

SELECTED FINANCIAL DATA OF THE GROUP

millions of €

	Q3 2018	Q3 2017	Change %	Q1-Q3 2018	Q1-Q3 2017	Change %	FY 2017
REVENUE AND EARNINGS							
Net revenue	19,104	18,251	4.7	55,395	55,787	(0.7)	74,947
Of which: domestic	31.9	33.6		32.5	32.7		32.8
Of which: international	68.1	66.4		67.5	67.3		67.2
Profit from operations (EBIT)	2,530	3,098	(18.3)	7,053	8,699	(18.9)	9,383
Net profit (loss)	1,110	507	n.a.	2,597	2,129	22.0	3,461
Net profit (loss) (adjusted for special factors)	1,321	1,244	6.2	3,749	3,382	10.9	6,039
EBITDA	5,874	7,318	(19.7)	16,699	19,267	(13.3)	23,969
EBITDA (adjusted for special factors)	6,207	5,720	8.5	17,684	17,215	2.7	22,230
EBITDA margin (adjusted for special factors)	32.5	31.3		31.9	30.9		29.7
Earnings per share basic/diluted	0.23	0.11	n.a.	0.55	0.45	22.2	0.74
STATEMENT OF FINANCIAL POSITION							
Total assets				142,260	139,841	1.7	141,334
Shareholders' equity				43,481	39,055	11.3	42,470
Equity ratio				30.6	27.9		30.0
Net debt				55,473	52,635	5.4	50,791
CASH FLOWS							
Net cash from operating activities	4,853	4,808	0.9	13,542	13,367	1.3	17,196
Cash capex	(3,117)	(3,021)	(3.2)	(9,351)	(16,541)	43.5	(19,494)
Free cash flow (before dividend payments and spectrum investment)	1,883	1,873	0.5	4,779	4,403	8.5	5,497
Net cash used in investing activities	(5,422)	(3,056)	(77.4)	(11,655)	(13,759)	15.3	(16,814)
Net cash used in financing activities	(145)	(1,312)	88.9	(2,939)	(4,282)	31.4	(4,594)

millions

	Sept. 30, 2018	Dec. 31, 2017	Change Sept. 30, 2018/ Dec. 31, 2017 %	Sept. 30, 2017	Change Sept. 30, 2018/ Sept. 30, 2017 %
NUMBER OF FIXED-NETWORK AND MOBILE CUSTOMERS					
Mobile customers	175.3	168.4	4.1	165.3	6.0
Fixed-network lines	28.1	27.9	0.7	28.0	0.4
Broadband customers ^{a, b}	20.0	18.9	5.8	18.7	7.0

^a Excluding wholesale.

^b Starting in Q2 2018, we no longer report the number of retail broadband lines from a technical perspective. Instead we report the number of broadband customers. Prior-year comparatives have been adjusted.

The key parameters used by Deutsche Telekom are defined in the section "Management of the Group" of the 2017 Annual Report, page 38 et seq.

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 accounting standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" took effect as of January 1, 2018. Prior-year comparatives were not adjusted. For more information, please refer to section "Accounting policies" in the interim consolidated financial statements, page 37 et seq.

TO OUR SHAREHOLDERS

DEUTSCHE TELEKOM AT A GLANCE

NET REVENUE

- Net revenue decreased by EUR 0.4 billion to EUR 55.4 billion. Adjusted for exchange rate effects and the slightly negative effects of changes in the composition of the Group, net revenue rose by EUR 1.5 billion or 2.8 percent.
- Our United States operating segment posted a decline in revenue of 0.7 percent; in U.S. dollars, the continuing success of our U.S. operations was evident in revenue growth of 6.7 percent.
- Revenue increased by 1.9 percent at our Europe operating segment.
- The business trend was stable in our Germany operating segment, with revenue down 1.0 percent due to the first-time application of the IFRS 15 accounting standard.
- Revenue remained on a par with the prior year in our Systems Solutions operating segment, while in our Group Development operating segment revenue declined.

ADJUSTED EBITDA

- Adjusted EBITDA grew by EUR 0.5 billion to EUR 17.7 billion. Adjusted for exchange rate effects and the slightly negative effects of changes in the composition of the Group, adjusted EBITDA rose by EUR 1.0 billion or 6.2 percent.
- Adjusted EBITDA for our United States operating segment increased by 3.3 percent; in U.S. dollars, this growth reached as much as 11.0 percent.
- Our Europe and Germany operating segments also posted increases in adjusted EBITDA of 2.9 percent and 1.8 percent respectively, while adjusted EBITDA declined in our Systems Solutions and Group Development operating segments.
- At 31.9 percent, the Group's adjusted EBITDA margin increased against the prior-year level of 30.9 percent. The EBITDA margin was 40.0 percent in Germany, 33.4 percent in Europe, and 28.5 percent in the United States.

EBIT

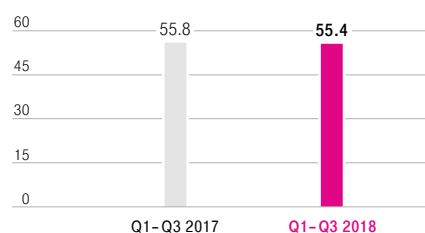
- EBIT decreased by EUR 1.6 billion to EUR 7.1 billion.
- EBITDA was negatively affected by special factors of EUR 1.0 billion in contrast to positive net special factors of EUR 2.1 billion in the previous year. Negative special factors in connection with staff-related measures were EUR 0.5 billion higher than in the same period of last year. The prior-year period had also benefited from positive special factors of EUR 1.7 billion from the reversal of impairment losses previously recognized for spectrum licenses at T-Mobile US, the sale of Strato (EUR 0.5 billion) and of further shares in Scout24 AG (EUR 0.2 billion), and a settlement agreement concluded with BT (EUR 0.2 billion).
- At EUR 9.6 billion, depreciation, amortization and impairment losses were down EUR 0.9 billion on the prior-year period, which had included a special factor of EUR 1.2 billion for the impairment of goodwill in our Systems Solutions operating segment.

NET PROFIT

- Net profit increased by EUR 0.5 billion to EUR 2.6 billion.
- At EUR 2.1 billion, the loss from financial activities was EUR 1.6 billion smaller than a year earlier, offsetting the effects of the reduction in EBIT. The loss in the prior-year period was attributable to the EUR 1.3 billion impairment of our financial stake in BT recognized in profit or loss, as well as to higher negative effects from the exercise and remeasurement of derivatives at T-Mobile US. While the settlement amount of EUR 0.6 billion agreed in the Toll Collect arbitration proceedings had a negative impact in the reporting period, finance costs improved by EUR 0.3 billion year-on-year.
- The tax expense of EUR 1.4 billion was EUR 0.5 billion lower than in the prior-year period.
- Profit attributable to non-controlling interests decreased marginally year-on-year to EUR 0.9 billion.

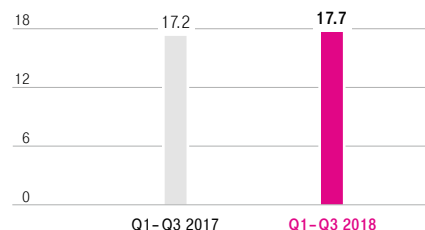
Net revenue

billions of €



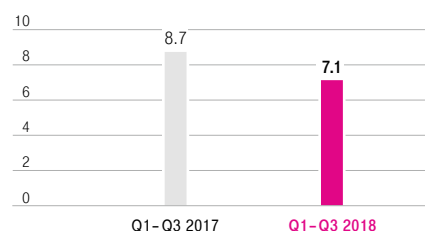
Adjusted EBITDA

billions of €



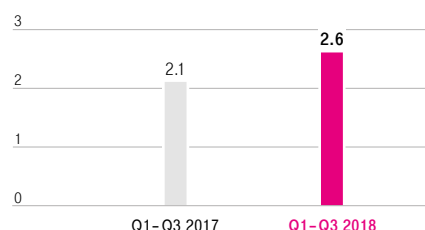
EBIT

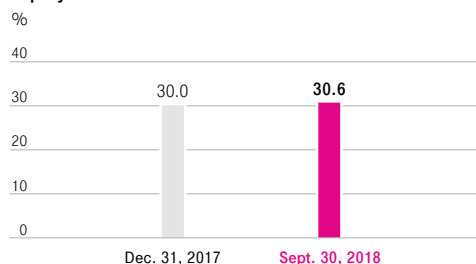
billions of €



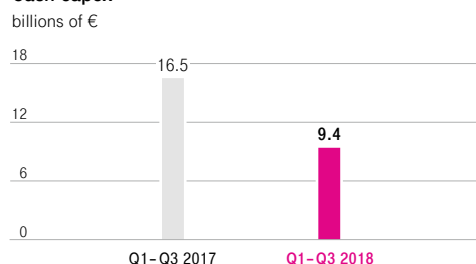
Net profit

billions of €



Equity ratio**EQUITY RATIO**

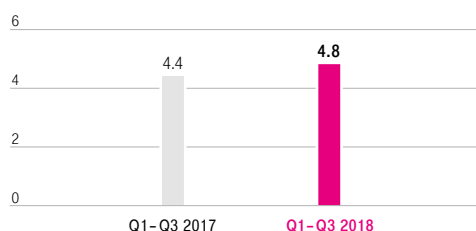
- The equity ratio increased by 0.6 percentage points to 30.6 percent.
- Total assets increased by EUR 0.9 billion compared with the end of 2017.
- Shareholders' equity increased from EUR 42.5 billion as of December 31, 2017 to EUR 43.5 billion. By contrast, profit of EUR 3.5 billion, and an effect of EUR 1.5 billion recognized directly in equity, and attributable to the transition to IFRS 9 and IFRS 15, had an increasing effect. Currency translation effects recognized directly in equity increased shareholders' equity by EUR 0.7 billion. Shareholders' equity was reduced in particular by the dividend payment to Deutsche Telekom AG shareholders in the amount of EUR 3.1 billion, by EUR 0.9 billion for T-Mobile US' share buy-back program, and by an impairment loss of EUR 0.7 billion on the financial stake in BT recognized directly in equity.

Cash capex**CASH CAPEX**

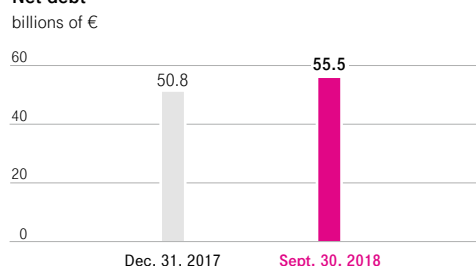
- Cash capex (including spectrum investment) decreased from EUR 16.5 billion to EUR 9.4 billion.
- In the prior-year period, mobile spectrum licenses had been acquired for EUR 7.3 billion, mainly in the United States operating segment, compared with cash outflows in the reporting period of EUR 0.2 billion, primarily in the United States.
- Excluding the effects of spectrum acquisitions, cash capex declined by EUR 0.1 billion; adjusted for currency translation effects, cash capex was up year-on-year. 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.

Free cash flow

(before dividend payments and spectrum investment)
billions of €

**FREE CASH FLOW****(BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)**

- Free cash flow was up by EUR 0.4 billion to EUR 4.8 billion.
- Net cash from operating activities increased by EUR 0.2 billion year-on-year. Lower net interest payments had a positive effect. The positive business development in our United States operating segment was adversely affected by currency translation effects.
- The year-on-year decrease of EUR 0.1 billion in cash capex (before spectrum investment) enhanced free cash flow.

Net debt**NET DEBT**

- Net debt increased from EUR 50.8 billion at the end of 2017 to EUR 55.5 billion.
- Factors in this increase included, in particular, the dividend payment (including to non-controlling interests) of EUR 3.3 billion, the acquisition of UPC Austria (EUR 1.8 billion), T-Mobile US' share buy-back program (EUR 0.9 billion), exchange rate effects (EUR 0.8 billion), payment obligations arising out of the Toll Collect settlement (EUR 0.6 billion), additions to liabilities in connection with finance leases (EUR 0.6 billion), and further acquisitions of shares in T-Mobile US and OTE (EUR 0.4 billion).
- The main factor reducing net debt was free cash flow of EUR 4.8 billion.

HIGHLIGHTS IN THE THIRD QUARTER OF 2018

FORECAST FOR 2018 REVISED AGAIN

In view of strong business performance in our United States operating segment, we are again revising upward our forecast for adjusted Group EBITDA – having already adjusted it in the first and second quarters of 2018 – and are also raising our guidance for the Group's free cash flow for the 2018 financial year. Instead of the most recent forecast figure of around EUR 23.4 billion, we now expect to post adjusted EBITDA of around EUR 23.6 billion. We are raising our forecast for free cash flow from the previous figure of around EUR 6.2 billion to around EUR 6.3 billion.

BOARD OF MANAGEMENT

Birgit Bohle has been appointed as the new Board of Management member responsible for Human Resources (CHRO) and as Labor Director of Deutsche Telekom AG, and will succeed Christian P. Illek effective January 1, 2019. Christian P. Illek will move to his new position as Deutsche Telekom AG's Chief Financial Officer on the same date.

Thorsten Langheim will become a member of the Board of Management at Deutsche Telekom AG as of January 1, 2019. He will take up the role of head of the newly created "USA and Corporate Development" Board department. The Supervisory Board intends the new Board department to better reflect the importance of U.S. business to the Group, in addition to placing a stronger emphasis on evolving the portfolio. Deutsche Telekom AG will thus have nine Board departments as of this date.

ACQUISITION OF UPC AUSTRIA

In December 2017, T-Mobile Austria agreed to acquire Austria's leading cable operator, UPC Austria. The European Commission approved the deal on July 9, 2018 and the transaction was consummated on July 31, 2018. A purchase price of EUR 1.8 billion was paid in cash. The UPC Austria group has been fully included in our consolidated financial statements since the acquisition date. In line with our strategy, this acquisition will allow us to offer convergent product bundles to our customers on the European market.

INVESTMENTS IN NETWORKS

5G network for Germany. At our Network Day in Berlin in October, we presented an eight-point plan for a fast, successful 5G rollout. By 2025, we plan to cover 99 percent of the population nationwide and 90 percent of the country with 5G. We intend to invest an additional EUR 20 billion in Germany by 2021. To ensure that business, industry, and the general public get the most powerful 5G network, we will also team up with partners. With over 500,000 kilometers of cable now laid, our fiber-optic network forms the basis for high-performance fixed and mobile infrastructure. It currently serves 24.4 million households with surfing speeds of up to 100 Mbit/s and more over the fixed network. Following the market launch of supervectoring in August 2018, maximum speeds of up to 250 Mbit/s became available to 6 million households. As of the end of September, 8.5 million households were benefiting from such transmission rates. Our aim is to offer speeds of up to 250 Mbit/s to 28 million households in 2019.

Mobile communications pact in Bavaria: 1,000 new cell sites. We have reasserted our extensive build-out plans to further improve the mobile communications network in Bavaria. We intend to build 1,000 new cell sites here by the end of 2020. In addition, we will upgrade 1,200 existing sites with extra services. We will also continue to modernize our network in Bavaria, equipping the majority of cell sites with state-of-the-art Single RAN and LTE 900 technology by the end of 2018. Additionally, the state of Hesse will benefit from 530 new cell sites by the end of 2020. We plan to increase the total number of sites across Germany to 36,000 by 2021. This build-out will help fill mobile coverage gaps and increase bandwidths. Nationwide, some 97.6 percent of the population can currently use our LTE network. This percentage is set to increase to 98 percent by 2019.

German data fortress continues to grow: New cloud data center opens. The next phase of our expansion activities at the high-performance data center in Biere, near Magdeburg, went live in September 2018. Biere now has a capacity of 150 petabytes for processing and storing cloud data. Since the commissioning of this high-tech Fort Knox in 2014, global demand for cloud services has continued to increase substantially. In response, T-Systems has systematically developed into a multi-cloud provider that collaborates with leading international providers of cloud solutions. The Open Telekom Cloud, our public cloud offering, is the only cloud available in Germany that has received the Trusted Cloud certificate issued by the Federal Ministry for Economic Affairs and Energy.

T-Mobile Polska signs wholesale FTTH agreement with Orange. In July 2018 an agreement was signed under which T-Mobile Polska will provide services on Orange's fiber-optic lines. Under the agreement, T-Mobile Polska will gain access to the partner's fiber-optic infrastructure and will use it to provide services based on data transmissions in non-regulated areas. The contract will guarantee T-Mobile Polska access to 1.7 million households. Together with the partner's plans to invest in the deregulated area by the end of 2020 and in the fiber-optic network in regulated areas, this will enable T-Mobile Polska to potentially reach over 4 million households. T-Mobile Polska aims to provide initial individual customers and small and medium-sized enterprises with the full range of fixed-network services based on fiber-optic infrastructure in the first quarter of 2019 at the latest. The agreement is to run for 20 years. In addition to the agreement with Orange, T-Mobile Polska signed another wholesale FTTH agreement with network operator Nexera, covering more than 450 thousand further households, which will be connected by the end of 2020.

INNOVATIONS AND PARTNERSHIPS

“Magenta connects.” This was the motto at our booth at IFA 2018 in Berlin, where we brought our entire world of Magenta products to life for trade fair visitors. The main focus was on Magenta Entertainment, “In the best network,” Magenta Connected Life, MagentaEINS, and MagentaSERVICE. Selected highlights: An interactive multi-player drone race on a 5G LED big screen demonstrated the capabilities of the network of the future. The booth also featured an e-sport arena where experts from SK Gaming invited visitors to try out e-sport games including League of Legends and FIFA, as well as mobile gaming. In the MagentaSERVICE zone, the new SprachID service took center stage. In the future, customers won’t need to remember account numbers and passwords – when they phone up they’ll be recognized by their voice alone thanks to a unique digital system.

Global initiative for sustainable cities. In September 2018, we announced a far-reaching collaboration with United Smart Cities (USC) to help cities become smarter and more sustainable. The United Smart Cities program is a global initiative established and coordinated by the United Nations Economic Commission for Europe (UNECE) in cooperation with the Organization for International Economic Relations (OiER). As part of the partnership, we have also taken on a board position in USC’s Global Industry Advisory Board (GIAB). The GIAB consists of 12 members who provide strategic counsel to all UN organizations on smart city issues across the globe.

5G for connected mobility. In just a few years, cars, traffic signals, and street lights will all share information via the 5G communication standard. And these are just three examples for traffic in the future. The systems involved will have to be secure. Together with DEKRA, we are working to equip the Lausitzring test and race track with 5G technology to create an intelligent mobility test site. Multiple scenarios will be played out at the site: Connected cars and autonomous vehicles will communicate in real time with each other, with road infrastructure, and with cyclists and pedestrians. This creates the perfect environment for car manufacturers, suppliers, and telecommunications component manufacturers to test intelligent mobility in a real-world environment.

Digital Cities and Regions initiative. In July 2018, we joined forces with the German Association of Towns and Municipalities (DStGB) to launch a new initiative called the Executive Program Digital Cities and Regions. The partners develop intelligent, tailor-made solutions with the aim of promoting digitalization in cities and communities and preparing the regions for the digital future. Improving citizens’ quality of life takes top priority. The defined success factors are common platforms, a good digital infrastructure, and courage for cultural change. As a digital partner, we provide the necessary expertise and help the towns and municipalities to launch initial projects. 23 cities from across Germany with very different expectations of the program have now joined the initiative. Towards the end of the year, cities and municipalities will implement their first pilot projects.

Strategic partnership for better road safety. In August 2018, we launched a strategic partnership with the automobile association ADAC, with plans to offer products and attractive benefits to our customers and ADAC members. To this end, we intend to leverage the opportunities of traffic digitalization and are working with ADAC, for example, to expand our CarConnect offerings. In the future, drivers will be able to report a breakdown to ADAC with just a few clicks in the CarConnect app. The location of the damaged vehicle is transmitted automatically, allowing CarConnect customers to quickly and easily benefit from ADAC’s breakdown service.

Cyber-security for banks. The number of cyber-attacks on banks worldwide is on the rise. Industry regulators are continually tightening up IT security requirements for banks. That is why Fiducia & GAD IT AG (the IT service provider for all 900 Volksbank and Raiffeisenbank branches in Germany) and the German DZ Bank Group have joined forces with Telekom Security to improve cyber-security for the credit unions over the long term. In the first phase, the partners established a Security Operation Center (SOC) to handle specific IT security incidents for DZ Bank. The SOC, which is managed jointly by Telekom Security and Fiducia & GAD IT AG, is already operating 24/7.

NEW PRODUCTS

“Hallo Magenta” – the magic words to make sure your home obeys your every command. In August 2018, we presented our very own Smart Speaker featuring intelligent voice assistance. The voice assistant allows customers to operate Deutsche Telekom's Magenta SmartHome, MagentaTV, and audio control services using simple spoken commands. The Smart Speaker will comprise a wide range of offers from renowned partners.

New IoT solutions for consumers and business customers. We have further extended our Smart Connect portfolio of IoT services for consumers. **Combi Protect** lets users keep track of pets, purses, luggage, and more on their smartphone using a GPS tracker and app. Customers can choose to track movements in real time and set digital boundaries that trigger an alarm on the smartphone if crossed. We also plan to expand our range of IoT solutions for business customers to include our **Building Monitoring & Analytics** IoT bundle. The building management solution could be used to optimize building services, energy efficiency, and much more.

In August 2018, T-Mobile US introduced **“Un-carrier Next,”** a new initiative that changes the structure of their customer service department and solves several significant pain points for customers: Postpaid customers will get directly through to a human when they call customer support, and that human will be one member of a team of experts devoted to that customer and other customers in their geographic region.

In September 2018, T-Mobile US announced that **MetroPCS is becoming Metro™ by T-Mobile** (Metro) and Metro introduced new unlimited rate plans with tiers that include added benefits. Metro will offer Amazon Prime, expanded cloud storage, and mobile backup through Google One, as well as the latest smartphones.

AWARDS

The illustration below shows the main awards received in the third quarter of 2018. For details on more awards, please go to www.telekom.com/media.

Major awards in the third quarter of 2018

