.2 %	2,071	12.3 %
OF WHICH: BUSINESS CUSTOMERS					
Mobile customers	10,256	9,921	3.4 %	8,971	14.3 %
Contract customers [a]	6,273	6,247	0.4 %	5,992	4.7 %
Prepay customers (M2M)	3,982	3,674	8.4 %	2,979	33.7 %
Fixed-network lines	3,375	3,402	(0.8) %	3,460	(2.5) %
Of which: retail IP-based	482	387	24.5 %	216	n. a.
Broadband lines	2,090	2,096	(0.3) %	2,101	(0.5) %
Of which: optical fiber	283	248	14.1 %	200	41.5 %
Television (IPTV, satellite)	188	186	1.1 %	182	3.3 %

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

Total

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

In September 2014, we launched MagentaEINS – our first integrated product comprising fixed-network and mobile components, with which we have won 906 thousand customers so far.

With our "network of the future," we provide state-of-the-art connection technology. By 2018, we want to convert our entire network to IP technology. To date, we have migrated 6.9 million retail and wholesale lines to IP, which corresponds to a migration rate of 29 percent.

In mobile communications, we won another 289 thousand contract customers in the first quarter of 2015, in particular high-value mobile customers under our Telekom brand and our second brand "congstar." There was also a positive development in the contract customer base in the business customer segment, thanks to demand for integrated mobile rate plans with data volumes.

We continued to record strong demand for our fiber-optic products: For example, the number of these lines rose by almost 463 thousand in the first quarter of 2015 to a total of 3.0 million. With the progress in fiber-optic roll-out and innovative vectoring technology, we will drive forward the marketing of substantially higher bandwidths.

With our contingent model and its future refinement, we are creating incentives for the migration from traditional wholesale products – such as bundled wholesale lines or unbundled local loop lines – to higher-quality fiber-optic wholesale lines.

Our partnerships in the housing sector were also successful: By March 31, 2015, we had connected around 131 thousand apartments to our network in total, 12 thousand of them in the first quarter of 2015 alone.

Mobile communications

Mobile telephony and data services. Our excellent network quality and the new product portfolio for high-value contract customers and new customers provide fresh impetus. Since the end of 2014, we have won a total of 289 thousand new contract customers. We recorded 134 thousand branded contract customer additions under the Telekom and "congstar" brands. Another 349 thousand customers came from the newly established company Telekom Deutschland Multibrand GmbH, where customers from Turkcell have been recorded since January 15, 2015. The new marketing partnership includes the use of the Turkcell brand in Germany. The reseller business (service providers) declined by 194 thousand due to the reallocation of the Turkcell customers. The number of prepay customers decreased by 77 thousand.

With 211 thousand mobile customer net additions in the first quarter of 2015, growth in contract customers more than offset the decline in prepay customers. A total of 287 thousand customers used a mobile broadband connection.

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

Fixed network

Telephony, Internet, and television. Due to the persistently challenging development in the fixed-network market, primarily owing to aggressive pricing offers of competitors, we are pursuing new paths in marketing with integrated offers and a focus on television and fiber-optic lines. The success bears us out: The number of broadband lines increased by 76 thousand in the first quarter of 2015, a clear improvement against December 31, 2014. In total, 20.2 percent of our broadband customers are television customers, an increase of 0.4 percentage points against year-end 2014. In the traditional fixed network, the number of lines decreased by 131 thousand. In terms of line losses per quarter, the overall trend is positive.

We have been marketing the MagentaZuhause rate plans, our new product portfolio for the fixed network based on IP technology and rate plan-specific bandwidths, since October 2014. 12 thousand customers have already subscribed to MagentaZuhause-Hybrid, our new product launched in Germany in March 2015 which combines fixed-network and mobile technology in a single router.

Consumers

Connected life across all screens. In the first quarter of 2015, we were able to win 263 thousand new mobile contract customers. We recorded 107 thousand branded customer additions since the start of the year under the Telekom and "congstar" brands. This was thanks to the high acceptance of the "congstar" AllnetFlat rate plans and the new MagentaMobil rate plans introduced in September 2014. Another 349 thousand customers came from the newly established company Telekom Deutschland Multibrand GmbH, where customers from Turkcell have been recorded since January 15, 2015. With 194 thousand, the reseller business (business with service providers) declined due to the reallocation of Turkcell customers. The number of prepay customers declined by 385 thousand, in particular in reseller business. Overall, the number of mobile customers decreased slightly by 0.4 percent year-on-year in the first quarter of 2015.

We migrated 636 thousand customers to IP-based retail lines in the first quarter of 2015. We won 72 thousand new television customers compared with the end of 2014. Of the 10.0 million broadband lines, around 1.8 million customers use a fiber-optic line – 259 thousand of which were added in the first quarter of 2015. The line losses in the fixed network totaled 102 thousand, i.e., significantly less than the 225 thousand recorded in the prior-year quarter. Customers switched primarily to cable operators.

Business Customers

Connected work with innovative solutions. The positive trend from the prior year continued: We recorded 335 thousand mobile customer additions in the first quarter of 2015, 26 thousand of which were high-value contract customers. We added 308 thousand new M2M SIM cards in a very aggressively priced market. This growth was due to the increased use of SIM cards, especially in the automotive and logistics industries. In mobile Internet, customers are increasingly opting for plans with higher bandwidths, in conjunction with higher-quality terminal equipment. The number of fixed-network lines remained stable compared with the end of 2014 at 3.4 million. Broadband lines remained at the prior-year level at 2.1 million, with the number of fiber-optic customers increasing by 14.1 percent compared with the end of 2014.

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

Wholesale

The number of lines in the wholesale sector remained stable overall compared with the end of 2014 at 11.3 million. At the end of the first quarter of 2015, fiber-optic lines accounted for 7.9 percent of all lines – 1.5 percentage points more than at the end of 2014. The increased growth in our wholesale unbundled lines by 200 thousand or 9.3 percent in the first quarter compared with the end of 2014 was primarily attributable to the strong demand in connection with the contingent model. However, the number of bundled wholesale lines declined by 18 thousand. This trend is likely to continue for the next few years due to the fact that our competitors are switching from bundled to unbundled wholesale products with more bandwidth or to their own infrastructure. The number of unbundled local loop lines (ULLs) decreased by 182 thousand or 2.1 percent compared with the end of 2014. This is due first to the move to higher-quality fiber-optic wholesale lines, and second to customers switching to cable operators and competitors migrating some of their retail customers to mobile-based lines.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2015	Q1 2014	Change	Change %	FY 2014
TOTAL REVENUE		5,589	5,483	106	1.9 %	22,257
Consumers		3,024	2,928	96	3.3 %	11,970
Business Customers		1,440	1,404	36	2.6 %	5,726
Wholesale		928	952	(24)	(2.5) %	3,775
Value-Added Services		60	63	(3)	(4.8) %	242
Other		137	136	1	0.7 %	544
Profit from operations (EBIT)		1,190	1,249	(59)	(4.7) %	4,663
EBIT margin	%	21.3	22.8			21.0
Depreciation, amortization and impairment losses		(935)	(956)	21	2.2 %	(3,893)
EBITDA		2,125	2,205	(80)	(3.6) %	8,556
Special factors affecting EBITDA		(86)	(25)	(61)	n. a.	(254)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		2,211	2,230	(19)	(0.9) %	8,810
EBITDA margin (adjusted for special factors)	%	39.6	40.7			39.6
CASH CAPEX		(949)	(705)	(244)	(34.6) %	(3,807)

Total revenue

Revenue increased by 1.9 percent in the first quarter of 2015 compared with the prior-year period. This successful development was mainly driven by revenue from mobile business, which grew by 10.2 percent, due in particular to high demand for smartphones. The upward trend in mobile service revenues from business customers and our second brand “congstar” continued and, in fact, more than compensated for the decline in revenue from prepay business. Increased television, IT, and terminal equipment revenues had a positive impact on the fixed-network revenue trend, although they were not sufficient to fully compensate for the revenue decline in other areas. Revenue in the fixed-network business thus decreased by 2.0 percent.

Revenue from Consumers increased by 3.3 percent, in particular due to revenue growth of 11.7 percent in mobile communications compared with the first quarter of 2014. This was primarily due to increased terminal equipment revenue from the marketing of smartphones. Our mobile service revenues also grew by 2.3 percent. Data revenues increased by 13.8 percent compared with the prior-year quarter. By contrast, prepay revenues, especially from our Telekom brand, had a negative effect. Traditional fixed-network business continued to be dominated by volume- and price-related reductions in revenue, which was down by 2.3 percent compared with the prior-year quarter.

Revenue from Business Customers increased by 2.6 percent, mainly due to the increase of 6.9 percent in mobile revenues. This increase was primarily driven by service and terminal equipment revenues. The effect was offset by declining fixed-network revenues in traditional voice telephony, which were not fully compensated by the positive trend in IT revenues.

Wholesale revenue declined slightly by 2.5 percent in the first quarter of 2015, mainly due to lower volumes of minutes and regulation-induced reductions in prices for interconnection calls (from December 1, 2014), as well as falling numbers of unbundled local loop lines. This revenue decline was partially offset by the positive trend in unbundled lines, mainly due to the contingent model.

Revenue from Value-Added Services decreased by 4.8 percent, primarily as a result of expiring business models such as public phones and directory inquiries as well as decreased use of premium rate numbers.

EBITDA, adjusted EBITDA

EBITDA adjusted for special factors decreased slightly by 0.9 percent year-on-year in the first quarter of 2015 to EUR 2.2 billion. The decline is mainly due to higher market investments in new, high-value customers and to higher personnel costs driven by collectively agreed pay increases. With an adjusted EBITDA margin of 39.6 percent, we are at our expected target level for the entire year of 40 percent. EBITDA in the reporting period amounted to EUR 2.1 billion, a decrease of 3.6 percent on the first quarter of 2014, due in particular to higher special factors for our staff restructuring.

EBIT

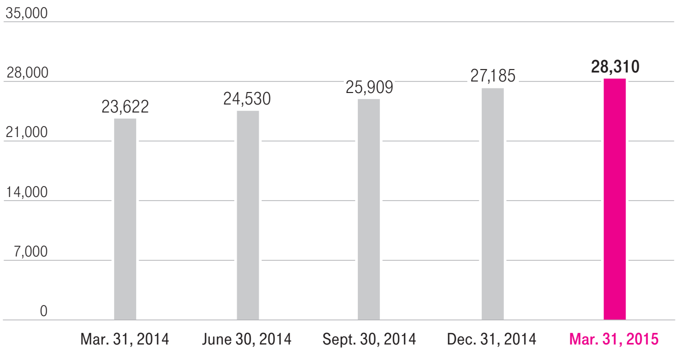
Profit from operations decreased by 4.7 percent to EUR 1.2 billion year-on-year. This was mainly attributable to higher expenses incurred in connection with staff-related measures and non-staff-related restructuring expenses. Offsetting effects resulted from slightly lower depreciation and amortization.

Cash capex

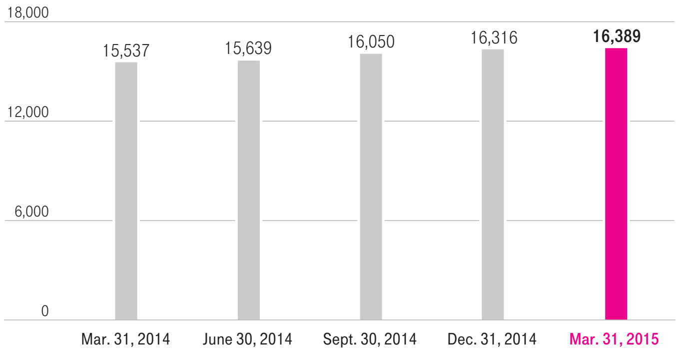
Cash capex increased by EUR 244 million or 34.6 percent year-on-year in the reporting period. During 2015, we again made significant investments in the vectoring/fiber-optic cable roll-out, our IP transformation, and our LTE infrastructure as part of our integrated network strategy.

UNITED STATES
CUSTOMER DEVELOPMENT

Branded postpaid customers
thousands



Branded prepay customers
thousands



thousands

	Mar. 31, 2015	Dec. 31, 2014	Change Mar. 31, 2015/ Dec. 31, 2014 %	Mar. 31, 2014	Change Mar. 31, 2015/ Mar. 31, 2014 %
UNITED STATES					
Mobile customers	56,836	55,018	3.3 %	49,075	15.8 %
Branded customers	44,699	43,501	2.8 %	39,159	14.1 %
Branded postpaid	28,310	27,185	4.1 %	23,622	19.8 %
Branded prepay	16,389	16,316	0.4 %	15,537	5.5 %
Wholesale customers	12,137	11,517	5.4 %	9,916	22.4 %
M2M	4,562	4,421	3.2 %	3,822	19.4 %
MVNOs	7,575	7,096	6.8 %	6,094	24.3 %

At March 31, 2015, the United States operating segment (T-Mobile US) had 56.8 million customers compared to 55.0 million customers at December 31, 2014. This increase in net customers of 1.8 million for the three months ended March 31, 2015 was less than the 2.4 million net customer additions for the three months ended March 31, 2014 due to the factors described below.

Branded customers. Branded postpaid net customer additions were 1,125 thousand for the three months ended March 31, 2015, compared to 1,323 thousand branded postpaid net customer additions for the three months ended March 31, 2014. This marked the third consecutive quarter in which branded postpaid net customer additions were greater than 1 million resulting from strong customer response to T-Mobile US' Un-carrier initiatives, ongoing network improvements, and promotional activities. The decrease in branded postpaid net customer additions was primarily attributable to lower gross customer additions compared to the three months ended March 31, 2014, when T-Mobile US introduced Un-carrier 4.0 Contract Freedom, where T-Mobile US offered to reimburse the early termination fees from other carriers when customers switch to T-Mobile US.

Branded prepay net customer additions were 73 thousand for the three months ended March 31, 2015, compared to 465 thousand branded prepay net customer additions for the three months ended March 31, 2014. The lower level of branded prepay net customer additions was primarily driven by increased competitive activity in the marketplace, increased customer migrations from branded prepay to branded postpaid, and an atypical U.S. federal tax refund season with more consumers saving their tax refunds compared to 2014.

Wholesale customers. Wholesale net customer additions were 620 thousand for the three months ended March 31, 2015, compared to wholesale net customer additions of 603 thousand for the three months ended March 31, 2014. The increase was primarily attributable to growth in customers of certain MVNO partnerships, offset in part by higher MVNO deactivations from other MVNO partnerships as a result of increased competition in the marketplace.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2015	Q1 2014	Change	Change %	FY 2014
TOTAL REVENUE		6,905	5,074	1,831	36.1 %	22,408
Profit from operations (EBIT)		273	154	119	77.3 %	1,405
EBIT margin	%	4.0	3.0			6.3
Depreciation, amortization and impairment losses		(838)	(641)	(197)	(30.7) %	(2,839)
EBITDA		1,111	795	316	39.7 %	4,244
Special factors affecting EBITDA		(114)	(49)	(65)	n. a.	(52)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		1,225	844	381	45.1 %	4,296
EBITDA margin (adjusted for special factors)	%	17.7	16.6			19.2
CASH CAPEX		(2,729)	(690)	(2,039)	n. a.	(5,072)

Total revenue

Total revenue for our United States operating segment of EUR 6.9 billion in the first quarter of 2015 increased by 36.1 percent compared to EUR 5.1 billion in the first quarter of 2014 mainly due to fluctuations in the currency exchange rate. In U.S. dollars, T-Mobile US' total revenues increased by 11.7 percent year-on-year due primarily to service revenue growth resulting from increases in the customer base from the continued success of T-Mobile US' Un-carrier initiatives and strong customer response to promotional activities targeting families. In addition, equipment sales increased driven by significant growth in the number of devices sold, including higher device upgrade volumes, and higher average revenue per device sold. The increase was partially offset by a reduction of total revenues from the non-cash net revenue deferral for T-Mobile US' Data Stash program and lower average revenue per branded postpaid customer due to dilution from the continued growth of customers on Simple Choice plans and attractive family rate plan promotions. The net revenue deferral for the initial 10 GB allotment per qualifying customer for Data Stash is expected to fully reverse itself during 2015.

EBITDA, adjusted EBITDA, adjusted EBITDA margin

Adjusted EBITDA increased by 45.1 percent to EUR 1.2 billion compared to EUR 0.8 billion in the first quarter of 2014 mainly due to fluctuations in the currency exchange rate. In U.S. dollars, adjusted EBITDA increased significantly by 18.4 percent. Adjusted EBITDA was positively impacted by increased branded postpaid and prepay service revenues resulting from the continued success of our Un-carrier initiatives and strong customer response to promotional activities. These effects were partially offset by higher promotional costs, increased commission expenses, and higher employee-related costs. Further, synergies realized during the first quarter of 2015 related to the decommissioning of the MetroPCS CDMA network were offset by increased expenses from network expansion. Adjusted EBITDA in the first quarter of 2015 excludes EUR 0.1 billion primarily relating to the decommissioning of the MetroPCS CDMA network. The adjusted EBITDA margin increased year-on-year due to the factors described above.

EBIT

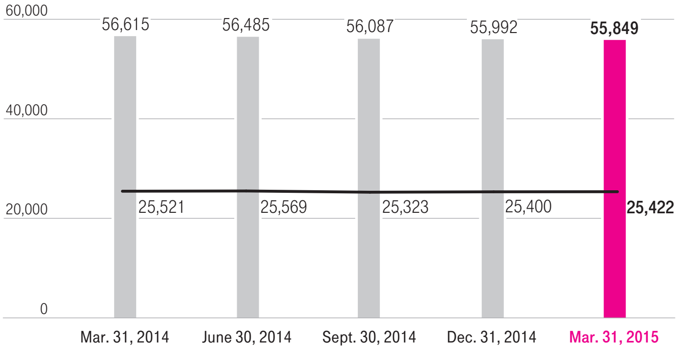
EBIT increased by 77.3 percent to EUR 273 million compared to EUR 154 million in the first quarter of 2014. This was driven by higher adjusted EBITDA partially offset by higher depreciation expense and the recognition of costs associated with the decommissioning of the MetroPCS CDMA network. Higher depreciation expense was due to the deployment of LTE network assets, related to the network modernization program.

Cash capex

Cash capex increased to EUR 2.7 billion in the first quarter of 2015 compared to EUR 0.7 billion in the first quarter of 2014 due primarily to EUR 1.9 billion of spectrum licenses purchased during the first quarter of 2015. Spectrum license purchases included EUR 1.6 billion of AWS spectrum licenses acquired through the FCC auction in January 2015 and subsequently received in April 2015. Additionally, T-Mobile US continues to invest in network capex related to the network modernization program.

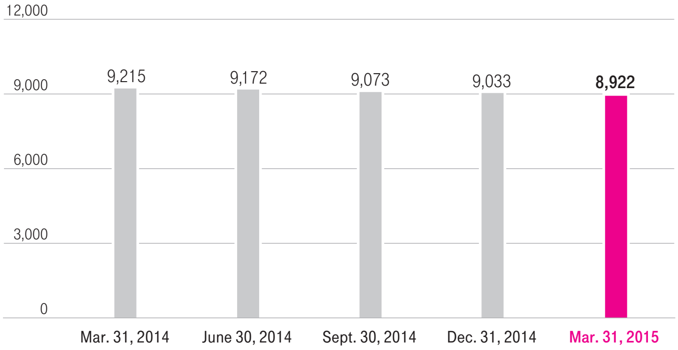
EUROPE
CUSTOMER DEVELOPMENT

Mobile customers
thousands

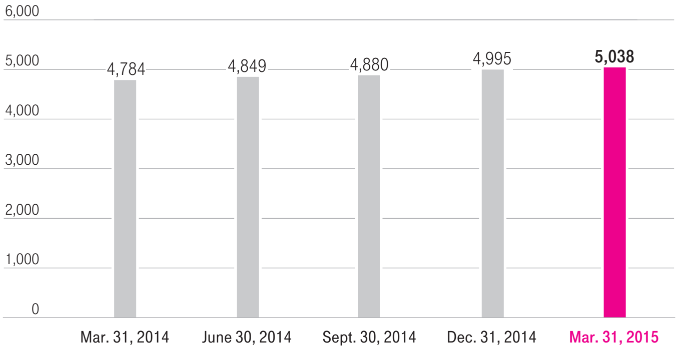


– Contract customers

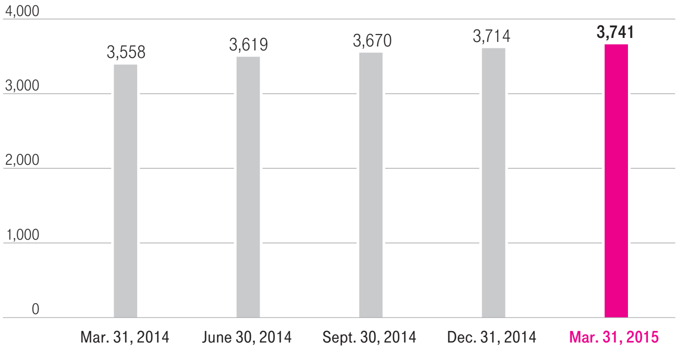
Fixed-network lines
thousands



Retail broadband lines
thousands



Television (IPTV, satellite, cable)
thousands



thousands

		Mar. 31, 2015	Dec. 31, 2014	Change Mar. 31, 2015/ Dec. 31, 2014 %	Mar. 31, 2014	Change Mar. 31, 2015/ Mar. 31, 2014 %
EUROPE, TOTAL	Mobile customers	55,849	55,992	(0.3) %	56,615	(1.4) %
	Fixed-network lines	8,922	9,033	(1.2) %	9,215	(3.2) %
	Of which: IP-based	3,606	3,486	3.4 %	2,680	34.6 %
	Retail broadband lines	5,038	4,995	0.9 %	4,784	5.3 %
	Television (IPTV, satellite, cable)	3,741	3,714	0.7 %	3,558	5.1 %
	Unbundled local loop lines (ULLs)/ wholesale PSTN	2,279	2,325	(2.0) %	2,261	0.8 %
	Wholesale bundled lines	136	140	(2.9) %	158	(13.9) %
	Wholesale unbundled lines	156	144	8.3 %	113	38.1 %
GREECE	Mobile customers	7,308	7,280	0.4 %	7,416	(1.5) %
	Fixed-network lines	2,599	2,624	(1.0) %	2,702	(3.8) %
	Broadband lines	1,413	1,388	1.8 %	1,299	8.8 %
ROMANIA	Mobile customers	6,008	6,047	(0.6) %	6,080	(1.2) %
	Fixed-network lines	2,189	2,239	(2.2) %	2,341	(6.5) %
	Broadband lines	1,192	1,199	(0.6) %	1,200	(0.7) %
HUNGARY	Mobile customers	4,948	4,964	(0.3) %	4,878	1.4 %
	Fixed-network lines	1,644	1,645	(0.1) %	1,595	3.1 %
	Broadband lines	981	969	1.2 %	936	4.8 %
POLAND [a]	Mobile customers	15,794	15,702	0.6 %	15,748	0.3 %
	Fixed-network lines	12	n. a.	n. a.	n. a.	n. a.
	Broadband lines	11	n. a.	n. a.	n. a.	n. a.
CZECH REPUBLIC [a]	Mobile customers	5,993	6,000	(0.1) %	5,912	1.4 %
	Fixed-network lines	155	131	18.3 %	130	19.2 %
	Broadband lines	145	131	10.7 %	131	10.7 %
CROATIA	Mobile customers	2,214	2,252	(1.7) %	2,272	(2.6) %
	Fixed-network lines	1,052	1,076	(2.2) %	1,138	(7.6) %
	Broadband lines	726	725	0.1 %	678	7.1 %
NETHERLANDS	Mobile customers	3,830	3,900	(1.8) %	4,343	(11.8) %
SLOVAKIA	Mobile customers	2,202	2,220	(0.8) %	2,257	(2.4) %
	Fixed-network lines	875	894	(2.1) %	914	(4.3) %
	Broadband lines	570	559	2.0 %	532	7.1 %
AUSTRIA	Mobile customers	3,956	4,020	(1.6) %	4,105	(3.6) %
OTHER [a, b]	Mobile customers	3,596	3,607	(0.3) %	3,604	(0.2) %
	Fixed-network lines	395	423	(6.6) %	396	(0.3) %
	Broadband lines	293	307	(4.6) %	278	5.4 %

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

Total

In the first quarter of 2015, customer development in the markets of our Europe operating segment showed a varied picture. Our telecommunications markets continued to come under pressure from ongoing intense competition, with slight economic improvements in some countries of our operating segment having a positive impact. The number of mobile customers remained more or less on a par with the level at the end of the prior year. Our strategy of investing in higher bandwidths is paying off. This can be seen not only in the trend in mobile customers, but also in the growing number of broadband lines. The build-out and marketing of lines based on fiber-optic technology in particular is becoming increasingly relevant for our customers, with TV business profiting in particular. As part of our pan-European network strategy, we were able to steadily increase the number of IP lines – primarily through the successful migration from traditional PSTN lines to IP technology in many countries of our Europe operating segment.

Mobile communications

Mobile telephony and data services. As of the end of the first quarter of 2015, we had a total mobile customer base of 55.8 million, which was more or less on a par with the level at the end of the prior year, despite persistently intense competition on the European mobile markets. We are positioning ourselves in the relevant markets as a quality provider with the best service – and in many countries also as the provider with the best mobile network. Part of our network strategy is to systematically build out our mobile networks with 4G/LTE technology. In Albania, where we have not provided LTE so far, we are also planning to launch it in the near future thanks to newly acquired spectrum. We also want to offer our customers considerably faster broadband connection via mobile communications: Since the start of the year, for example, we have been providing 4G+/LTE Advanced+ with transmission rates of up to 300 Mbit/s to our customers in Greece, initially in selected regions, or have doubled speeds to 150 Mbit/s in Croatia. Thanks to our systematic investments, including in network coverage, we had reached, for example, 70 percent of the population in Greece with LTE by the end of the first quarter. In Hungary and Croatia, we already cover 80 percent. In addition, we are working in other countries to achieve network coverage of between 75 and 95 percent by 2018.

Thanks to the speed of our networks in combination with innovative bundled products, including an attractive terminal equipment portfolio, customer numbers held steady, especially in the high-value contract customer business. These benefits give us a clear competitive advantage, first and foremost in business with our business customers. Compared with the end of 2014, the number of business customers increased by almost 1 percent, thereby offsetting the slight decline in consumers. Most countries of our operating segment made a positive contribution to this growth. As of March 31, 2015, business customers accounted for 32 percent of the entire contract customer base. As a result of our strategy of focusing on high-value contract customer business, the prepay customer base declined by 0.5 percent as of the first quarter of 2015 compared with year-end 2014.

Fixed network

Telephony, Internet, and television. The trend in TV services across all screens is steadily pushing up demand for such products. For example, our offers, some of which include our own TV channels with exclusive content and content produced together with partner companies such as Netflix, resulted in an increase in our customer base of 0.7 percent to 3.7 million. Year-on-year, customer growth amounted to as much as 5.1 percent. The majority of the 183 thousand net additions were satellite TV customers, primarily in Greece, and IPTV customers, primarily in Hungary and Slovakia.

As an integrated telecommunications provider, we want to drive forward the convergence of fixed-network and mobile technology and, in all our integrated countries, we already offer our customers fixed-mobile convergence (FMC) products. The technical basis for this is a simplified and standardized network, which we are creating by migrating all of our national companies with a fixed-network architecture to IP technology. This is proving successful: As of March 31, 2015, we recorded 3.6 million IP-based lines – an increase of 3.4 percent compared with the end of 2014 and of as much as 34.6 percent compared with March 31, 2014. Following the successful migration in Slovakia and the F.Y.R.O. Macedonia last year, we are now focusing on Croatia and Montenegro, which will complete the migration of PSTN lines by the end of 2015. We are well on track with this project, with a migration rate of 84 percent and 70 percent respectively at the end of the first quarter of 2015. At segment level, IP-based lines accounted for 40.4 percent of all lines. Around 8.9 million customers in our Europe operating segment used a fixed-network line as of the end of the first quarter. The decline of 1.2 percent against the end of 2014 was primarily attributable to line losses in traditional telephony (PSTN).

The number of retail broadband lines increased moderately by 0.9 percent to 5.0 million, driven mainly by DSL business, especially in Greece, where VDSL technology is enjoying dynamic growth. But other access technologies, such as broadband cable lines in Hungary or FTTH lines in Romania, also recorded strong growth rates.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2015	Q1 2014	Change	Change %	FY 2014
TOTAL REVENUE		3,106	3,125	(19)	(0.6)%	12,972
Greece		692	691	1	0.1%	2,869
Romania		241	261	(20)	(7.7)%	1,002
Hungary		393	366	27	7.4%	1,492
Poland [a]		382	350	32	9.1%	1,492
Czech Republic [a]		226	214	12	5.6%	862
Croatia		211	210	1	0.5%	905
Netherlands		346	393	(47)	(12.0)%	1,551
Slovakia		187	197	(10)	(5.1)%	768
Austria		197	192	5	2.6%	815
Other [a, b]		279	301	(22)	(7.3)%	1,442
Profit from operations **(EBIT)**		320	401	(81)	(20.2)%	1,704
EBIT margin	%	10.3	12.8			13.1
Depreciation, amortization and impairment losses		(633)	(611)	(22)	(3.6)%	(2,597)
EBITDA		953	1,012	(59)	(5.8)%	4,301
Special factors affecting EBITDA		(55)	(15)	(40)	n. a.	(131)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		1,008	1,027	(19)	(1.9)%	4,432
Greece		263	260	3	1.2%	1,138
Romania		55	66	(11)	(16.7)%	266
Hungary		106	94	12	12.8%	445
Poland [a]		130	134	(4)	(3.0)%	579
Czech Republic [a]		89	92	(3)	(3.3)%	362
Croatia		81	82	(1)	(1.2)%	365
Netherlands		133	148	(15)	(10.1)%	630
Slovakia		73	78	(5)	(6.4)%	310
Austria		65	44	21	47.7%	211
Other [a, b]		13	32	(19)	(59.4)%	125
EBITDA margin (adjusted for special factors)	%	32.5	32.9			34.2
CASH CAPEX		(494)	(585)	91	15.6%	(2,101)

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

[a] As of January 1, 2015, the entities of the GTS Central Europe group in Poland and the Czech Republic were integrated in the respective national companies.
[b] Other: national companies of Albania, the F.Y.R.O. Macedonia, and Montenegro, as well as ICSS (International Carrier Sales & Solutions), the ICSS/GNF business of the LBUs, GNF (Global Network Factory), GTS Central Europe group in Hungary and Romania, Europe Headquarters, and Group Technology.

Total revenue
Our Europe operating segment generated total revenue of EUR 3.1 billion in the first quarter of 2015, which is almost unchanged compared with the prior-year period. In organic terms, i.e., assuming full inclusion of the GTS Central Europe group in the prior-year period as well as constant exchange rates, segment revenue decreased by 2.9 percent.

Decisions by regulatory authorities continue to have a substantial impact on our segment revenue. Reduced mobile termination rates and roaming regulations in most countries of our operating segment accounted for more than half of our organic revenue decline. In addition, competition-induced price reductions in mobile and fixed-network communications continued to have a negative effect on our revenue in the first quarter of 2015, although a few markets began to show initial signs of recovery.

Due to the systematic focus on growth areas in our national companies in Europe, we partially compensated the negative revenue effects at segment level which are attributable to both voice telephony and wholesale business, in particular due to declines at ICSS. Growth areas already accounted for more than a quarter of segment revenue in the first quarter of 2015. Mobile data business established itself as the biggest driver and revenue increased by 10 percent or EUR 36 million in total compared with the prior-year period, with almost all countries of our operating segment contributing, in particular the Netherlands, Austria, and Hungary. The majority of revenue from mobile data business was attributable to consumers. Attractive rate plans combined with our broad portfolio of terminal equipment resulted in a substantial increase in the usage of data services. The positive trend of the past few quarters also continued in broadband and TV business: In the first quarter of 2015, broadband/TV revenue increased by 10 percent, thereby also slightly enhancing its share of total revenue. In addition to the acquisition of the GTS Central Europe group in the prior year, our expanded product and service portfolio also resulted in higher revenue in B2B/ICT business with business customers compared with the prior year. The national companies contributing to this in particular were the Czech Republic, Poland, and Greece. The energy resale business in Greece also recorded year-on-year revenue growth.

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

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

EBITDA, adjusted EBITDA
Our Europe operating segment generated adjusted EBITDA of EUR 1.0 billion in the first quarter of 2015, a year-on-year decrease of 1.9 percent. Assuming full inclusion of the GTS Central Europe group in the prior-year period, adjusted EBITDA declined by 3.8 percent. The overall organic decrease in revenue at segment level had a negative impact on the development of adjusted EBITDA compared with the prior-year period. Changes in legislation, taxes and duties, national austerity programs, and regulatory decisions put additional pressure on our earnings. The ICSS business decreased slightly on account of the decline in revenue.

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

With efficiency enhancement measures, we were able to reduce indirect costs in a targeted way and thereby partially counteract the negative effect of the revenue decline. Lower personnel costs in countries such as Austria, Romania, and Croatia, in particular made a positive contribution. In addition, our direct costs decreased at segment level thanks in part to regulation-induced reductions in interconnection costs.

EBITDA decreased by 5.8 percent to EUR 1.0 billion compared with the first quarter of 2014. In addition to the revenue-driven decline in adjusted EBITDA, which was partially offset by our comprehensive cost management, EBITDA was also adversely affected by special factors. These included expenses for staff-related measures as well as the expense for the settlement concluded in the first quarter of 2015 in connection with the legal proceedings for the “Claim for compensation against Slovak Telekom.” For further information on the proceedings, please refer to the section “Risks and opportunities,” page 30.

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

Greece. Revenue in Greece totaled EUR 692 million in the first quarter of 2015, i.e., on a par with the prior-year level. In mobile business, voice revenues continued to come under pressure from factors such as the increasing attractiveness of flat rates and the associated low price structures, especially among contract customers. Nevertheless, the declines were smaller than in the first quarter of the prior year. Increased voice usage in mobile termination compared with the prior-year quarter partially offset the trend in mobile voice revenues. Text messaging revenues decreased year-on-year, due to the growing trend of using text messaging add-on options. Higher revenues from sales of terminal equipment and mobile data services, due to factors such as a substantially higher demand for data services, also had a partially offsetting effect.

Fixed-network revenue decreased only slightly overall. Voice services were adversely affected by line losses in traditional telephony of around 4 percent. However, these revenue losses were lower than in the first quarter of the prior year and were almost entirely offset by growth in broadband business and growth in TV business of 31.6 percent. The B2B/ICT business with business customers also made a substantial positive contribution with a revenue increase of 10.9 percent.

Adjusted EBITDA in Greece stood at EUR 263 million in the first quarter of 2015, up slightly by 1.2 percent against the prior-year level. Higher direct costs attributable in part to higher expenses for terminal equipment were offset by lower indirect costs and the fact that revenue remained at the prior-year level.

Hungary. In the first quarter, revenue increased by 7.4 percent year-on-year to EUR 393 million, due in part to growth in mobile service revenues as a result of high-value contract customer additions coupled with considerably higher usage of voice services. Furthermore, the positive trend in mobile data revenues continued in the first quarter of 2015, which were up by some 16 percent. This is, among other factors, the result of our high-speed mobile network, the huge reach, and the successful marketing of innovative products, which is reflected both in usage behavior and by the fact that smartphones accounted for a high proportion of all terminal devices sold. This is also reflected in terminal equipment sales, which made a positive revenue contribution to total mobile revenues.

The increase in revenue from fixed-network business was mainly attributable to the energy resale business and higher revenues from broadband and TV business. As a result of our strategy of rolling out a pan-European network in our integrated national companies, the migration of PSTN lines to IP technology in Hungary also gained significant momentum, such that marketing of IP-based broadband lines has now been stepped up. Growth in fast fiber-optic lines sold was particularly dynamic. Retail broadband lines, for example, recorded appreciable year-on-year growth, especially for FTTH and VDSL lines. TV business also profited from this, attracting customers with its innovative TV services across all screens. In addition, the B2B/ICT business with business customers also made a positive contribution to revenue, enabling us to more than offset the overall decline in voice revenue in traditional telephony.

Adjusted EBITDA amounted to EUR 106 million in the first quarter of the year, representing a year-on-year increase of 12.8 percent, mainly due to positive revenue effects. Our efficiency enhancement programs also had a positive effect on adjusted EBITDA, thus compensating for both the higher direct costs and the undiminished high tax burden.

Austria. In Austria, we generated revenue of EUR 197 million in the first quarter of 2015, a year-on-year increase of 2.6 percent. This is due on the one hand to the positive trend in voice revenues. On the other, revenues from mobile data business continued to record double-digit growth, especially from contract customers, mainly due to the successful launch of the new rate plan model last year, followed by ongoing high demand for smartphones. Both factors resulted in a sharp increase in the usage of data services. In addition, revenue from terminal equipment sales increased. We were thus able to offset the declines resulting from the regulation-induced reduction in roaming charges.

Adjusted EBITDA increased by 47.7 percent year-on-year in the first quarter of 2015 to EUR 65 million. In addition to positive effects from the increase in revenues, lower indirect costs due in particular to lower personnel costs contributed to this result. Savings in direct costs also made a positive contribution to adjusted EBITDA, primarily as a result of more targeted customer retention and acquisition measures and regulation-induced lower interconnection costs.

EBIT

EBIT in our Europe operating segment totaled EUR 320 million in the first quarter of 2015, down 20.2 percent year-on-year, due to the decline in EBITDA as well as higher amortization of intangible assets primarily in the Czech Republic and Hungary.

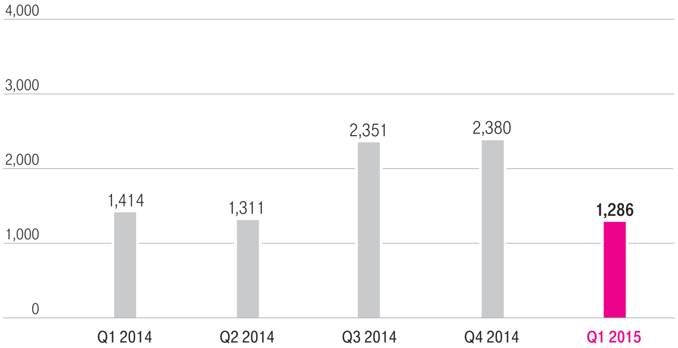
Cash capex

In the first quarter of 2015, our Europe operating segment reported cash capex of EUR 494 million, i.e., down by 15.6 percent, mainly due to the acquisition of mobile licenses in the Czech Republic and Slovakia in the prior year. In the first quarter of 2015, we acquired mobile spectrum to a lesser extent, e.g., in Albania.

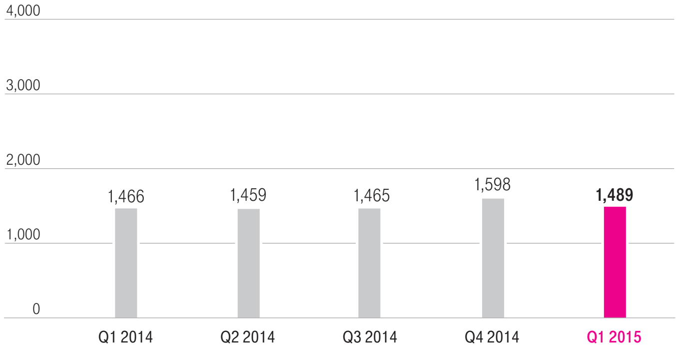
Excluding the effects from the acquisition of spectrum, overall cash capex increased year-on-year at segment level. The increase is due to contrasting effects: Firstly, our national companies continued to act very prudently in their capital spending. The reasons for this included the difficult market situation, decisions by regulatory authorities, and additional financial burdens, such as taxes. Activities as part of our integrated network strategy, especially in the mobile and fixed-network business in Greece and Romania, had a contrasting effect. Cash capex also increased slightly due to the inclusion of the GTS Central Europe group.

SYSTEMS SOLUTIONS
SELECTED KPIs

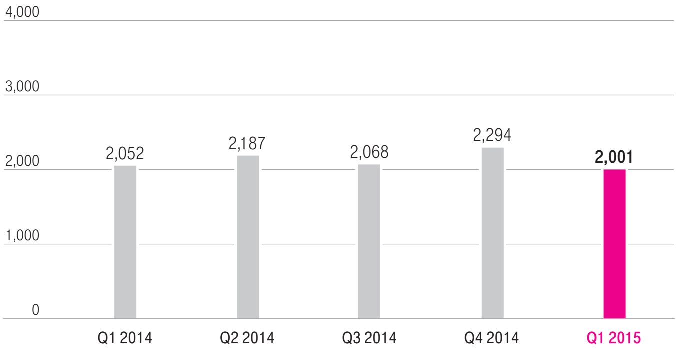
Order entry
millions of €



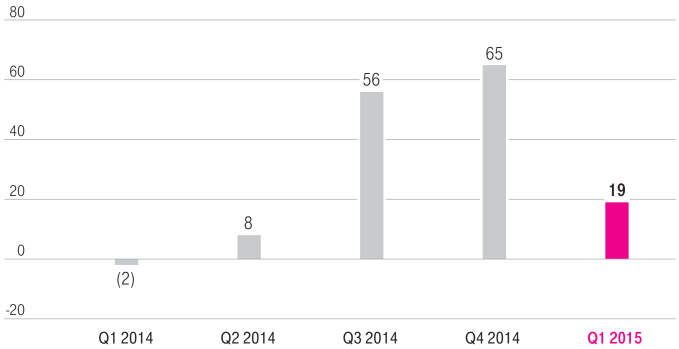
External revenue
millions of €



Revenue
millions of €



Adjusted EBIT
millions of €



		Mar. 31, 2015	Dec. 31, 2014	Change Mar. 31, 2015/ Dec. 31, 2014 %	Mar. 31, 2014	Change Mar. 31, 2015/ Mar. 31, 2014 %
ORDER ENTRY	millions of €	1,286	7,456	n. a.	1,414	(9.1) %
COMPUTING & DESKTOP SERVICES						
Number of servers managed and serviced	units	61,406	61,654	(0.4) %	61,887	(0.8) %
Number of workstations managed and serviced	millions	1.62	1.58	2.5 %	1.34	20.9 %
SYSTEMS INTEGRATION						
Hours billed	millions	1.8	6.1	n. a.	1.7	5.9 %
Utilization rate	%	81.7	83.8	(2.1) %p	82.8	(1.1) %p

Development of business

In the first quarter of 2015, T-Systems concluded new contracts in Germany and abroad; nevertheless, order entry decreased by 9.1 percent compared with the prior-year period. This is attributable to the realignment of the business model, aimed at ensuring sustained profitable growth. In this connection, we tightened up the profitability criteria for the acceptance of new orders: In the future, we will offer services with a persistently low level of profitability via specialized partners or discontinue them completely if demand is not lucrative enough. Strengthened by the realignment, our standard solutions from the growth area of cloud computing in particular won out over strong competition. For our customers, this means that they can access an ever greater range of services from the cloud and at the same time profit from our expertise in transformation services for bringing our customers to the cloud securely.

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

To meet the requirements from the new deals, we are continuously modernizing and consolidating our ICT resources. Thanks to high-performance servers and improved capacity utilization, we reduced the number of servers managed by 0.8 percent compared with the first quarter of 2014. There was a similar picture with data centers: Technical advances made it possible to set up ever larger and higher-performance units, which allowed us to also reduce our number of data centers, which had a positive impact on our cost efficiency. The number of workstations managed and serviced increased by 20.9 percent to 1.62 million compared with the first quarter of 2014.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2015	Q1 2014	Change	Change %	FY 2014
TOTAL REVENUE		2,001	2,052	(51)	(2.5)%	8,601
Loss from operations (EBIT)		(65)	(59)	(6)	(10.2)%	(422)
Special factors affecting EBIT		(84)	(57)	(27)	(47.4)%	(549)
EBIT (adjusted for special factors)		19	(2)	21	n. a.	127
EBIT margin (adjusted for special factors)	%	0.9	(0.1)			1.5
Depreciation, amortization and impairment losses		(145)	(140)	(5)	(3.6)%	(717)
EBITDA		80	81	(1)	(1.2)%	295
Special factors affecting EBITDA		(74)	(57)	(17)	(29.8)%	(540)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		154	138	16	11.6%	835
EBITDA margin (adjusted for special factors)	%	7.7	6.7			9.7
CASH CAPEX		(252)	(253)	1	0.4%	(1,171)

Total revenue

Total revenue in our Systems Solutions operating segment in the reporting period amounted to EUR 2.0 billion, a year-on-year decrease of 2.5 percent. The decrease was primarily due to the expected decline in revenue in the Telekom IT business unit.

Revenues of the Market Unit, i.e., essentially business with external customers, were up 1.3 percent compared with the prior-year period to EUR 1.7 billion, with international revenue in particular increasing. The general downward price trend in ICT business was more than offset by the revenue from new contracts. Furthermore, exchange rate effects had a positive impact on the Market Unit's revenue.

In the Telekom IT business unit, which mainly pools the Group's domestic internal IT projects, revenue was down 18.0 percent against the prior-year period, primarily reflecting the Group's planned savings in IT costs.

EBITDA, adjusted EBITDA

Adjusted EBITDA in our Systems Solutions operating segment increased by EUR 16 million or 11.6 percent in the reporting period due to a substantially higher contribution from the Market Unit. The reasons for this include improved customer profitability and the effects resulting from cost-cutting and efficiency enhancement measures. These positive effects were partially offset by necessary expenses in connection with the realignment of the business model with the aim of ensuring sustainably profitable growth. At Telekom IT, adjusted EBITDA decreased substantially, due in part to lower revenues generated within the Group. The adjusted EBITDA margin increased from 6.7 percent in the prior-year period to 7.7 percent in the first quarter of 2015.

EBITDA decreased slightly by 1.2 percent year-on-year to EUR 80 million. Special factors were higher than in the prior year, mainly due to restructuring programs.

EBIT, adjusted EBIT

Adjusted EBIT for the first quarter of 2015 improved by EUR 21 million against the prior-year period. The key factors were the effects described under adjusted EBITDA, with depreciation, amortization and impairment losses increasing slightly due to higher own capitalized costs in the prior year, in particular for De-Mail. The adjusted EBIT margin improved from minus 0.1 percent in the prior-year period to plus 0.9 percent.

Cash capex

Cash capex totaled EUR 0.3 billion in the reporting period. Our level of investment remains high and is attributable to the realignment of the business model, which we are developing further in line with the increasing digitization of enterprises. For this reason, we are investing in intelligent network solutions such as connected car, healthcare, and energy, as well as in cutting-edge digital innovation areas like cloud computing and cyber security. Enhanced efficiency, for example as a result of the standardization of the ICT platforms, had an offsetting effect.

GROUP HEADQUARTERS & GROUP SERVICES

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

millions of €

	Q1 2015	Q1 2014	Change	Change %	FY 2014
TOTAL REVENUE	565	622	(57)	(9.2)%	2,516
Profit (loss) from operations **(EBIT)**	(252)	1,395	(1,647)	n. a.	(109)
Depreciation, amortization and impairment losses	(144)	(149)	5	3.4%	(671)
EBITDA	(108)	1,544	(1,652)	n. a.	562
Special factors affecting EBITDA	(86)	1,662	(1,748)	n. a.	1,229
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	(22)	(118)	96	81.4%	(667)
CASH CAPEX	(96)	(65)	(31)	(47.7)%	(381)

Total revenue

Total revenue in our Group Headquarters & Group Services segment in the first quarter of 2015 decreased by 9.2 percent year-on-year, mainly due to the revenue lost in connection with the sale of 70 percent of the shares in the Scout24 group which was consummated in early February 2014. Furthermore, intragroup revenue decreased slightly compared with the prior-year quarter, especially from Real Estate Services.

EBITDA, adjusted EBITDA

Adjusted EBITDA at Group Headquarters & Group Services improved by EUR 96 million year-on-year in the first quarter of 2015, mainly due to income of EUR 175 million resulting from an agreement to settle an ongoing complaints procedure under anti-trust law. This was offset by passing on efficiency gains achieved through cost savings to the Group's operating segments. Furthermore, EBITDA was negatively impacted by the loss of the contribution to earnings by the Scout24 group and lower income from real estate sales.

Overall, EBITDA was negatively impacted by special factors amounting to EUR 86 million, especially for staff-related measures. In the prior-year period, income from divestitures in connection with the disposal of the Scout24 group had been a decisive special factor.

EBIT

The year-on-year decline in EBIT is primarily attributable to income from divestitures in connection with the disposal of the Scout24 group in the prior year. Depreciation, amortization and impairment losses were at the same level as in the prior year.

Cash capex

Cash capex increased year-on-year by EUR 31 million, largely due to the purchase of more vehicles and licenses.

EVENTS AFTER THE REPORTING PERIOD (MARCH 31, 2015)

For explanations on the rulings made in April 2015 with regard to the **claims for damages concerning the provisions of subscriber data**, please refer to the section “Risks and opportunities,” page 30.

For information on the **final Federal Network Agency rulings on interconnection charges in Germany**, which were published in April 2015, please refer to the section “The economic environment,” pages 9 and 10.

FORECAST

The statements in this section reflect the current views of our management. To date, there is no evidence that the forecasts published in the 2014 combined management report have significantly changed (2014 Annual Report, page 134 et seq.). Accordingly, the statements made therein remain valid. For additional information and recent changes in the economic situation, please refer to the section “The economic environment” in this interim Group management report. Readers are also referred to the Disclaimer at the end of this report.

RISKS AND OPPORTUNITIES

This section provides important additional information and explains recent changes in the risks and opportunities as described in the combined management report for the 2014 financial year (2014 Annual Report, page 146 et seq.). Readers are also referred to the Disclaimer at the end of this report.

LITIGATION

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

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

Claim for compensation against Slovak Telekom. In March 2015, the parties agreed on a settlement of the dispute. The now settled dispute concerned a lawsuit filed against Slovak Telekom based on the accusation that the legal predecessor of Slovak Telekom had ceased broadcast of an international radio program contrary to the underlying contract. The closure of the proceedings still requires the approval of the responsible court.

REGULATION

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

As part of a strategy for the digital single market, the Commission has announced its upcoming European regulation initiatives in early May 2015. These include, for example, a complete **reworking of the applicable EU legal framework for telecommunications**, to be introduced this year. It is not possible at present to conclusively assess the opportunities, such as a reduction in “ex ante” regulation and a stronger, harmonized framework for awarding mobile spectrum, as well as any resulting risks, for instance in the area of the universal service obligation or customer protection.

ASSESSMENT OF THE AGGREGATE RISK POSITION

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

millions of €

	Mar. 31, 2015	Dec. 31, 2014	Change	Change %	Mar. 31, 2014
ASSETS					
CURRENT ASSETS	**28,549**	**29,798**	**(1,249)**	**(4.2)%**	**22,270**
Cash and cash equivalents	5,100	7,523	(2,423)	(32.2)%	7,706
Trade and other receivables	10,696	10,454	242	2.3%	7,536
Current recoverable income taxes	125	84	41	48.8%	146
Other financial assets	2,702	2,976	(274)	(9.2)%	2,695
Inventories	1,841	1,503	338	22.5%	1,139
Other assets	1,826	1,380	446	32.3%	1,837
Non-current assets and disposal groups held for sale	6,259	5,878	381	6.5%	1,211
NON-CURRENT ASSETS	**108,912**	**99,562**	**9,350**	**9.4%**	**95,073**
Intangible assets	56,791	51,565	5,226	10.1%	45,157
Property, plant and equipment	41,221	39,616	1,605	4.1%	37,255
Investments accounted for using the equity method	652	617	35	5.7%	6,257
Other financial assets	3,759	2,284	1,475	64.6%	1,265
Deferred tax assets	6,142	5,169	973	18.8%	4,841
Other assets	347	311	36	11.6%	298
TOTAL ASSETS	**137,461**	**129,360**	**8,101**	**6.3%**	**117,343**
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES	**28,357**	**28,198**	**159**	**0.6%**	**23,490**
Financial liabilities	10,116	10,558	(442)	(4.2)%	8,891
Trade and other payables	9,542	9,681	(139)	(1.4)%	6,696
Income tax liabilities	278	276	2	0.7%	295
Other provisions	3,605	3,517	88	2.5%	3,315
Other liabilities	4,816	4,160	656	15.8%	4,293
Liabilities directly associated with non-current assets and disposal groups held for sale	–	6	(6)	n. a.	–
NON-CURRENT LIABILITIES	**72,108**	**67,096**	**5,012**	**7.5%**	**61,087**
Financial liabilities	47,004	44,669	2,335	5.2%	40,737
Provisions for pensions and other employee benefits	9,213	8,465	748	8.8%	7,285
Other provisions	2,536	2,373	163	6.9%	2,083
Deferred tax liabilities	9,236	7,712	1,524	19.8%	7,103
Other liabilities	4,119	3,877	242	6.2%	3,879
LIABILITIES	**100,465**	**95,294**	**5,171**	**5.4%**	**84,577**
SHAREHOLDERS' EQUITY	**36,996**	**34,066**	**2,930**	**8.6%**	**32,766**
Issued capital	11,611	11,611	0	0.0%	11,395
Treasury shares	(53)	(53)	0	0.0%	(54)
	11,558	**11,558**	**0**	**0.0%**	**11,341**
Capital reserves	51,796	51,778	18	0.0%	50,996
Retained earnings including carryforwards	(37,385)	(39,783)	2,398	6.0%	(36,670)
Total other comprehensive income	(235)	(1,838)	1,603	87.2%	(2,502)
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale	1,201	798	403	50.5%	–
Net profit (loss)	787	2,924	(2,137)	(73.1)%	1,817
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	**27,722**	**25,437**	**2,285**	**9.0%**	**24,982**
Non-controlling interests	9,274	8,629	645	7.5%	7,784
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**137,461**	**129,360**	**8,101**	**6.3%**	**117,343**

CONSOLIDATED INCOME STATEMENT

millions of €

	Q1 2015	Q1 2014	Change	Change %	FY 2014
NET REVENUE	**16,842**	**14,894**	**1,948**	**13.1 %**	**62,658**
Cost of sales	(10,238)	(9,134)	(1,104)	(12.1) %	(38,539)
GROSS PROFIT	**6,604**	**5,760**	**844**	**14.7 %**	**24,119**
Selling expenses	(3,938)	(3,301)	(637)	(19.3) %	(13,898)
General and administrative expenses	(1,223)	(970)	(253)	(26.1) %	(4,721)
Other operating income	397	1,957	(1,560)	(79.7) %	3,231
Other operating expenses	(374)	(304)	(70)	(23.0) %	(1,484)
PROFIT FROM OPERATIONS	**1,466**	**3,142**	**(1,676)**	**(53.3) %**	**7,247**
Finance costs	(600)	(597)	(3)	(0.5) %	(2,340)
Interest income	65	75	(10)	(13.3) %	325
Interest expense	(665)	(672)	7	1.0 %	(2,665)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(2)	(27)	25	92.6 %	(198)
Other financial income (expense)	159	(117)	276	n. a.	(359)
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(443)**	**(741)**	**298**	**40.2 %**	**(2,897)**
PROFIT BEFORE INCOME TAXES	**1,023**	**2,401**	**(1,378)**	**(57.4) %**	**4,350**
Income taxes	(234)	(550)	316	57.5 %	(1,106)
PROFIT (LOSS)	**789**	**1,851**	**(1,062)**	**(57.4) %**	**3,244**
PROFIT (LOSS) ATTRIBUTABLE TO					
Owners of the parent (net profit (loss))	787	1,817	(1,030)	(56.7) %	2,924
Non-controlling interests	2	34	(32)	(94.1) %	320
INCLUDED IN CONSOLIDATED INCOME STATEMENT					
Personnel costs	(3,870)	(3,627)	(243)	(6.7) %	(14,683)
Depreciation, amortization and impairment losses	(2,694)	(2,496)	(198)	(7.9) %	(10,574)
Of which: amortization and impairment of intangible assets	(1,002)	(893)	(109)	(12.2) %	(3,863)
Of which: depreciation and impairment of property, plant and equipment	(1,692)	(1,603)	(89)	(5.6) %	(6,711)

EARNINGS PER SHARE

		Q1 2015	Q1 2014	Change	Change %	FY 2014
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	787	1,817	(1,030)	(56.7) %	2,924
Weighted average number of ordinary shares (basic/diluted)	millions	4,515	4,430	85	1.9 %	4,476
EARNINGS PER SHARE BASIC/DILUTED	€	**0.17**	**0.41**	**(0.24)**	**(58.5) %**	**0.65**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	Q1 2015	Q1 2014	Change	FY 2014
PROFIT (LOSS)	**789**	**1,851**	**(1,062)**	**3,244**
Items not reclassified to the income statement retrospectively				
Gain (loss) from the remeasurement of defined benefit plans	(766)	(274)	(492)	(1,581)
Share of profit (loss) of investments accounted for using the equity method	0	0	0	(29)
Income taxes relating to components of other comprehensive income	233	82	151	477
	(533)	**(192)**	**(341)**	**(1,133)**
Items reclassified to the income statement retrospectively, if certain reasons are given				
Exchange differences on translating foreign operations				
Recognition of other comprehensive income in income statement	4	(3)	7	(4)
Change in other comprehensive income (not recognized in income statement)	2,460	(61)	2,521	1,849
Available-for-sale financial assets				
Recognition of other comprehensive income in income statement	2	0	2	(1)
Change in other comprehensive income (not recognized in income statement)	5	(3)	8	41
Gains (losses) from hedging instruments				
Recognition of other comprehensive income in income statement	(404)	9	(413)	(267)
Change in other comprehensive income (not recognized in income statement)	605	(89)	694	265
Share of profit (loss) of investments accounted for using the equity method				
Recognition of other comprehensive income in income statement	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	3	1	2	0
Income taxes relating to components of other comprehensive income	(61)	27	(88)	3
	2,614	**(119)**	**2,733**	**1,886**
OTHER COMPREHENSIVE INCOME	**2,081**	**(311)**	**2,392**	**753**
TOTAL COMPREHENSIVE INCOME	**2,870**	**1,540**	**1,330**	**3,997**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Owners of the parent	2,270	1,524	746	3,184
Non-controlling interests	600	16	584	813

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

millions of €

	Issued capital and reserves attributable to owners of the parent				
	Equity contributed			Consolidated shareholders' equity generated	
	Issued capital	Treasury shares	Capital reserves	Retained earnings incl. carryforwards	Net profit (loss)
BALANCE AT JANUARY 1, 2014	**11,395**	**(54)**	**51,428**	**(37,437)**	**930**
Changes in the composition of the Group					
Transactions with owners			(475)		
Unappropriated profit (loss) carried forward				930	(930)
Dividends					
Capital increase from share-based payment			43		
Profit (loss)					1,817
Other comprehensive income				(188)	
TOTAL COMPREHENSIVE INCOME					
Transfer to retained earnings				25	
BALANCE AT MARCH 31, 2014	**11,395**	**(54)**	**50,996**	**(36,670)**	**1,817**
BALANCE AT JANUARY 1, 2015	**11,611**	**(53)**	**51,778**	**(39,783)**	**2,924**
Changes in the composition of the Group					
Transactions with owners			(22)		
Unappropriated profit (loss) carried forward				2,924	(2,924)
Dividends					
Capital increase from share-based payment			40		
Profit (loss)					787
Other comprehensive income				(526)	
TOTAL COMPREHENSIVE INCOME					
Transfer to retained earnings					
BALANCE AT MARCH 31, 2015	**11,611**	**(53)**	**51,796**	**(37,385)**	**787**

Issued capital and reserves attributable to owners of the parent							Non-controlling interests	Total shareholders' equity
Total other comprehensive income						Total		
Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets	Hedging instruments	Investments accounted for using the equity method	Taxes			
(2,603)	**(39)**	**38**	**343**	**(12)**	**(110)**	**23,879**	**8,184**	**32,063**
						0	1	1
11						(464)	(417)	(881)
						0		0
						0	(21)	(21)
						43	21	64
						1,817	34	1,851
(50)		(2)	(80)	1	26	(293)	(18)	(311)
						1,524	**16**	**1,540**
	(25)					0		0
(2,642)	**(64)**	**36**	**263**	**(11)**	**(84)**	**24,982**	**7,784**	**32,766**
(1,247)	**(62)**	**79**	**340**	**(42)**	**(108)**	**25,437**	**8,629**	**34,066**
						0	0	0
(3)						(25)	40	15
						0		0
						0	(15)	(15)
						40	20	60
						787	2	789
1,860	2	6	201	1	(61)	1,483	598	2,081
						2,270	**600**	**2,870**
						0	0	0
610	**(60)**	**85**	**541**	**(41)**	**(169)**	**27,722**	**9,274**	**36,996**

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

	Q1 2015	Q1 2014	FY 2014
PROFIT (LOSS)	**789**	**1,851**	**3,244**
Depreciation, amortization and impairment losses	2,694	2,496	10,574
Income tax expense (benefit)	234	550	1,106
Interest income and interest expense	600	597	2,340
Other financial (income) expense	(159)	117	359
Share of (profit) loss of associates and joint ventures accounted for using the equity method	2	27	198
(Profit) loss on the disposal of fully consolidated subsidiaries	0	(1,709)	(1,674)
Other non-cash transactions	59	53	166
(Gain) loss from the disposal of intangible assets and property, plant and equipment	10	(26)	(436)
Change in assets carried as working capital	(258)	(496)	(2,275)
Change in provisions	46	153	382
Change in other liabilities carried as working capital	78	188	2,207
Income taxes received (paid)	(136)	(178)	(679)
Dividends received	279	237	344
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	50	0	55
CASH GENERATED FROM OPERATIONS	**4,288**	**3,860**	**15,911**
Interest paid	(1,180)	(1,134)	(3,390)
Interest received	200	236	872
NET CASH FROM OPERATING ACTIVITIES	**3,308**	**2,962**	**13,393**
Cash outflows for investments in			
Intangible assets [a]	(2,440)	(734)	(4,658)
Property, plant and equipment [a]	(1,989)	(1,463)	(7,186)
Non-current financial assets	(61)	(51)	(806)
Payments to acquire control of subsidiaries and associates	(8)	(60)	(606)
Proceeds from disposal of			
Intangible assets	0	2	16
Property, plant and equipment	87	84	265
Non-current financial assets	9	4	74
Proceeds from the loss of control of subsidiaries and associates	(1)	1,590	1,540
Net change in short-term investments and marketable securities and receivables	1,468	277	591
Other	(2)	3	9
NET CASH USED IN INVESTING ACTIVITIES	**(2,937)**	**(348)**	**(10,761)**
Proceeds from issue of current financial liabilities	2,734	1,504	12,785
Repayment of current financial liabilities	(6,271)	(3,550)	(17,089)
Proceeds from issue of non-current financial liabilities	599	58	4,275
Repayment of non-current financial liabilities	(140)	(2)	(1,042)
Dividends	–	–	(1,290)
Repayment of lease liabilities	(53)	(40)	(164)
Stock options of other T-Mobile US shareholders (previous MetroPCS programs)	19	10	17
Acquisition of the remaining shares in T-Mobile Czech Republic	–	(828)	(828)
T-Mobile US share buy-back	–	–	(53)
OTE share buy-back	–	(59)	(69)
Cash inflows from the assignment of OTE stock options	–	–	26
Other	(24)	1	(2)
NET CASH USED IN FINANCING ACTIVITIES	**(3,136)**	**(2,906)**	**(3,434)**
Effect of exchange rate changes on cash and cash equivalents	341	(4)	323
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	1	32	32
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,423)**	**(264)**	**(447)**
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD	**7,523**	**7,970**	**7,970**
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	**5,100**	**7,706**	**7,523**

[a] Cash outflows for investments in intangible assets and property, plant and equipment at T-Mobile US as of March 31, 2014 were adjusted retrospectively.

SIGNIFICANT EVENTS AND TRANSACTIONS

ACCOUNTING POLICIES

In accordance with § 37x (3) of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), Deutsche Telekom AG's quarterly financial report comprises interim consolidated financial statements and an interim management report for the Group. The interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial reporting as adopted by the EU. The interim management report for the Group was prepared in accordance with the WpHG.

STATEMENT OF COMPLIANCE

The interim consolidated financial statements for the period ended March 31, 2015 are in compliance with International Accounting Standard (IAS) 34. As permitted by IAS 34, it has been decided to publish a condensed version compared to the consolidated financial statements at December 31, 2014. All IFRSs applied by Deutsche Telekom have been adopted by the European Commission for use within the EU.

In the opinion of the Board of Management, the reviewed quarterly 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, 2014 for the accounting policies applied for the Group's financial reporting (2014 Annual Report, page 182 et seq.).

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

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

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

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

CHANGES IN THE COMPOSITION OF THE GROUP AND TRANSACTIONS WITH OWNERS

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

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

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

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

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

millions of €

	Total Q1 2015	Q1 2014								Organic change Q1 2015
		Total	Germany	United States	Europe	Systems Solutions	Group Headquarters & Group Services	Reconcili-ation	Pro forma[a]	
Net revenue	16,842	14,894			76		(27)		14,943	1,899
Cost of sales	(10,238)	(9,134)			(38)		4		(9,168)	(1,070)
GROSS PROFIT (LOSS)	**6,604**	**5,760**	**0**	**0**	**38**	**0**	**(23)**	**0**	**5,775**	**829**
Selling expenses	(3,938)	(3,301)			(1)		12		(3,290)	(648)
General and administrative expenses	(1,223)	(970)			(14)		3		(981)	(242)
Other operating income	397	1,957			1		(1,709)		249	148
Other operating expenses	(374)	(304)			(15)		(1)		(320)	(54)
PROFIT (LOSS) FROM OPERATIONS	**1,466**	**3,142**	**0**	**0**	**9**	**0**	**(1,718)**	**0**	**1,433**	**33**
Finance costs	(600)	(597)			(2)		(1)		(600)	0
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(2)	(27)			0		0		(27)	25
Other financial income (expense)	159	(117)			0		0		(117)	276
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(443)**	**(741)**	**0**	**0**	**(2)**	**0**	**(1)**	**0**	**(744)**	**301**
PROFIT (LOSS) BEFORE INCOME TAXES	**1,023**	**2,401**	**0**	**0**	**7**	**0**	**(1,719)**	**0**	**689**	**334**
Income taxes	(234)	(550)			0		(40)		(590)	356
PROFIT (LOSS)	**789**	**1,851**	**0**	**0**	**7**	**0**	**(1,759)**	**0**	**99**	**690**

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

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

The net carrying amounts of the non-current assets and disposal groups held for sale increased by EUR 0.4 billion to EUR 6.3 billion due to exchange rate effects from the translation of pounds sterling into euros. Our stake in the EE joint venture was reclassified in December 2014.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets increased by EUR 5.2 billion to EUR 56.8 billion, mainly due to exchange rate effects of EUR 3.5 billion, especially from the translation of U.S. dollars into euros. Capital expenditure totaling EUR 2.7 billion also increased the carrying amount of intangible assets. This includes EUR 1.9 billion for the purchase of mobile licenses by T-Mobile US, in particular in the January 2015 auction organized by the U.S. Federal Communications Commission (FCC). Amortization of EUR 1.0 billion had an offsetting effect.

Property, plant and equipment increased by EUR 1.6 billion compared to December 31, 2014 to EUR 41.2 billion. Capital expenditure of EUR 2.0 billion and exchange rate effects of EUR 1.4 billion, in particular from the translation of U.S. dollars into euros, increased the carrying amount. It was reduced by depreciation of EUR 1.7 billion and disposals of EUR 0.1 billion.

FINANCIAL LIABILITIES

Financial liabilities increased by EUR 1.9 billion to a total of EUR 57.1 billion compared with the end of 2014.

The following table shows the composition and maturity structure of financial liabilities as of March 31, 2015:

millions of €

	Mar. 31, 2015	Due within 1 year	Due >1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	44,909	3,791	14,663	26,455
Liabilities to banks	3,791	1,062	1,938	791
Finance lease liabilities	1,549	187	570	792
Liabilities to non-banks from promissory notes	976	340	351	285
Other interest-bearing liabilities	2,756	2,172	393	191
Other non-interest-bearing liabilities	1,647	1,630	15	2
Derivative financial liabilities	1,492	934	385	173
FINANCIAL LIABILITIES	**57,120**	**10,116**	**18,315**	**28,689**

PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

Provisions for pensions and other employee benefits increased by EUR 0.7 billion to EUR 9.2 billion. This increase is primarily attributable to the sustained decline in interest levels and resulting actuarial losses to be recognized directly in equity.

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

OTHER OPERATING INCOME

millions of €

	Q1 2015	Q1 2014
Income from reimbursements	71	99
Income from the disposal of non-current assets	18	46
Income from insurance compensation	13	12
Income from divestitures	–	1,709
Miscellaneous other operating income	295	91
	397	**1,957**

Income from divestitures decreased by EUR 1.7 billion compared with the prior-year period. Income from divestitures in the prior year was attributable to the sale of the Scout24 group consummated in February 2014. Miscellaneous other operating income included income of EUR 175 million resulting from an agreement to settle an ongoing complaints procedure under anti-trust law. A large number of smaller individual items are also included in this item.

OTHER OPERATING EXPENSES

millions of €

	Q1 2015	Q1 2014
Losses on the disposal of non-current assets	(28)	(21)
Impairment losses	(1)	(1)
Losses from divestitures	(1)	–
Miscellaneous other operating expenses	(344)	(282)
	(374)	**(304)**

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

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

Other financial income/expense includes the dividend payment of EUR 0.3 billion received from the EE joint venture. The dividend payment recognized in profit or loss related to the reclassification in December 2014 of our stake in the joint venture as non-current assets and disposal groups held for sale.

INCOME TAXES

A tax expense of EUR 0.2 billion was recorded in the first quarter of 2015. The comparatively low tax rate is primarily a consequence of tax refunds for prior years in Germany and Europe.

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash from operating activities

During the reporting period, factoring agreements were concluded concerning monthly revolving sales of current trade receivables. Factoring agreements resulted in positive effects of EUR 0.5 billion on net cash from operating activities in the first quarter of 2015. This primarily related to a factoring agreement that had already been terminated and wound up in 2014 and was concluded again in 2015. The effect from factoring agreements in the prior-year quarter totaled EUR 0.4 billion. Net cash from operating activities was reduced by EUR 0.1 billion higher net interest payments.

Net cash used in investing activities

millions of €

	Q1 2015	Q1 2014
Cash capex		
Germany operating segment	(949)	(705)
United States operating segment	(2,729)	(690)
Europe operating segment	(494)	(585)
Systems Solutions operating segment	(252)	(253)
Group Headquarters & Group Services	(96)	(65)
Reconciliation	91	101
	(4,429)	**(2,197)**
Net cash flows for collateral deposited for hedging transactions	1,340	198
Proceeds from the disposal of property, plant and equipment	87	84
Sale of the Scout24 group	–	1,576
Other	65	(9)
	(2,937)	**(348)**

Cash capex increased by EUR 2.2 billion to EUR 4.4 billion. In the first quarter of 2015, mobile licenses were acquired for a total of EUR 1.9 billion, primarily in the United States operating segment. The figure for the prior-year quarter had included EUR 0.1 billion for mobile licenses acquired in the Europe operating segment. In the Germany operating segment, the increase in cash capex was mainly attributable to the investments made as part of the integrated network strategy in the vectoring/fiber-optic cable build-out as well as in the IP transformation and the LTE infrastructure.

Net cash used in financing activities

millions of €

	Q1 2015	Q1 2014
Repayment of bonds	(2,274)	(496)
Repayment of EIB loans	(412)	–
Commercial paper, net	(303)	–
Repayment of financial liabilities from financed capex and opex	(241)	(184)
Cash deposits from the EE joint venture, net	(199)	(199)
Repayment of lease liabilities	(53)	(40)
T-Mobile US stock options	19	10
Net cash flows for collateral deposited for hedging transactions	20	50
Loans taken out with the EIB	599	–
Promissory notes (net)	–	(1,043)
Acquisition of the remaining shares in T-Mobile Czech Republic	–	(828)
OTE share buy-back	–	(59)
Other	(292)	(117)
	(3,136)	**(2,906)**

Non-cash transactions in the consolidated statement of cash flows

For the first quarter of 2015, Deutsche Telekom chose financing options totaling EUR 0.6 billion under which the payments for trade payables from operating and investing activities become due at a later point in time by involving banks in the process (Q1 2014: EUR 0.1 billion). These payables are now shown under financial liabilities in the statement of financial position. As soon as the payments have been made, they are disclosed under net cash used in/from financing activities. Deutsche Telekom does not intend to further increase the volume of such financing options in the 2015 financial year.

Consideration for the acquisition of broadcasting rights will be paid by Deutsche Telekom in accordance with the terms of the contract on its conclusion or spread over the term of the contract. Financial liabilities of EUR 0.1 billion were recognized in the first quarter of 2015 for future consideration for acquired broadcasting rights (Q1 2014: EUR 0.0 billion). As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

SEGMENT REPORTING

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

For details on the development of operations in the operating segments and the Group Headquarters & Group Services segment, please refer to the section "Development of business in the operating segments" in the interim Group management report, page 15 et seq.

Segment information in the first quarter
millions of €

		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets [a]	Segment liabilities [a]	Investments accounted for using the equity method [a]
Germany	Q1 2015	5,265	324	5,589	1,190	(935)	0	29,788	23,088	19
	Q1 2014	5,146	337	5,483	1,249	(956)	0	29,980	23,148	19
United States	Q1 2015	6,904	1	6,905	273	(838)	0	56,575	40,688	221
	Q1 2014	5,073	1	5,074	154	(641)	0	49,784	35,724	197
Europe	Q1 2015	3,029	77	3,106	320	(632)	(1)	30,486	12,225	57
	Q1 2014	3,018	107	3,125	401	(611)	0	30,923	12,761	52
Systems Solutions	Q1 2015	1,489	512	2,001	(65)	(145)	0	8,860	6,214	12
	Q1 2014	1,466	586	2,052	(59)	(140)	0	8,788	5,962	14
Group Headquarters & Group Services	Q1 2015	155	410	565	(252)	(144)	0	43,009	49,563	342
	Q1 2014	191	431	622	1,395	(148)	(1)	81,500	48,100	335
TOTAL	**Q1 2015**	**16,842**	**1,324**	**18,166**	**1,466**	**(2,694)**	**(1)**	**168,718**	**131,778**	**651**
	Q1 2014	**14,894**	**1,462**	**16,356**	**3,140**	**(2,496)**	**(1)**	**200,975**	**125,695**	**617**
Reconciliation	Q1 2015	–	(1,324)	(1,324)	–	1	–	(31,257)	(31,313)	1
	Q1 2014	–	(1,462)	(1,462)	2	1	–	(71,615)	(30,401)	–
GROUP	**Q1 2015**	**16,842**	**–**	**16,842**	**1,466**	**(2,693)**	**(1)**	**137,461**	**100,465**	**652**
	Q1 2014	**14,894**	**–**	**14,894**	**3,142**	**(2,495)**	**(1)**	**129,360**	**95,294**	**617**

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

CONTINGENT LIABILITIES

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

Claim for compensation against Slovak Telekom. In March 2015, the parties agreed on a settlement of the dispute. The now settled dispute concerned a lawsuit filed against Slovak Telekom based on the accusation that the legal predecessor of Slovak Telekom had ceased broadcast of an international radio program contrary to the underlying contract. The closure of the proceedings still requires the approval of the responsible court.

FUTURE OBLIGATIONS FROM OPERATING LEASES AND OTHER FINANCIAL OBLIGATIONS

The following table provides an overview of Deutsche Telekom's obligations from operating leases and other financial obligations as of March 31, 2015:

millions of €

	Mar. 31, 2015
Future obligations from operating leases	20,688
Purchase commitments regarding property, plant and equipment	2,255
Purchase commitments regarding intangible assets	755
Firm purchase commitments for inventories	6,063
Other purchase commitments and similar obligations	10,749
Payment obligations to the Civil Service Pension Fund	4,730
Purchase commitments for interests in other companies	2
Miscellaneous other obligations	1,034
	46,276

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 IAS 39			
	Category in accordance with IAS 39	Carrying amounts Mar. 31, 2015	Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss
ASSETS						
Cash and cash equivalents	LaR	5,100	5,100			
Trade receivables	LaR	10,430	10,430			
Originated loans and receivables	LaR/n. a.	2,987	2,760			
Of which: collateral paid	LaR	317	317			
Other non-derivative financial assets						
Held-to-maturity investments	HtM	11	11			
Available-for-sale financial assets	AfS	642		145	497	
Derivative financial assets						
Derivatives without a hedging relationship	FAHfT	1,584				1,584
Of which: termination rights embedded in bonds issued	FAHfT	301				301
Derivatives with a hedging relationship	n. a.	1,236			867	369
LIABILITIES AND SHAREHOLDERS' EQUITY						
Trade payables	FLAC	9,497	9,497			
Bonds and other securitized liabilities	FLAC	44,909	44,909			
Liabilities to banks	FLAC	3,791	3,791			
Liabilities to non-banks from promissory notes	FLAC	976	976			
Other interest-bearing liabilities	FLAC	2,756	2,756			
Of which: collateral received	FLAC	1,342	1,342			
Other non-interest-bearing liabilities	FLAC	1,647	1,647			
Finance lease liabilities	n. a.	1,549				
Derivative financial liabilities						
Derivatives without a hedging relationship	FLHfT	1,313				1,313
Of which: conversion rights embedded in Mandatory Convertible Preferred Stock	FLHfT	128				128
Derivatives with a hedging relationship	n. a.	179			172	7
Of which: aggregated by category in accordance with IAS 39						
Loans and receivables	LaR	18,290	18,290			
Held-to-maturity investments	HtM	11	11			
Available-for-sale financial assets	AfS	642		145	497	
Financial assets held for trading	FAHfT	1,584				1,584
Financial liabilities measured at amortized cost	FLAC	63,576	63,576			
Financial liabilities held for trading	FLHfT	1,313				1,313

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

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

Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Mar. 31, 2015[a]	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2014	Amounts recognized in the statement of financial position in accordance with IAS 39				Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2014[a]
				Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss		
	–	LaR	7,523	7,523					–
	–	LaR	10,262	10,262					–
227	3,018	LaR/n. a.	3,224	2,997				227	3,256
	–	LaR	527	527					–
	–	HtM	10	10					–
	497	AfS	683		122	561			561
	1,584	FAHfT	835				835		835
	301	FAHfT	183				183		183
	1,236	n. a.	508			286	222		508
	–	FLAC	9,631	9,631					–
	50,877	FLAC	44,219	44,219					49,402
	3,895	FLAC	3,676	3,676					3,788
	1,126	FLAC	946	946					1,106
	2,812	FLAC	1,775	1,775					1,836
	–	FLAC	486	486					–
	–	FLAC	2,055	2,055					–
1,549	2,099	n. a.	1,461					1,461	1,869
	1,313	FLHfT	664				664		664
	128	FLHfT							–
	179	n. a.	431			423	8		431
	2,791	LaR	20,782	20,782					3,029
	–	HtM	10	10					–
	497	AfS	683		122	561			561
	1,584	FAHfT	835				835		835
	58,710	FLAC	62,302	62,302					56,132
	1,313	FLHfT	664				664		664

Financial instruments measured at fair value
millions of €

	Mar. 31, 2015				Dec. 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
Available-for-sale financial assets (AfS)	263	8	226	**497**	348	5	208	**561**
Financial assets held for trading (FAHfT)		1,283	301	**1,584**		652	183	**835**
Derivative financial assets with a hedging relationship		1,236		**1,236**		508		**508**
LIABILITIES AND SHAREHOLDERS' EQUITY								
Financial liabilities held for trading (FLHfT)		1,185	128	**1,313**		664		**664**
Derivative financial liabilities with a hedging relationship		179		**179**		431		**431**

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

	Available-for-sale financial assets (AfS)	Financial assets held for trading (FAHfT): Early redemption options embedded in bonds	Financial liabilities held for trading (FLHfT): Conversion rights embedded in Mandatory Convertible Preferred Stock
Carrying amount as of January 1, 2015	**208**	**183**	**0**
Additions (including first-time categorization as Level 3)	13	–	–
Value decreases recognized in profit/loss	0	–	(128)
Value increases recognized in profit/loss	–	95	–
Value decreases recognized directly in equity	0	–	–
Value increases recognized directly in equity	5	–	–
Disposals	0	–	–
Currency translation effects recognized directly in equity	–	23	0
CARRYING AMOUNT AS OF MARCH 31, 2015	**226**	**301**	**(128)**

Of the available-for-sale financial assets (AfS) presented under other non-derivative financial assets, the instruments presented in Level 1 and Level 2 constitute separate classes. In Level 1, EUR 263 million (December 31, 2014: EUR 348 million) is recognized, which largely relates to listed government bonds, the fair values of which are the price quotations at the reporting date.

The available-for-sale financial assets assigned to Level 3 that are carried under other non-derivative financial assets are equity investments with a carrying amount of EUR 226 million measured using the best information available at the reporting date. As a rule, we consider transactions involving shares in the respective companies to have the greatest relevance. Transactions involving shares in comparable companies are also considered. The closeness of the transaction in question to the reporting date and the question of whether the transaction was at arm's length are relevant for the decision on which information will ultimately be used for the measurement. In the case of investments with a carrying amount of EUR 210 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why in our view the share prices agreed in the transactions were to be used without adjustment for the measurement as of the current reporting date. In the case of investments with a carrying amount of EUR 16 million, no arm's length transactions involving shares in these companies took place sufficiently close to the reporting date. For this reason, these were measured on the basis of arm's length transactions involving shares in comparable companies that were executed sufficiently close to the reporting date. Here, multiples to the reference variables of net revenue (ranging between 0.52 and 3.5) and EBIT (ranging between 6.6 and 39.75) were used, usually the respective median. If the value of the respective 2/3-quantile (1/3-quantile) had been used as a multiple with no change in the reference variables, the fair value of the investments at the reporting date would have been EUR 5 million higher (EUR 6 million lower). If the reference variables had been 10 percent higher (lower) with no change in the multiples, the fair value of the investments at the reporting date would have been EUR 1 million higher (EUR 1 million lower). In the reporting period, net expense of less than EUR 1 million was recognized in other financial income/expense for unrealized losses for the investments in the portfolio at the reporting date. For practical reasons, the investments are not remeasured annually unless the periodic individual analysis of the financial position and results of operations of the companies indicates significant changes in the fair values. Please refer to the table on the left for the development of the carrying amounts in the reporting period. No plans existed as of the reporting date to sell these investments.

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

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

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

The financial assets held for trading assigned to Level 3 that are carried under other derivative financial assets relate to options embedded in bonds issued by T-Mobile US with a carrying amount of EUR 301 million when translated into euros. The options, which can be exercised by T-Mobile US at any time, allow early redemption of the bonds at fixed exercise prices. Observable market prices are available routinely and also at the reporting date for the bonds as entire instruments, but not for the options embedded therein. The termination rights were measured using an option pricing model. Historical interest rate volatilities of bonds issued by T-Mobile US and comparable issuers were used for the measurement because we believe that these provide a more reliable estimate for these unobservable inputs at the reporting date than current market interest rate volatilities. The absolute figure used for the interest rate volatility at the current reporting date was around 1.6 percent. The spread curve, which is also unobservable, was derived on the basis of current market prices of bonds issued by T-Mobile US and debt instruments of comparable issuers. The spreads used at the current reporting date were between 3.6 and 4.4 percent for the maturities of the bonds and between 2.3 and 3.0 percent for shorter terms. In our opinion, 10 percent constituted the best estimate for the mean reversion, another unobservable input. If 10 percent higher (lower) interest rate volatilities in absolute terms had been used for the measurement at the reporting date, with otherwise unchanged parameters the fair value of the options from T-Mobile US' perspective would have been EUR 39 million higher (EUR 38 million lower) when translated into euros. If spreads of 100 basis points higher (lower) had been used for the measurement at the reporting date, with otherwise unchanged parameters the fair value of the options from T-Mobile US' perspective would have been EUR 141 million lower (EUR 241 million higher) when translated into euros. If a mean reversion of 100 basis points higher (lower) had been used for the measurement at the reporting date, with otherwise unchanged parameters the fair value of the options from T-Mobile US' perspective would have been EUR 9 million lower (EUR 10 million higher) when translated into euros. In the reporting period, net income of EUR 95 million when translated into euros was recognized under the Level 3 measurement in other financial income/expense for unrealized gains for the options in the portfolio at the reporting date. Please refer to the table on page 44 for the development of the carrying amounts in the reporting period. The change in the market price in the reporting period is largely attributable to the higher historical interest rate volatility in absolute terms, which was still 1.2 percent as of December 31, 2014.

The financial liabilities held for trading assigned to Level 3 that are presented under financial liabilities with a carrying amount of EUR 128 million when translated into euros relate to stock options embedded in the Mandatory Convertible Preferred Stock issued by T-Mobile US. The Mandatory Convertible Preferred Stock will be converted into a variable number of shares of T-Mobile US on the maturity date in 2017 and, in accordance with IFRS, is accounted for as debt rather than equity. The entire instrument is split into a debt instrument (bond) measured at amortized cost and an embedded derivative measured at fair value through profit or loss. In addition to conversion on the maturity date, this derivative also includes the early conversion rights granted to investors. An observable market price exists at the reporting date for the Mandatory Convertible Preferred Stock as an entire instrument, but not for the options embedded therein. The conversion rights were measured using an option pricing model. The market price of the entire instrument and its individual components is largely dependent on T-Mobile US' share price performance and the market interest rates. If the share price of T-Mobile US had been 10 percent higher (lower) at the reporting date, with otherwise unchanged parameters the fair value of the options from T-Mobile US' perspective would have been EUR 91 million lower (EUR 89 million higher) when translated into euros. If a spread of 100 basis points higher (lower) had been used for the measurement at the reporting date, with otherwise unchanged parameters the fair value of the options from T-Mobile US' perspective would have been EUR 20 million lower (higher) when translated into euros. In the reporting period, a net expense of EUR 128 million when translated into euros was recognized in other financial income/expense for unrealized losses for the options in the portfolio at the reporting date. Please refer to the table on page 44 for the development of the carrying amount in the reporting period. As of December 31, 2014, the value of the derivative was still slightly positive from Deutsche Telekom's perspective (carrying amount less than EUR 1 million), which is why it had to be disclosed as an asset. The change in the market price in the reporting period is largely attributable to the rise in T-Mobile US' share price.

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

Disclosures on credit risk. In line with the contractual provisions, in the event of insolvency all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. The net amounts are normally recalculated every bank working day and offset against each other. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 1,342 million (December 31, 2014: EUR 486 million). The credit risk was thus reduced by EUR 1,340 million because on the reporting date the collateral received is offset by corresponding net derivative positions in this amount. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 2,519 million as of the reporting date (December 31, 2014: EUR 1,160 million) had a maximum credit risk of EUR 145 million as of March 31, 2015 (December 31, 2014: EUR 52 million). There is no danger of default on embedded derivatives held. When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom provided cash collateral in the amount of EUR 317 million (December 31, 2014: EUR 527 million) to counterparties pursuant to collateral agreements. The net amounts are normally recalculated every bank working day and offset against each other. The cash collateral paid is offset by corresponding net derivative positions of EUR 301 million at the reporting date, which is why it was not exposed to any credit risks in this amount. The collateral paid is reported under originated loans and receivables within other financial assets. On account of its close connection to the corresponding derivatives, the collateral paid constitutes a separate class of financial assets. Likewise, the collateral received, which is reported under financial liabilities, constitutes a separate class of financial liabilities on account of its connection to the corresponding derivatives. No other significant agreements reducing the maximum exposure to the credit risks of financial assets existed. The maximum exposure to credit risk of the other financial assets thus corresponds to their carrying amounts.

RELATED-PARTY DISCLOSURES

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

Net funds of EUR 0.2 billion that had been invested by the EE joint venture were repaid to the company by Deutsche Telekom by March 31, 2015.

EXECUTIVE BODIES

Changes in the composition of the Board of Management

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

Changes in the composition of the Supervisory Board

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

RESPONSIBILITY STATEMENT

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

Bonn, May 13, 2015

Deutsche Telekom AG
Board of Management

Timotheus Höttges

Reinhard Clemens

Niek Jan van Damme

Thomas Dannenfeldt

Dr. Christian P. Illek

Dr. Thomas Kremer

Claudia Nemat

REVIEW REPORT

To Deutsche Telekom AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement and statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to March 31, 2015, which are part of the quarterly financial report pursuant to § 37x (3) 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, May 13, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Kayser	Thomas Tandetzki
Wirtschaftsprüfer	Wirtschaftsprüfer

ADDITIONAL INFORMATION

RECONCILIATION OF PRO FORMA FIGURES

SPECIAL FACTORS

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

millions of €

	EBITDA Q1 2015	EBIT Q1 2015	EBITDA Q1 2014	EBIT Q1 2014	EBITDA FY 2014	EBIT FY 2014
EBITDA/EBIT	**4,160**	**1,466**	**5,638**	**3,142**	**17,821**	**7,247**
GERMANY	**(86)**	**(86)**	**(25)**	**(25)**	**(254)**	**(254)**
Staff-related measures	(61)	(61)	(23)	(23)	(223)	(223)
Non-staff-related restructuring	(14)	(14)	0	0	(9)	(9)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	(11)	(11)	(2)	(2)	(22)	(22)
UNITED STATES	**(114)**	**(114)**	**(49)**	**(49)**	**(52)**	**(52)**
Staff-related measures	(22)	(22)	(46)	(46)	(133)	(133)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(95)	(95)	(3)	(3)	78	78
Impairment losses	–	0	–	0	–	0
Other	3	3	0	0	3	3
EUROPE	**(55)**	**(55)**	**(15)**	**(15)**	**(131)**	**(153)**
Staff-related measures	(22)	(22)	(15)	(15)	(91)	(91)
Non-staff-related restructuring	(2)	(2)	1	1	(9)	(9)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	(5)	(5)
Impairment losses	–	0	–	0	–	(22)
Other	(31)	(31)	(1)	(1)	(26)	(26)
SYSTEMS SOLUTIONS	**(74)**	**(84)**	**(57)**	**(57)**	**(540)**	**(549)**
Staff-related measures	(34)	(34)	(28)	(28)	(286)	(286)
Non-staff-related restructuring	(31)	(34)	(28)	(28)	(205)	(212)
Effects of deconsolidations, disposals and acquisitions	(6)	(6)	0	0	(23)	(23)
Other	(3)	(10)	(1)	(1)	(26)	(28)
GROUP HEADQUARTERS & GROUP SERVICES	**(86)**	**(86)**	**1,662**	**1,662**	**1,229**	**1,200**
Staff-related measures	(33)	(33)	(14)	(14)	(174)	(174)
Non-staff-related restructuring	(32)	(32)	(1)	(1)	(54)	(54)
Effects of deconsolidations, disposals and acquisitions	(19)	(19)	1,705	1,705	1,631	1,631
Impairment losses	–	–	–	–	–	(29)
Other	(2)	(2)	(28)	(28)	(174)	(174)
GROUP RECONCILIATION	**1**	**1**	**1**	**1**	**0**	**0**
Staff-related measures	0	0	0	0	0	0
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	1	1	1	1	0	0
TOTAL SPECIAL FACTORS	**(414)**	**(424)**	**1,517**	**1,517**	**252**	**192**
EBITDA/EBIT (ADJUSTED FOR SPECIAL FACTORS)	**4,574**	**1,890**	**4,121**	**1,625**	**17,569**	**7,055**
Profit (loss) from financial activities (adjusted for special factors)		(441)		(686)		(2,784)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		**1,449**		**939**		**4,271**
Income taxes (adjusted for special factors)		(366)		(304)		(1,474)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		**1,083**		**635**		**2,797**
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		1,036		587		2,422
Non-controlling interests (adjusted for special factors)		47		48		375

GROSS AND NET DEBT

Deutsche Telekom considers net debt to be an important performance indicator for investors, analysts, and rating agencies.

millions of €

	Mar. 31, 2015	Dec. 31, 2014	Change	Change %	Mar. 31, 2014
Financial liabilities (current)	10,116	10,558	(442)	(4.2) %	8,891
Financial liabilities (non-current)	47,004	44,669	2,335	5.2 %	40,737
FINANCIAL LIABILITIES	**57,120**	**55,227**	**1,893**	**3.4 %**	**49,628**
Accrued interest	(876)	(1,097)	221	20.1 %	(893)
Other	(847)	(1,038)	191	18.4 %	(917)
GROSS DEBT	**55,397**	**53,092**	**2,305**	**4.3 %**	**47,818**
Cash and cash equivalents	5,100	7,523	(2,423)	(32.2) %	7,706
Available-for-sale/held-for-trading financial assets	219	289	(70)	(24.2) %	299
Derivative financial assets	2,820	1,343	1,477	n. a.	647
Other financial assets	948	1,437	(489)	(34.0) %	1,202
NET DEBT	**46,310**	**42,500**	**3,810**	**9.0 %**	**37,964**

GLOSSARY

For definitions, please refer to the 2014 Annual Report and the glossary therein (page 277 et seq.).

DISCLAIMER

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

Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom's control. They include, for instance, the progress of Deutsche Telekom's workforce reduction initiative and the impact of other significant strategic or business initiatives, including acquisitions, dispositions, and business combinations. In addition, movements in exchange rates and interest rates, regulatory rulings, stronger than expected competition, technological change, litigation, and regulatory developments, among other factors, may have a material adverse effect on costs and revenue development. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, Deutsche Telekom's actual results may be materially different from those expressed or implied by such statements. Deutsche Telekom can offer no assurance that its expectations or targets will be achieved. Without prejudice to existing obligations under capital market law, Deutsche Telekom does not assume any obligation to update forward-looking statements to account for new information or future events or any other aspects.

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

FINANCIAL CALENDAR [a]

Date	Event
May 13, 2015	Publication of the Interim Group Report as of March 31, 2015
May 21, 2015	2015 Shareholders' meeting
June 17, 2015	Dividend payment [b]
August 6, 2015	Publication of the Interim Group Report as of June 30, 2015
November 5, 2015	Publication of the Interim Group Report as of September 30, 2015
February 25, 2016	Publication of the 2015 Annual Report
May 4, 2016	Publication of the Interim Group Report as of March 31, 2016

[a] For more dates, an updated schedule, and information on webcasts, please go to www.telekom.com.
[b] Deutsche Telekom is again considering offering the option of paying the dividend either in cash or in the form of shares. The cash dividend is expected to be paid out on June 17, 2015. Subject to approval by the relevant bodies and the fulfillment of other legal provisions.

CONTACTS

Deutsche Telekom AG
Corporate Communications
53262 Bonn, Germany

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

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

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

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

The English version of the Interim Group Report for January 1 to March 31, 2015 is a translation of the German version of the Interim Group Report. The German version is legally binding.

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

KNr. 642 100 006 (German)
KNr. 642 100 007 (English)

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

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