

SELECTED FINANCIAL DATA OF THE GROUP

millions of €

	Q1 2019	Q1 2018	Change %	FY 2018
REVENUE AND EARNINGS				
Net revenue	19,488	17,924	8.7	75,656
Of which: domestic	31.0	33.4		32.2
Of which: international	69.0	66.6		67.8
Profit from operations (EBIT)	2,258	2,171	4.0	8,001
Net profit (loss)	900	992	(9.3)	2,166
Net profit (loss) (adjusted for special factors)	1,183	1,190	(0.6)	4,545
EBITDA	6,461	5,269	22.6	21,836
EBITDA AL	5,500	5,207	5.6	21,577
EBITDA (adjusted for special factors)	6,901	5,549	24.4	23,333
EBITDA AL (adjusted for special factors)	5,940	5,487	8.3	23,074
EBITDA AL margin (adjusted for special factors)	30.5	30.6		30.5
Earnings per share basic/diluted	0.19	0.21	(9.5)	0.46
Adjusted earnings per share basic/diluted	0.25	0.25	0.0	0.96
STATEMENT OF FINANCIAL POSITION				
Total assets	165,472	138,025	19.9	145,375
Shareholders' equity	42,762	43,691	(2.1)	43,437
Equity ratio	25.8	31.7		29.9
Net debt	71,876	50,455	42.5	55,425
CASH FLOWS				
Net cash from operating activities	6,009	4,297	39.8	17,948
Cash capex	(3,827)	(3,139)	(21.9)	(12,492)
Free cash flow (before dividend payments and spectrum investment)	2,370	1,382	71.5	6,250
Free cash flow AL (before dividend payments and spectrum investment)	1,557	1,318	18.1	6,051
Net cash used in investing activities	(3,597)	(3,643)	1.3	(14,297)
Net cash from (used in) financing activities	27	(294)	n.a.	(3,259)

millions

	Mar. 31, 2019	Dec. 31, 2018	Change Mar. 31, 2019/ Dec. 31, 2018 %	Mar. 31, 2018	Change Mar. 31, 2019/ Mar. 31, 2018 %
FIXED-NETWORK AND MOBILE CUSTOMERS					
Mobile customers	179.1	178.4	0.4	169.9	5.4
Fixed-network lines	27.9	27.9	0.1	27.8	0.4
Broadband customers ^a	20.6	20.2	1.9	19.1	7.9

^a Excluding wholesale.

The figures shown in this report were rounded in accordance with standard business rounding principles. As a result, the total indicated may not be equal to the precise sum of the individual figures.

The new IFRS 16 "Leases" accounting standard has been applied since January 1, 2019. This led to a change in the definition of some of our financial performance indicators. Prior-year figures have not been adjusted; however, for the redefined key performance indicators we show prior-year comparatives calculated on a pro-forma basis. The key parameters used by Deutsche Telekom are defined in the section "Management of the Group" in the 2018 Annual Report, page 38 et seq., and in the section "Group organization, strategy, and management" in the interim Group management report, page 8. For more information on the new IFRS 16 accounting standard, please refer to the section "Accounting policies" in the interim consolidated financial statements, page 35 et seq.

TO OUR SHAREHOLDERS

DEUTSCHE TELEKOM AT A GLANCE

NET REVENUE

- Net revenue increased by 8.7 percent to EUR 19.5 billion. On a like-for-like basis, i.e., excluding exchange rate effects and effects of changes in the composition of the Group, net revenue increased by EUR 0.7 billion or 3.5 percent.
- Our United States operating segment posted an increase in revenue of 15.9 percent; also in U.S. dollars, the continuing success of our U.S. operations was evident in revenue growth of 7.0 percent.
- Our Europe operating segment recorded an increase in revenue of 2.8 percent and revenue in our Germany operating segment also edged up by 0.6 percent.
- The inclusion of Tele2 Netherlands made a substantial contribution to the increase in revenue in our Group Development operating segment.

ADJUSTED EBITDA AL^a

- Adjusted EBITDA AL rose by 8.3 percent to EUR 5.9 billion, with contributions from all operating segments. Adjusted for exchange rate effects and the slightly positive effects of changes in the composition of the Group, adjusted EBITDA AL rose by EUR 0.2 billion or 3.9 percent.
- Adjusted EBITDA AL for our United States operating segment increased by 14.9 percent. In U.S. dollars, this constituted growth of 6.2 percent in our U.S. operations.
- Our Europe operating segment recorded an increase in adjusted EBITDA AL of 5.2 percent and our Germany operating segment an increase of 2.4 percent. However, substantial increases in adjusted EBITDA AL were likewise recorded by the System Solutions and Group Development operating segments – the latter also due to earnings contributions from the acquiree Tele2 Netherlands.
- At 30.5 percent, the Group's adjusted EBITDA AL margin was almost on the prior-year level of 30.6 percent. The adjusted EBITDA AL margin was 39.4 percent in Germany, 32.7 percent in Europe, and 27.3 percent in the United States.

EBIT

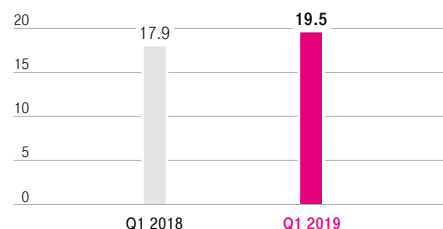
- EBIT increased by EUR 0.1 billion to EUR 2.3 billion.
- Special factors of EUR 0.4 billion, incurred mainly in connection with staff-related measures, reduced EBIT, in contrast to EUR 0.3 billion in the previous year.
- At EUR 4.2 billion, depreciation, amortization and impairment losses were EUR 1.1 billion higher than in the prior-year period. This significant increase was primarily the result of the depreciation charges recognized for right-of-use assets as a result of the first-time application of the accounting standard IFRS 16 "Leases." Previously, by contrast, expenses had been recognized in connection with operating leases. Depreciation of property, plant and equipment and amortization of intangible assets were slightly higher than in the prior year.

NET PROFIT

- Net profit decreased by EUR 0.1 billion to EUR 0.9 billion.
- As in the prior-year period, our loss from financial activities came to EUR 0.4 billion. Finance costs that were EUR 0.2 billion higher due to the application of IFRS 16 were compensated by positive measurement effects from embedded derivatives at T-Mobile US.
- Tax expense was flat on the prior-year period at EUR 0.5 billion.
- At EUR 0.4 billion, profit attributable to non-controlling interests was marginally higher than the prior-year figure of EUR 0.3 billion.
- Adjusted earnings per share amounted to EUR 0.25, on a level with the figure for the first quarter of 2018.

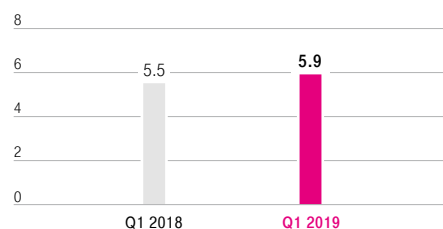
Net revenue

billions of €



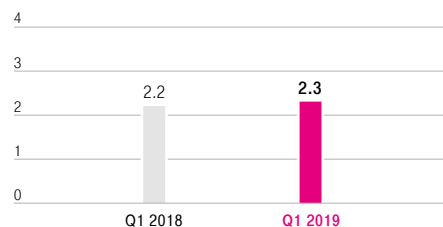
Adjusted EBITDA AL^a

billions of €



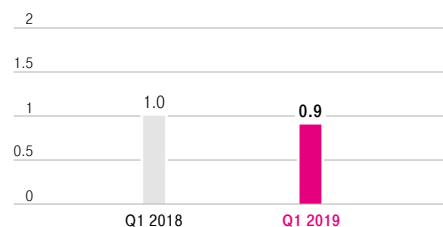
EBIT

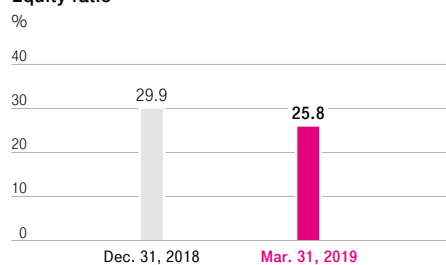
billions of €



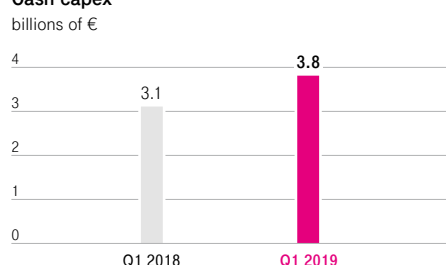
Net profit

billions of €

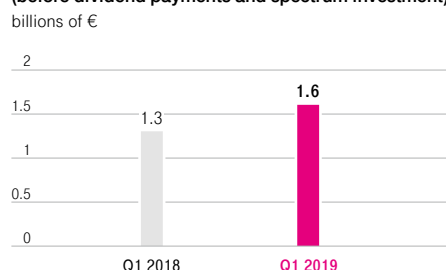


Equity ratio**EQUITY RATIO**

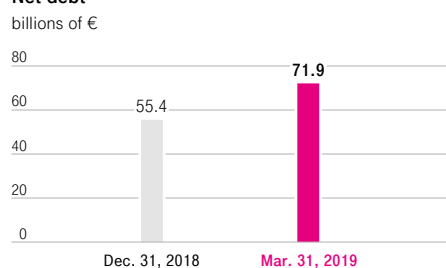
- The decrease in the equity ratio from 29.9 percent at year-end 2018 to 25.8 percent mainly results from the increase of 13.8 percent in total assets/total liabilities and shareholders' equity. A key driver of this increase was the first-time application of the IFRS 16 accounting standard and the resulting capitalization of right-of-use assets and recognition of lease liabilities.
- Shareholders' equity decreased from EUR 43.4 billion as of December 31, 2018 to EUR 42.8 billion. In particular, the resolved dividend distributed to shareholders of Deutsche Telekom AG in the amount of EUR 3.3 billion had a reducing effect. The profit of EUR 1.3 billion, the acquisition of Tele2 Netherlands totaling EUR 0.7 billion, and an effect of EUR 0.3 billion recognized directly in equity related to the transition to IFRS 16 had an increasing effect. Currency translation effects recognized directly in equity increased shareholders' equity by EUR 0.5 billion.

Cash capex**CASH CAPEX**

- Cash capex (including spectrum investment) increased from EUR 3.1 billion to EUR 3.8 billion.
- Capital expenditures were focused primarily on the United States, Germany, and Europe operating segments and went toward the build-out and upgrade of our networks. The increase is attributable to the United States operating segment in the amount of EUR 0.6 billion, mainly due to the accelerated infrastructure build-out for the 600 MHz spectrum, laying the groundwork for 5G.
- As in the comparative period, payments were made for mobile spectrum licenses in the amount of EUR 0.1 billion, especially in the United States operating segment.

Free cash flow AL^a**(before dividend payments and spectrum investment)****FREE CASH FLOW AL^a****(BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)**

- Free cash flow AL was up from EUR 1.3 billion to EUR 1.6 billion.
- The increase was attributable to the positive development of net cash from operating activities, which benefited in particular from the strong performance of our operating segments, especially in the United States.
- The year-on-year increase of EUR 0.6 billion in cash capex (excluding spectrum investment) had a negative impact on free cash flow.

Net debt**NET DEBT**

- Net debt increased from EUR 55.4 billion at the end of 2018 to EUR 71.9 billion.
- The recognition of lease liabilities in connection with the first-time application of the IFRS 16 accounting standard raised net debt by EUR 15.6 billion.
- Additions to lease liabilities (EUR 1.1 billion), exchange rate effects (EUR 0.7 billion), and the acquisition of Tele2 Netherlands (EUR 0.4 billion) also increased this item.
- The main factor reducing net debt was free cash flow of EUR 2.4 billion.

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HIGHLIGHTS IN THE FIRST QUARTER OF 2019

BOARD OF MANAGEMENT

The former Board member responsible for Human Resources (CHRO), Dr. Christian P. Illek, became the new CFO as of January 1, 2019. Birgit Bohle joined the Board of Management on January 1, 2019 as the Board member responsible for Human Resources as successor to Dr. Illek. Thorsten Langheim became a member of the Board of Management at Deutsche Telekom AG as of January 1, 2019, taking up the role of head of the newly created Board department responsible for USA and Group Development. Deutsche Telekom AG thus has had nine Board departments since the start of 2019.

CORPORATE TRANSACTIONS

On November 27, 2018, the European Commission unconditionally approved the acquisition of telecommunications provider **Tele2 Netherlands Holding N.V.** by T-Mobile Netherlands Holding B.V. and the transaction was consummated on January 2, 2019. Tele2 Netherlands has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since the acquisition date. This transaction will establish a stronger, more sustainable provider of convergent fixed-network and mobile services on the Dutch market.

On January 15, 2019, OTE concluded an agreement concerning the sale of its stake in Telekom Albania to the Bulgarian company Albania Telecom Invest AD for a purchase price of EUR 50 million. The transaction is subject to approval by the authorities as well as other closing conditions and is expected to be completed in the first half of 2019.

INVESTMENTS IN NETWORKS

T-Mobile Austria launches 5G network. At the 5G spectrum auction in Austria, T-Mobile Austria purchased 110 MHz of spectrum covering all 12 regions (12 packages of 10 MHz in each of them) for a total of EUR 57 million. The company is now in a position to roll out the next-generation communications standard across all of Austria. The auction ended in early March 2019 and resulted in 438 from a total of 468 spectrum packages (39 packages of 10 MHz in each of the twelve regions) being auctioned for a total price of around EUR 188 million. Using the acquired spectrum, T-Mobile Austria activated the first 5G base stations on March 26, 2019, primarily in rural regions. Additional 5G stations will be connected to the mobile network over the course of the further build-out. T-Mobile Austria plans to invest around EUR 1 billion in total through 2021 to guarantee that Austria has a powerful mobile and fixed-network broadband infrastructure.

Drilling, splicing, and microtrenching: network build-out in 2019.

This year, we plan to install some 2,000 new cell sites for the mobile network to increase the number of connections, predominantly along freeways and rail routes. Our fiber-optic network currently extends over around 500,000 kilometers and is expected to grow by some 60,000 kilometers in 2019. Already top speeds of up to 250 Mbit/s were available to around 20 million households at the end of the first quarter. Preparations for the launch of 5G are also in full swing. The 5G technology is already operational: Europe's first 5G antennas have been transmitting under real conditions in our network in Berlin City since May 2018. They are the foundation for Germany's commercial 5G network. More than 50 antennas integrated in the live network are already up and running in the heart of the capital. We plan to add further 5G test sites in German cities throughout 2019 – starting with Darmstadt in the first quarter. The first 5G antennas are also in operation in our networks in Hungary and Croatia.

Nearshore rollout: first tranche successfully completed. VDSL2

vectoring technology with speeds of up to 250 Mbit/s has been rolled out in the vicinity of 3,152 local exchanges (nearshore areas) in 2,855 local networks. Around 1.7 million households now have access to faster internet connections. By 2020, all 7,516 of Germany's nearshore areas will have been upgraded. We plan to lay around 6,000 kilometers of optical fiber in 7,122 nearshore areas and install more than 30,000 new multi-service access nodes (MSANs). Some six million households, equivalent to around 14 percent of our broadband coverage, will benefit from the build-out.

INNOVATIONS AND PARTNERSHIPS

Holistic approach to climate protection – scaled-down SIM card creates less plastic waste. Taking responsibility for a climate-friendly society is a central field of activity in our CR strategy. We are significantly reducing the amount of plastic used for selling our SIM cards and making a major contribution to waste prevention. By cutting the size of the SIM punch card in half, they will no longer be sold in the standard credit card-style format. This step reduces the amount of plastic waste generated in Germany by 17.5 tons. We are the first telecommunications company in Germany to go down this route and avoid using plastic to the largest possible extent. By 2021, we will also procure all of the electricity the Group needs from renewable sources and reduce other emissions from gas, oil, and other sources of energy. These measures are expected to lower our CO₂ emissions by 90 percent versus 2017 by the year 2030.

Fiber-optic joint venture with EWE. In March 2019, we signed an agreement with energy and telecommunications company EWE to establish a joint venture called Glasfaser NordWest. It aims to provide high-speed internet to up to 1.5 million households and business locations in areas of Lower Saxony, North Rhine-Westphalia, and Bremen on the basis of the fiber-to-the-home (FTTH) technology. We plan to invest up to EUR 2 billion over a period of around ten years. The transaction has yet to be approved by the German antitrust authority (Bundeskartellamt).

Connectivity up close at MWC. Our booth at this year's Mobile World Congress in Barcelona with the theme #TAKEPART showcased the incredible potential of 5G. Spread over an area of 1,200 square meters, consumers and industry representatives alike experienced demonstrations live and up close in a host of different application fields – all on the basis of our networks and technologies. The key message: The network of the future is already opening up a fascinating array of opportunities. As a pioneer, driver, and enabler of the digital transformation, we are laying the foundation that will allow everyone to participate in the new digital world.

We welcomed a record number of visitors to our booth at the telecommunication industry's biggest international exhibition.

Virtual data centers on Amazon Web Services. T-Systems and VMware are joining forces to bring together the private cloud of a company with the public cloud of Amazon Web Services (AWS). The agreement was signed at MWC Barcelona in February 2019. VMware is a global leader in cloud infrastructure, while AWS offers the largest public cloud. With our new managed service VMware Cloud on AWS, companies can access the cloud faster, modernize their data centers, and enhance IT efficiency. They can quickly expand their data centers by adding a virtual data center in the public cloud, thus rapidly and cost-effectively increasing IT resources across the globe without having to invest in their own data centers.

CORPORATE CUSTOMER DEALS

gkv informatik hands over the care of its IT systems to T-Systems. gkv informatik has signed an agreement with T-Systems on the operation of IT billing systems for its customers in the health insurance industry. The company provides IT services for health insurance providers with around 18 million customers insured under the statutory healthcare system. The new deal comprises the operation of the company's entire IT infrastructure, including data center and storage services, as well as server operations for central workstation services. As such, it covers the processing of particularly sensitive healthcare-related data that is subject to extended statutory protection requirements. T-Systems already manages the IT service provider's data network. The contract for a volume in the mid-three-digit-million range will run for six years.

For further information, please refer to the Media section on our website at www.telekom.com/en/media/media-information.

AWARDS

The illustration below shows the main awards received in the first quarter of 2019. For details on more awards, please go to www.telekom.com/media.

Major awards in the first quarter of 2019

