

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

millions of €

|                                                                                           | Sept. 30, 2018 | Dec. 31, 2017  | Change         | Change %      | Sept. 30, 2017 |
|-------------------------------------------------------------------------------------------|----------------|----------------|----------------|---------------|----------------|
| <b>ASSETS</b>                                                                             |                |                |                |               |                |
| <b>CURRENT ASSETS</b>                                                                     | <b>19,981</b>  | <b>20,392</b>  | <b>(411)</b>   | <b>(2.0)</b>  | <b>18,344</b>  |
| Cash and cash equivalents                                                                 | 2,235          | 3,312          | (1,077)        | (32.5)        | 2,860          |
| Trade and other receivables                                                               | 9,331          | 9,723          | (392)          | (4.0)         | 9,196          |
| Contract assets                                                                           | 1,716          | n. a.          | n. a.          | n. a.         | n. a.          |
| Current recoverable income taxes                                                          | 335            | 236            | 99             | 41.9          | 160            |
| Other financial assets                                                                    | 2,912          | 3,329          | (417)          | (12.5)        | 2,442          |
| Inventories                                                                               | 1,541          | 1,985          | (444)          | (22.4)        | 1,520          |
| Other assets                                                                              | 1,752          | 1,646          | 106            | 6.4           | 1,795          |
| Non-current assets and disposal groups held for sale                                      | 159            | 161            | (2)            | (1.2)         | 371            |
| <b>NON-CURRENT ASSETS</b>                                                                 | <b>122,279</b> | <b>120,943</b> | <b>1,336</b>   | <b>1.1</b>    | <b>121,497</b> |
| Intangible assets                                                                         | 64,890         | 62,865         | 2,025          | 3.2           | 63,577         |
| Property, plant and equipment                                                             | 49,448         | 46,878         | 2,570          | 5.5           | 46,081         |
| Capitalized contract costs                                                                | 1,566          | n. a.          | n. a.          | n. a.         | n. a.          |
| Investments accounted for using the equity method                                         | 574            | 651            | (77)           | (11.8)        | 601            |
| Other financial assets                                                                    | 1,621          | 5,716          | (4,095)        | (71.6)        | 5,963          |
| Deferred tax assets                                                                       | 3,104          | 4,013          | (909)          | (22.7)        | 4,498          |
| Other assets                                                                              | 1,075          | 819            | 256            | 31.3          | 778            |
| <b>TOTAL ASSETS</b>                                                                       | <b>142,260</b> | <b>141,334</b> | <b>926</b>     | <b>0.7</b>    | <b>139,841</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                               |                |                |                |               |                |
| <b>CURRENT LIABILITIES</b>                                                                | <b>24,183</b>  | <b>27,366</b>  | <b>(3,183)</b> | <b>(11.6)</b> | <b>25,937</b>  |
| Financial liabilities                                                                     | 7,319          | 8,358          | (1,039)        | (12.4)        | 9,250          |
| Trade and other payables                                                                  | 8,988          | 10,971         | (1,983)        | (18.1)        | 8,516          |
| Income tax liabilities                                                                    | 334            | 224            | 110            | 49.1          | 341            |
| Other provisions                                                                          | 2,839          | 3,372          | (533)          | (15.8)        | 2,953          |
| Other liabilities                                                                         | 2,903          | 4,440          | (1,537)        | (34.6)        | 4,877          |
| Contract liabilities                                                                      | 1,801          | n. a.          | n. a.          | n. a.         | n. a.          |
| Liabilities directly associated with non-current assets and disposal groups held for sale | -              | -              | -              | n. a.         | 0              |
| <b>NON-CURRENT LIABILITIES</b>                                                            | <b>74,595</b>  | <b>71,498</b>  | <b>3,097</b>   | <b>4.3</b>    | <b>74,850</b>  |
| Financial liabilities                                                                     | 53,804         | 49,171         | 4,633          | 9.4           | 49,387         |
| Provisions for pensions and other employee benefits                                       | 5,347          | 8,375          | (3,028)        | (36.2)        | 8,185          |
| Other provisions                                                                          | 3,159          | 3,155          | 4              | 0.1           | 3,220          |
| Deferred tax liabilities                                                                  | 8,204          | 6,967          | 1,237          | 17.8          | 10,060         |
| Other liabilities                                                                         | 3,476          | 3,831          | (355)          | (9.3)         | 3,999          |
| Contract liabilities                                                                      | 604            | n. a.          | n. a.          | n. a.         | n. a.          |
| <b>LIABILITIES</b>                                                                        | <b>98,779</b>  | <b>98,864</b>  | <b>(85)</b>    | <b>(0.1)</b>  | <b>100,787</b> |
| <b>SHAREHOLDERS' EQUITY</b>                                                               | <b>43,481</b>  | <b>42,470</b>  | <b>1,011</b>   | <b>2.4</b>    | <b>39,055</b>  |
| Issued capital                                                                            | 12,189         | 12,189         | -              | 0.0           | 12,189         |
| Treasury shares                                                                           | (49)           | (49)           | 0              | 0.0           | (49)           |
|                                                                                           | <b>12,141</b>  | <b>12,140</b>  | <b>1</b>       | <b>0.0</b>    | <b>12,140</b>  |
| Capital reserves                                                                          | 54,620         | 55,010         | (390)          | (0.7)         | 54,638         |
| Retained earnings including carryforwards                                                 | (37,426)       | (38,750)       | 1,324          | 3.4           | (38,656)       |
| Total other comprehensive income                                                          | (741)          | (1,127)        | 386            | 34.3          | (1,055)        |
| Net profit (loss)                                                                         | 2,597          | 3,461          | (864)          | (25.0)        | 2,129          |
| <b>ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT</b>                   | <b>31,192</b>  | <b>30,734</b>  | <b>458</b>     | <b>1.5</b>    | <b>29,195</b>  |
| Non-controlling interests                                                                 | 12,290         | 11,737         | 553            | 4.7           | 9,859          |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                         | <b>142,260</b> | <b>141,334</b> | <b>926</b>     | <b>0.7</b>    | <b>139,841</b> |

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 the section "Accounting policies," page 37 et seq.

## CONSOLIDATED INCOME STATEMENT

millions of €

|                                                                                               | Q3 2018       | Q3 2017       | Change %      | Q1-Q3 2018     | Q1-Q3 2017     | Change %      | FY 2017        |
|-----------------------------------------------------------------------------------------------|---------------|---------------|---------------|----------------|----------------|---------------|----------------|
| <b>NET REVENUE</b>                                                                            | <b>19,104</b> | <b>18,251</b> | <b>4.7</b>    | <b>55,395</b>  | <b>55,787</b>  | <b>(0.7)</b>  | <b>74,947</b>  |
| Of which: interest income calculated using the effective interest method                      | 220           | n. a.         | n. a.         | 222            | n. a.          | n. a.         | n. a.          |
| Other operating income                                                                        | 365           | 2,081         | (82.5)        | 1,077          | 3,331          | (67.7)        | 3,819          |
| Changes in inventories                                                                        | 22            | (3)           | n. a.         | 23             | 31             | (25.8)        | 21             |
| Own capitalized costs                                                                         | 618           | 563           | 9.8           | 1,759          | 1,668          | 5.5           | 2,292          |
| Goods and services purchased                                                                  | (9,508)       | (8,910)       | (6.7)         | (27,190)       | (27,503)       | 1.1           | (38,161)       |
| Personnel costs                                                                               | (4,026)       | (3,817)       | (5.5)         | (12,245)       | (11,605)       | (5.5)         | (15,504)       |
| Other operating expenses                                                                      | (701)         | (847)         | 17.2          | (2,119)        | (2,443)        | 13.3          | (3,444)        |
| Impairment losses on financial assets                                                         | (91)          | n. a.         | n. a.         | (307)          | n. a.          | n. a.         | n. a.          |
| Gains (losses) from the write-off of financial assets measured at amortized cost              | (26)          | n. a.         | n. a.         | (45)           | n. a.          | n. a.         | n. a.          |
| Other                                                                                         | (584)         | (847)         | 31.1          | (1,767)        | (2,443)        | 27.7          | (3,444)        |
| Depreciation, amortization and impairment losses                                              | (3,344)       | (4,220)       | 20.8          | (9,645)        | (10,568)       | 8.7           | (14,586)       |
| <b>PROFIT FROM OPERATIONS</b>                                                                 | <b>2,530</b>  | <b>3,098</b>  | <b>(18.3)</b> | <b>7,053</b>   | <b>8,699</b>   | <b>(18.9)</b> | <b>9,383</b>   |
| Finance costs                                                                                 | (443)         | (540)         | 18.0          | (1,396)        | (1,688)        | 17.3          | (2,197)        |
| Interest income                                                                               | 64            | 74            | (13.5)        | 193            | 243            | (20.6)        | 320            |
| Interest expense                                                                              | (508)         | (614)         | 17.3          | (1,589)        | (1,931)        | 17.7          | (2,517)        |
| Share of profit (loss) of associates and joint ventures accounted for using the equity method | 3             | 3             | 0.0           | (527)          | 10             | n. a.         | 76             |
| Other financial income (expense)                                                              | (61)          | (139)         | 56.1          | (175)          | (1,990)        | 91.2          | (2,269)        |
| <b>PROFIT (LOSS) FROM FINANCIAL ACTIVITIES</b>                                                | <b>(502)</b>  | <b>(676)</b>  | <b>25.7</b>   | <b>(2,098)</b> | <b>(3,669)</b> | <b>42.8</b>   | <b>(4,390)</b> |
| <b>PROFIT (LOSS) BEFORE INCOME TAXES</b>                                                      | <b>2,029</b>  | <b>2,421</b>  | <b>(16.2)</b> | <b>4,956</b>   | <b>5,030</b>   | <b>(1.5)</b>  | <b>4,994</b>   |
| Income taxes                                                                                  | (563)         | (1,323)       | 57.4          | (1,427)        | (1,931)        | 26.1          | 558            |
| <b>PROFIT (LOSS)</b>                                                                          | <b>1,466</b>  | <b>1,098</b>  | <b>33.5</b>   | <b>3,529</b>   | <b>3,099</b>   | <b>13.9</b>   | <b>5,551</b>   |
| <b>PROFIT (LOSS) ATTRIBUTABLE TO</b>                                                          |               |               |               |                |                |               |                |
| Owners of the parent (net profit (loss))                                                      | 1,110         | 507           | n. a.         | 2,597          | 2,129          | 22.0          | 3,461          |
| Non-controlling interests                                                                     | 355           | 591           | (39.9)        | 932            | 970            | (3.9)         | 2,090          |

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## EARNINGS PER SHARE

|                                                                            | Q3 2018     | Q3 2017     | Change %     | Q1-Q3 2018  | Q1-Q3 2017  | Change %    | FY 2017     |
|----------------------------------------------------------------------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| Profit (loss) attributable to the owners of the parent (net profit (loss)) | 1,110       | 507         | n. a.        | 2,597       | 2,129       | 22.0        | 3,461       |
| Adjusted weighted average number of ordinary shares (basic/diluted)        | 4,742       | 4,692       | 1.1          | 4,742       | 4,692       | 1.1         | 4,703       |
| <b>EARNINGS PER SHARE</b>                                                  |             |             |              |             |             |             |             |
| <b>BASIC/DILUTED</b>                                                       | <b>0.23</b> | <b>0.11</b> | <b>n. a.</b> | <b>0.55</b> | <b>0.45</b> | <b>22.2</b> | <b>0.74</b> |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

|                                                                                              | Q3 2018      | Q3 2017      | Change       | Q1-Q3 2018   | Q1-Q3 2017     | Change       | FY 2017        |
|----------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|----------------|--------------|----------------|
| <b>PROFIT (LOSS)</b>                                                                         | <b>1,466</b> | <b>1,098</b> | <b>368</b>   | <b>3,529</b> | <b>3,099</b>   | <b>430</b>   | <b>5,551</b>   |
| Items not subsequently reclassified to profit or loss (not recycled)                         |              |              |              |              |                |              |                |
| Gains (losses) from the remeasurement of equity instruments <sup>a</sup>                     | 15           | n. a.        | n. a.        | (632)        | n. a.          | n. a.        | n. a.          |
| Gains (losses) from the remeasurement of defined benefit plans                               | 388          | (51)         | 439          | 246          | 275            | (29)         | 116            |
| Revaluation due to business combinations                                                     | 0            | 0            | 0            | 0            | 0              | 0            | 0              |
| Share of profit (loss) of investments accounted for using the equity method                  | 0            | 0            | 0            | 0            | 0              | 0            | 0              |
| Other income and expense recognized directly in equity                                       | 0            | 0            | 0            | 0            | 0              | 0            | 0              |
| Income taxes relating to components of other comprehensive income                            | (151)        | 17           | (168)        | (94)         | (86)           | (8)          | (19)           |
|                                                                                              | <b>252</b>   | <b>(34)</b>  | <b>286</b>   | <b>(480)</b> | <b>189</b>     | <b>(669)</b> | <b>97</b>      |
| Items subsequently reclassified to profit or loss (recycled), if certain reasons are given   |              |              |              |              |                |              |                |
| Exchange differences on translating foreign operations                                       |              |              |              |              |                |              |                |
| Recognition of other comprehensive income in income statement                                | 0            | 0            | 0            | (1)          | 0              | (1)          | 0              |
| Change in other comprehensive income (not recognized in income statement)                    | 228          | (732)        | 960          | 714          | (1,981)        | 2,695        | (2,196)        |
| Gains (losses) from the remeasurement of available-for-sale financial assets <sup>a, b</sup> |              |              |              |              |                |              |                |
| Recognition of other comprehensive income in income statement                                | n. a.        | 1            | n. a.        | n. a.        | 4              | n. a.        | 7              |
| Change in other comprehensive income (not recognized in income statement)                    | n. a.        | (3)          | n. a.        | n. a.        | 17             | n. a.        | 27             |
| Gains (losses) from the remeasurement of debt instruments <sup>a</sup>                       |              |              |              |              |                |              |                |
| Recognition of other comprehensive income in income statement                                | (42)         | n. a.        | n. a.        | (78)         | n. a.          | n. a.        | n. a.          |
| Change in other comprehensive income (not recognized in income statement)                    | 23           | n. a.        | n. a.        | 26           | n. a.          | n. a.        | n. a.          |
| Gains (losses) from hedging instruments <sup>a, c</sup>                                      |              |              |              |              |                |              |                |
| Recognition of other comprehensive income in income statement                                | n. a.        | 106          | n. a.        | n. a.        | 372            | n. a.        | 450            |
| Change in other comprehensive income (not recognized in income statement)                    | n. a.        | (103)        | n. a.        | n. a.        | (195)          | n. a.        | (270)          |
| Gains (losses) from hedging instruments (designated risk components) <sup>a</sup>            |              |              |              |              |                |              |                |
| Recognition of other comprehensive income in income statement                                | 11           | n. a.        | n. a.        | (35)         | n. a.          | n. a.        | n. a.          |
| Change in other comprehensive income (not recognized in income statement)                    | 4            | n. a.        | n. a.        | (48)         | n. a.          | n. a.        | n. a.          |
| Gains (losses) from hedging instruments (hedging costs) <sup>a, d</sup>                      |              |              |              |              |                |              |                |
| Recognition of other comprehensive income in income statement                                | 0            | n. a.        | n. a.        | 0            | n. a.          | n. a.        | n. a.          |
| Change in other comprehensive income (not recognized in income statement)                    | (16)         | n. a.        | n. a.        | 47           | n. a.          | n. a.        | n. a.          |
| Share of profit (loss) of investments accounted for using the equity method                  |              |              |              |              |                |              |                |
| Recognition of other comprehensive income in income statement                                | 0            | 0            | 0            | 0            | 0              | 0            | 0              |
| Change in other comprehensive income (not recognized in income statement)                    | 0            | 0            | 0            | 6            | (1)            | 7            | 0              |
| Income taxes relating to components of other comprehensive income                            | 5            | (1)          | 6            | 26           | (57)           | 83           | (58)           |
|                                                                                              | <b>213</b>   | <b>(732)</b> | <b>945</b>   | <b>657</b>   | <b>(1,841)</b> | <b>2,498</b> | <b>(2,040)</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>                                                            | <b>466</b>   | <b>(766)</b> | <b>1,232</b> | <b>177</b>   | <b>(1,652)</b> | <b>1,829</b> | <b>(1,943)</b> |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                                            | <b>1,931</b> | <b>332</b>   | <b>1,599</b> | <b>3,706</b> | <b>1,447</b>   | <b>2,259</b> | <b>3,608</b>   |
| <b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>                                            |              |              |              |              |                |              |                |
| Owners of the parent                                                                         | 1,524        | (24)         | 1,548        | 2,493        | 1,188          | 1,305        | 2,340          |
| Non-controlling interests                                                                    | 406          | 356          | 50           | 1,213        | 259            | 954          | 1,268          |

<sup>a</sup> For the new items in relation to IFRS 9 to be recognized in accordance with IAS 1, Deutsche Telekom utilizes the option of not showing comparative figures for the prior-year period.

<sup>b</sup> The measurement category "available-for-sale financial assets" as per IAS 39 was to be applied for the last time as of December 31, 2017.

<sup>c</sup> Gains and losses from hedging costs were recognized for the last time as of December 31, 2017 under IAS 39 as part of gains and losses from hedging instruments. Under IFRS 9, gains and losses from hedging costs are recognized separately in equity.

<sup>d</sup> In the 2018 financial year, hedging costs relate entirely to cross currency basis spreads; please refer to the information on financial instruments, page 53 et seq.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

millions of €

|                                                        | Issued capital and reserves attributable to owners of the parent |                 |                                             |                                           |                   |                                   |                     |                                              |
|--------------------------------------------------------|------------------------------------------------------------------|-----------------|---------------------------------------------|-------------------------------------------|-------------------|-----------------------------------|---------------------|----------------------------------------------|
|                                                        | Equity contributed                                               |                 | Consolidated shareholders' equity generated |                                           |                   | Total other comprehensive income  |                     |                                              |
|                                                        | Issued capital                                                   | Treasury shares | Capital reserves                            | Retained earnings including carryforwards | Net profit (loss) | Translation of foreign operations | Revaluation surplus | Available-for-sale financial assets (IAS 39) |
| <b>BALANCE AT JANUARY 1, 2017</b>                      | <b>11,973</b>                                                    | <b>(50)</b>     | <b>53,356</b>                               | <b>(38,727)</b>                           | <b>2,675</b>      | <b>(371)</b>                      | <b>(60)</b>         | <b>69</b>                                    |
| Changes in the composition of the Group                |                                                                  |                 |                                             |                                           |                   |                                   |                     |                                              |
| Transactions with owners                               |                                                                  |                 | (64)                                        |                                           |                   | (5)                               |                     |                                              |
| Unappropriated profit (loss) carried forward           |                                                                  |                 |                                             | 2,675                                     | (2,675)           |                                   |                     |                                              |
| Dividends                                              |                                                                  |                 |                                             | (2,794)                                   |                   |                                   |                     |                                              |
| Capital increase at Deutsche Telekom AG                | 216                                                              |                 | 1,175                                       |                                           |                   |                                   |                     |                                              |
| Capital increase from share-based payment              |                                                                  |                 | 171                                         |                                           |                   |                                   |                     |                                              |
| Share buy-back/shares held in a trust deposit          |                                                                  | 1               |                                             | 3                                         |                   |                                   |                     |                                              |
| Profit (loss)                                          |                                                                  |                 |                                             |                                           | 2,129             |                                   |                     |                                              |
| Other comprehensive income                             |                                                                  |                 |                                             | 187                                       |                   | (1,268)                           |                     | 20                                           |
| <b>TOTAL COMPREHENSIVE INCOME</b>                      |                                                                  |                 |                                             |                                           |                   |                                   |                     |                                              |
| Transfer to retained earnings                          |                                                                  |                 |                                             |                                           |                   |                                   |                     |                                              |
| <b>BALANCE AT SEPTEMBER 30, 2017</b>                   | <b>12,189</b>                                                    | <b>(49)</b>     | <b>54,638</b>                               | <b>(38,656)</b>                           | <b>2,129</b>      | <b>(1,644)</b>                    | <b>(60)</b>         | <b>89</b>                                    |
| <b>BALANCE AT JANUARY 1, 2018</b>                      | <b>12,189</b>                                                    | <b>(49)</b>     | <b>55,010</b>                               | <b>(38,750)</b>                           | <b>3,461</b>      | <b>(1,729)</b>                    | <b>(60)</b>         | <b>101</b>                                   |
| Transfer resulting from change in accounting standards |                                                                  |                 |                                             | 1,413                                     |                   |                                   |                     | (101)                                        |
| Changes in the composition of the Group                |                                                                  |                 | (29)                                        |                                           |                   |                                   |                     |                                              |
| Transactions with owners                               |                                                                  |                 | (587)                                       | 0                                         |                   | (12)                              |                     |                                              |
| Unappropriated profit (loss) carried forward           |                                                                  |                 |                                             | 3,461                                     | (3,461)           |                                   |                     |                                              |
| Dividends                                              |                                                                  |                 |                                             | (3,083)                                   |                   |                                   |                     |                                              |
| Capital increase at Deutsche Telekom AG                |                                                                  |                 |                                             |                                           |                   |                                   |                     |                                              |
| Capital increase from share-based payment              |                                                                  |                 | 226                                         |                                           |                   |                                   |                     |                                              |
| Share buy-back/shares held in a trust deposit          |                                                                  | 1               | 0                                           | 3                                         |                   |                                   |                     |                                              |
| Profit (loss)                                          |                                                                  |                 |                                             |                                           | 2,597             |                                   |                     |                                              |
| Other comprehensive income                             |                                                                  |                 |                                             | 153                                       |                   | 419                               |                     |                                              |
| <b>TOTAL COMPREHENSIVE INCOME</b>                      |                                                                  |                 |                                             |                                           |                   |                                   |                     |                                              |
| Transfer to retained earnings                          |                                                                  |                 |                                             | (624)                                     |                   |                                   | 30                  |                                              |
| <b>BALANCE AT SEPTEMBER 30, 2018</b>                   | <b>12,189</b>                                                    | <b>(49)</b>     | <b>54,620</b>                               | <b>(37,426)</b>                           | <b>2,597</b>      | <b>(1,322)</b>                    | <b>(30)</b>         | <b>n. a.</b>                                 |

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| Issued capital and reserves attributable to owners of the parent |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | Total   | Non-controlling interests | Total shareholders' equity |
|------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------|----------------------------------------------------------|---------------------------------------------|---------------------------------------------------|-------|---------|---------------------------|----------------------------|
| Total other comprehensive income                                 |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       |         |                           |                            |
|                                                                  | Equity instruments measured at fair value through other comprehensive income (IFRS 9) | Debt instruments measured at fair value through other comprehensive income (IFRS 9) | Hedging instruments (IAS 39) | Hedging instruments: designated risk components (IFRS 9) | Hedging instruments: hedging costs (IFRS 9) | Investments accounted for using the equity method | Taxes |         |                           |                            |
|                                                                  | n. a.                                                                                 | n. a.                                                                               | 609                          | n. a.                                                    | n. a.                                       | 27                                                | (196) | 29,305  | 9,540                     | 38,845                     |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | -       | 8                         | 8                          |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | (69)    | 80                        | 11                         |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | 0       | -                         | 0                          |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | (2,794) | (122)                     | (2,916)                    |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | 1,391   | -                         | 1,391                      |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | 171     | 94                        | 265                        |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | 4       | -                         | 4                          |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | 2,129   | 970                       | 3,099                      |
|                                                                  |                                                                                       |                                                                                     | 177                          |                                                          |                                             | (1)                                               | (56)  | (941)   | (711)                     | (1,652)                    |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | 1,188   | (259)                     | 1,447                      |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | -       | -                         | -                          |
|                                                                  | n. a.                                                                                 | n. a.                                                                               | 786                          | n. a.                                                    | n. a.                                       | 26                                                | (252) | 29,195  | 9,859                     | 39,055                     |
|                                                                  | n. a.                                                                                 | n. a.                                                                               | 789                          | n. a.                                                    | n. a.                                       | 26                                                | (254) | 30,734  | 11,737                    | 42,470                     |
|                                                                  | 93                                                                                    | 0                                                                                   | (789)                        | 789                                                      |                                             |                                                   | 38    | 1,444   | 103                       | 1,547                      |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | (29)    | 47                        | 18                         |
|                                                                  | 0                                                                                     | 2                                                                                   |                              |                                                          |                                             |                                                   | (1)   | (598)   | (769)                     | (1,368)                    |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | 0       | -                         | 0                          |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | (3,083) | (172)                     | (3,255)                    |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | -       | -                         | -                          |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | 226     | 132                       | 358                        |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | 4       | -                         | 4                          |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | 2,597   | 932                       | 3,529                      |
|                                                                  | (633)                                                                                 | (33)                                                                                |                              | (84)                                                     | 47                                          | 6                                                 | 20    | (104)   | 281                       | 177                        |
|                                                                  |                                                                                       |                                                                                     |                              |                                                          |                                             |                                                   |       | 2,493   | 1,213                     | 3,706                      |
|                                                                  | 633                                                                                   | (6)                                                                                 |                              |                                                          |                                             | (35)                                              | 1     | 0       | 0                         | 0                          |
|                                                                  | 94                                                                                    | (37)                                                                                | n. a.                        | 705                                                      | 47                                          | (4)                                               | (194) | 31,192  | 12,290                    | 43,481                     |

## CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

|                                                                                                              | Q3 2018        | Q3 2017        | Q1-Q3 2018      | Q1-Q3 2017      | FY 2017         |
|--------------------------------------------------------------------------------------------------------------|----------------|----------------|-----------------|-----------------|-----------------|
| <b>PROFIT BEFORE INCOME TAXES</b>                                                                            | <b>2,029</b>   | <b>2,421</b>   | <b>4,956</b>    | <b>5,030</b>    | <b>4,994</b>    |
| Depreciation, amortization and impairment losses                                                             | 3,344          | 4,220          | 9,645           | 10,568          | 14,586          |
| (Profit) loss from financial activities                                                                      | 502            | 676            | 2,098           | 3,669           | 4,390           |
| (Profit) loss on the disposal of fully consolidated subsidiaries                                             | -              | 2              | -               | (548)           | (537)           |
| (Income) loss from the sale of stakes accounted for using the equity method                                  | -              | -              | -               | (226)           | (226)           |
| Other non-cash transactions                                                                                  | 103            | (1,742)        | 333             | (1,557)         | (1,447)         |
| (Gains) losses from the disposal of intangible assets and property, plant and equipment                      | 5              | 19             | (86)            | (16)            | (103)           |
| Change in assets carried as working capital                                                                  | (605)          | (26)           | (295)           | (135)           | (1,874)         |
| Change in provisions                                                                                         | 168            | 154            | (500)           | (171)           | 265             |
| Change in other liabilities carried as working capital                                                       | (73)           | (441)          | (879)           | (1,003)         | 51              |
| Income taxes received (paid)                                                                                 | (241)          | (204)          | (463)           | (384)           | (634)           |
| Dividends received                                                                                           | 7              | 153            | 180             | 241             | 241             |
| Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives | -              | -              | -               | -               | -               |
| <b>CASH GENERATED FROM OPERATIONS</b>                                                                        | <b>5,238</b>   | <b>5,232</b>   | <b>14,990</b>   | <b>15,468</b>   | <b>19,706</b>   |
| Interest paid                                                                                                | (724)          | (703)          | (2,568)         | (3,015)         | (3,783)         |
| Interest received                                                                                            | 339            | 279            | 1,119           | 913             | 1,274           |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>                                                                    | <b>4,853</b>   | <b>4,808</b>   | <b>13,542</b>   | <b>13,367</b>   | <b>17,196</b>   |
| Cash outflows for investments in                                                                             |                |                |                 |                 |                 |
| Intangible assets                                                                                            | (769)          | (683)          | (2,458)         | (9,399)         | (10,345)        |
| Property, plant and equipment                                                                                | (2,349)        | (2,338)        | (6,893)         | (7,142)         | (9,149)         |
| Non-current financial assets                                                                                 | (313)          | (122)          | (517)           | (297)           | (361)           |
| Payments to acquire control of subsidiaries and associates                                                   | (1,794)        | (4)            | (2,076)         | (15)            | (15)            |
| Proceeds from disposal of                                                                                    |                |                |                 |                 |                 |
| Intangible assets                                                                                            | -              | 1              | 1               | 16              | 21              |
| Property, plant and equipment                                                                                | 76             | 66             | 380             | 260             | 379             |
| Non-current financial assets                                                                                 | 133            | 216            | 432             | 563             | 612             |
| Proceeds from the loss of control of subsidiaries and associates                                             | (4)            | (1)            | (65)            | 499             | 528             |
| Net change in short-term investments and marketable securities and receivables                               | (403)          | (195)          | (464)           | 1,753           | 1,514           |
| Other                                                                                                        | -              | 2              | 5               | 1               | 2               |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                                                                 | <b>(5,422)</b> | <b>(3,056)</b> | <b>(11,655)</b> | <b>(13,759)</b> | <b>(16,814)</b> |
| Proceeds from issue of current financial liabilities                                                         | 14,104         | 4,570          | 48,256          | 10,885          | 13,516          |
| Repayment of current financial liabilities                                                                   | (14,952)       | (5,945)        | (53,820)        | (23,292)        | (26,537)        |
| Proceeds from issue of non-current financial liabilities                                                     | 1,076          | 309            | 7,984           | 10,322          | 11,215          |
| Repayment of non-current financial liabilities                                                               | -              | -              | (21)            | (10)            | (10)            |
| Dividends (including to non-controlling interests)                                                           | (106)          | (56)           | (3,254)         | (1,559)         | (1,559)         |
| Repayment of lease liabilities                                                                               | (226)          | (180)          | (629)           | (541)           | (715)           |
| Cash inflows from transactions with non-controlling entities                                                 | -              | -              | 3               | 18              | 18              |
| Cash outflows from transactions with non-controlling entities                                                | (41)           | (11)           | (1,458)         | (104)           | (522)           |
| Other                                                                                                        | -              | -              | -               | -               | -               |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                                                                 | <b>(145)</b>   | <b>(1,312)</b> | <b>(2,939)</b>  | <b>(4,282)</b>  | <b>(4,594)</b>  |
| Effect of exchange rate changes on cash and cash equivalents                                                 | 5              | (21)           | (26)            | (215)           | (226)           |
| Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale    | -              | -              | -               | 3               | 3               |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                                  | <b>(709)</b>   | <b>419</b>     | <b>(1,078)</b>  | <b>(4,887)</b>  | <b>(4,435)</b>  |
| <b>CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD</b>                                             | <b>3,618</b>   | <b>2,441</b>   | <b>3,312</b>    | <b>7,747</b>    | <b>7,747</b>    |
| <b>CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD</b>                                                   | <b>2,235</b>   | <b>2,860</b>   | <b>2,235</b>    | <b>2,860</b>    | <b>3,312</b>    |

## SIGNIFICANT EVENTS AND TRANSACTIONS

### ACCOUNTING POLICIES

In accordance with the amended § 53 (6) of the Exchange Rules for the Frankfurter Wertpapierbörse (FWB), Deutsche Telekom AG voluntarily publishes a quarterly financial report that comprises interim consolidated financial statements and an interim Group management report. 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 German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

### STATEMENT OF COMPLIANCE

The interim consolidated financial statements for the period ended September 30, 2018 have been prepared voluntarily 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, 2017. 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, 2017 for the accounting policies applied for the Group's financial reporting, 2017 Annual Report, page 153 et seq.

### INITIAL APPLICATION OF NEW STANDARDS AND INTERPRETATIONS AS WELL AS AMENDMENTS TO STANDARDS AND INTERPRETATIONS IN THE REPORTING PERIOD RELEVANT FOR THE 2018 FINANCIAL YEAR

| Pronouncement         | Title                                 | To be applied by Deutsche Telekom from | Changes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Impact on the presentation of Deutsche Telekom's results of operations and financial position                                                                                                            |
|-----------------------|---------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IFRS 9                | Financial Instruments                 | Jan. 1, 2018                           | IFRS 9 introduces new classification and measurement requirements for financial instruments and replaces, in particular, IAS 39. The new regulations cover the classification of financial assets on the basis of the underlying business models and the cash flow characteristics of the instruments. Under the new provisions on the accounting of impairment losses, expected losses have to be recognized on initial recognition. In addition, the requirements apply not only to debt instruments, but also to contract assets pursuant to IFRS 15. Among other things, the new rules for reporting hedge relationships provide the option of recognizing hedging costs separately in other comprehensive income.                                                                                                                                                               | The effects of IFRS 9 are detailed in the explanations following this table.                                                                                                                             |
| IFRS 15               | Revenue from Contracts with Customers | Jan. 1, 2018                           | This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaces in particular IAS 18 and IAS 11. When applying IFRS 15 for the first time, an entity shall apply the standard in full for the current period. In respect of prior periods, the transition guidance grants entities an option to either apply IFRS 15 in full to prior periods (with certain limited practical expedients being available) or to retain prior-period figures as reported under the previous standards, recognizing the cumulative effect of applying IFRS 15 to all contracts that had not yet been completed at the beginning of the reporting period as an adjustment to the opening balance of equity at the date of first-time application (beginning of current reporting period). | The standard has a material effect on the presentation of Deutsche Telekom's results of operations and financial position. The effects of IFRS 15 are detailed in the explanations following this table. |
| Amendments to IFRS 15 | Effective Date of IFRS 15             | Jan. 1, 2018                           | Mandatory adoption of IFRS 15 for reporting periods beginning on or after January 1, 2018.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | The effects of IFRS 15 are detailed in the explanations following this table.                                                                                                                            |
| Amendments to IFRS 15 | Clarifications to IFRS 15             | Jan. 1, 2018                           | The clarifications address the following topics relating to IFRS 15: <ul style="list-style-type: none"> <li>• Identification of performance obligations (when a promised good or service is distinct from other promises in the contract).</li> <li>• Differentiation of principal-agent relationships, application guidance on the concept of the transfer of control in the case of services provided by third parties.</li> <li>• Clarification of the conditions for the timing of recognition of revenue arising from the licensing of intellectual property.</li> </ul> Further simplifications for the transition to IFRS 15 were also added.                                                                                                                                                                                                                                 | The effects of IFRS 15 are detailed in the explanations following this table.                                                                                                                            |

| Pronouncement               | Title                                                                 | To be applied by Deutsche Telekom from | Changes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Impact on the presentation of Deutsche Telekom's results of operations and financial position |
|-----------------------------|-----------------------------------------------------------------------|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Amendments to IAS 40        | Transfers of Investment Property                                      | Jan. 1, 2018                           | Clarification of transfers into or out of investment property.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | No material impact.                                                                           |
| Amendments to IFRS 2        | Classification and Measurement of Share-based Payment Transactions    | Jan. 1, 2018                           | Clarifications of classification and measurement of share-based payment transactions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | No material impact.                                                                           |
| Amendments to IFRS 4        | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts | Jan. 1, 2018                           | Entities falling within the scope of IFRS 4 and whose predominant activity is issuing insurance contracts may, by way of temporary exemption, defer application of IFRS 9 until such time as the new standard for insurance contracts has come into force. In the interim, such entities are thus subject to the provisions of IAS 39. In the case of designated financial assets, other entities falling within the scope of IFRS 4 may incur differences in values depending on whether these assets are to be accounted for in accordance with IFRS 9 or IAS 39; these differences must be presented in other comprehensive income instead of in profit or loss. | No material impact.                                                                           |
| IFRIC 22                    | Foreign Currency Transactions and Advance Consideration               | Jan. 1, 2018                           | IFRIC 22 clarifies what exchange rate is to be applied on initial recognition of a foreign-currency transaction in an entity's functional currency in cases where the entity receives or pays advance consideration before the related asset, expense or income is recognized. The exchange rate for the underlying asset, expense or income is taken as that prevailing on the date of initial recognition of the non-monetary prepayment asset or deferred income liability.                                                                                                                                                                                      | No material impact.                                                                           |
| Annual Improvements Project | Annual Improvements to IFRSs 2014 – 2016 Cycle                        | Jan. 1, 2018 (IFRS 1 and IAS 28)       | Clarification of many published standards.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | No material impact.                                                                           |

In July 2014, the IASB issued IFRS 9 “Financial Instruments.” Application of the standard is mandatory for reporting periods beginning on or after January 1, 2018. The standard introduces new classification and measurement requirements for financial instruments and replaces, in particular, IAS 39.

The new provisions and the related changes in the accounting principles applied by Deutsche Telekom mainly comprise the following items of relevance to Deutsche Telekom:

- Depending on the respective underlying business model, the new provisions on the classification of financial assets give rise to changes in measurement and presentation in some cases. The measurement of debt instruments – especially trade receivables held for potential sale – at fair value through other comprehensive income with recycling to profit or loss had minor effects at the transition date. Effects may arise in ongoing application, particularly from changes in the volumes of receivables held for potential sale in the future. Equity instruments held are irrevocably allocated to a measurement category instrument by instrument upon initial recognition. Deutsche Telekom in general measures equity instruments held at fair value through other comprehensive income without recycling to profit or loss (OCI option).

- The new provisions on the accounting of impairment losses will lead to expected losses having to be recognized earlier in some cases. There will be a minor increase in impairment losses due to application of the simplified approach for trade receivables with a significant financing component and for lease assets, and to impairment losses on contract assets recognized for the first time as of January 1, 2018 in accordance with IFRS 15. Effects may arise in ongoing application from a change in business development (for example, changes in volumes or prices) or from changes to business models where these are reflected in the amounts reported for long-term trade receivables and contract assets.

- The hedging relationships are accounted for in accordance with the requirements of IFRS 9. The transition of existing hedging relationships to the new regime has no material effects. Cash flow hedges for hedging interest rate and currency risks have been de-designated and re-designated on the transition to IFRS 9 so that future use can be made of the opportunity to recognize the cost of hedging in other comprehensive income. The other hedging relationships will continue unchanged.

Deutsche Telekom utilizes the option for simplified initial application. The cumulative effect arising from the transition is recognized as an adjustment to the opening balance of equity in the year of initial application. Prior-year comparatives are not adjusted; instead, Deutsche Telekom provides an explanation of the reasons for the changes in items in the statement of financial position and the income statement for the current period.

The transition to IFRS 9 as of January 1, 2018 will result mainly in the following cumulative changes to retained earnings before deferred taxes – including the corresponding shares attributable to non-controlling interests:

|                                                                                               |            |
|-----------------------------------------------------------------------------------------------|------------|
| millions of €                                                                                 |            |
| Increase in impairment losses on trade receivables                                            | 123        |
| Impairment losses on contract assets recognized for the first time in accordance with IFRS 15 | 28         |
|                                                                                               | <b>151</b> |

For further information on the first-time application of IFRS 9, please refer to the statements made under the disclosures on financial instruments, page 53 et seq.

In May 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers.” Application of the standard is mandatory for reporting periods beginning on or after January 1, 2018. This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaces, in particular, IAS 18 and IAS 11 and has a material effect on the presentation of Deutsche Telekom’s results of operations and financial position. Depending on the business model applied, the new provisions and the related changes in the accounting principles applied by Deutsche Telekom affect the following issues in particular:

- In the case of multiple-element arrangements (e.g., mobile contract plus handset), the total transaction price of the bundled contract is allocated among the individual, separate performance obligations based on their relative standalone selling prices, i.e., based on a ratio of the standalone selling price of each element to the aggregated standalone selling prices of the contractual performance obligations. In contrast to the previous accounting treatment, the relative standalone selling price of an individual element and thus the revenue recognized for this unit of accounting is no longer limited to that proportion of the total arrangement consideration to be provided by the customer, the payment of which does not depend on the delivery of additional elements (contingent revenue cap). As a result, the revenue to be recognized for products delivered in advance (e.g., mobile handsets) that are sold at a subsidized price in combination with a long-term service contract was limited by this subsidized price. Under IFRS 15, this limitation no longer applies, i.e., in the case of subsidized products delivered in advance, a larger portion of the total remuneration is attributable to the element delivered in advance (mobile handset), requiring earlier recognition of revenue under the new regulations. This leads to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the statement of financial position. The contract asset is deferred over the remaining contract period, reducing revenue from the other performance obligations (in this case: mobile service revenues) compared with the amounts billed.
- At the same time, it results in higher revenue from the sale of goods and merchandise and lower revenue from the provision of services.
- The extent of the changes resulting from the first-time application of IFRS 15 that are described above therefore largely depends on the business models used by the subsidiary in question. Whereas the sale of subsidized handsets in connection with the conclusion of service contracts in retail business is still common in the Germany segment, handsets are not sold at a discount at all, or only to a limited extent, in the United States and to some extent in the Europe operating segments; payment-by-installment models or lease models are offered to customers instead.
- Customer activation fees and other advance one-time payments by the customer that do not constitute consideration for a separate performance obligation are classed as contract liabilities, and are deferred and recognized as revenue over the (remaining) term of the contract.
- Expenses for sales commissions (costs of obtaining a customer contract (contract costs)) must be capitalized and recognized over the estimated customer retention period. The expenses are disclosed in Deutsche Telekom’s income statement, not under depreciation and amortization but – depending on the sales channel – as goods and services purchased or personnel costs.
- In the indirect sales channel, reimbursements explicitly or implicitly included in commissions paid to third-party retailers for handset subsidies granted by those retailers are recognized not as an expense but as a reduction of the service revenues over the contract term. This ensures that the amount of the service revenues generated with retail customers for identical rate plans does not depend on the type of sales channel.
- On first-time application of the standard, both total assets and shareholders’ equity increased due to the capitalization of contract assets and contract costs for contracts not yet fully completed.
- In cases where “material rights” are granted – such as offering additional discounts for future purchases of further products – a portion of the transaction price must be deferred as a contract liability and is not recognized as revenue until this additional performance obligation has been satisfied or has lapsed.
- Contract liabilities (which, as deferred revenue, were already recognized as liabilities in the past) must be netted against the contract assets for each customer contract.
- For the purposes of determining whether Deutsche Telekom sells products for its own account (principal = gross revenue) or for the account of others (agent = net revenue), there are no material changes for the existing agreements.

As regards IFRS 15, Deutsche Telekom utilizes the following accounting options:

- Deutsche Telekom applies the option for simplified initial application, limiting the retroactive application of IFRS 15 to contracts that have not yet been completely fulfilled at the date of initial application. The contracts that have not yet been completely fulfilled as of January 1, 2018 are accounted for as if they had been recognized in accordance with IFRS 15 from the very beginning. The cumulative effect arising from the transition is recognized as an adjustment to the opening balance of equity in the year of initial application. Prior-year comparatives are not adjusted; instead, Deutsche Telekom provides an explanation of the reasons for the changes in items in the statement of financial position and the income statement for the current period as a result of applying IFRS 15 for the first time.

- A significant financing component is not considered for the amount and timing of revenue recognition if the period between when a promised good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.

- In general, contract costs whose amortization period would not be more than one year are immediately recognized as an expense.

The adjustments made to items in the statement of financial position as of January 1, 2018 and attributable to IFRS 15 are as follows<sup>a</sup>:

millions of €

|                                                                                                          | Carrying amount<br>in accordance with<br>IAS 18/IAS 11<br>Dec. 31, 2017 | Remeasurements | Reclassification | Carrying amount<br>in accordance with<br>IFRS 15<br>Jan. 1, 2018 |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|----------------|------------------|------------------------------------------------------------------|
| <b>ASSETS</b>                                                                                            |                                                                         |                |                  |                                                                  |
| <b>CURRENT ASSETS</b>                                                                                    |                                                                         |                |                  |                                                                  |
| Trade and other receivables <sup>b</sup>                                                                 | 9,723                                                                   | (163)          | (150)            | 9,410                                                            |
| Contract assets <sup>b</sup>                                                                             | n. a.                                                                   | 1,622          | 150              | 1,772                                                            |
| Current recoverable income taxes                                                                         | 236                                                                     | (1)            | -                | 235                                                              |
| Other assets                                                                                             | 1,646                                                                   | (43)           | -                | 1,603                                                            |
| <b>NON-CURRENT ASSETS</b>                                                                                |                                                                         |                |                  |                                                                  |
| Capitalized contract costs                                                                               | n. a.                                                                   | 1,128          | 48               | 1,176                                                            |
| Deferred tax assets                                                                                      | 4,013                                                                   | 27             | -                | 4,040                                                            |
| Other assets                                                                                             | 819                                                                     | (78)           | (48)             | 693                                                              |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                                              |                                                                         |                |                  |                                                                  |
| <b>CURRENT LIABILITIES</b>                                                                               |                                                                         |                |                  |                                                                  |
| Financial liabilities                                                                                    | 8,358                                                                   | 9              | (1)              | 8,366                                                            |
| Trade and other payables                                                                                 | 10,971                                                                  | 0              | (38)             | 10,933                                                           |
| Income tax liabilities                                                                                   | 224                                                                     | 29             | -                | 253                                                              |
| Other provisions                                                                                         | 3,372                                                                   | (19)           | (48)             | 3,305                                                            |
| Other liabilities                                                                                        | 4,440                                                                   | (209)          | (1,612)          | 2,619                                                            |
| Contract liabilities                                                                                     | n. a.                                                                   | 212            | 1,699            | 1,911                                                            |
| <b>NON-CURRENT LIABILITIES</b>                                                                           |                                                                         |                |                  |                                                                  |
| Deferred tax liabilities                                                                                 | 6,967                                                                   | 663            | -                | 7,630                                                            |
| Other liabilities                                                                                        | 3,831                                                                   | (322)          | (212)            | 3,297                                                            |
| Contract liabilities                                                                                     | n. a.                                                                   | 351            | 212              | 563                                                              |
| <b>SHAREHOLDERS' EQUITY</b>                                                                              |                                                                         |                |                  |                                                                  |
| Retained earnings incl. carryforwards plus shares attributable to non-controlling interests <sup>c</sup> | (27,013)                                                                | 1,778          | 0                | (25,235)                                                         |

<sup>a</sup> The overview above contains only those items of the statement of financial position that are affected by the first-time application of IFRS 15.

<sup>b</sup> Carrying amounts as of January 1, 2018 are shown before impairment losses on contract assets recognized in accordance with IFRS 9. Please refer to the explanations in regard to the initial application of IFRS 9 in this section.

<sup>c</sup> For reasons of simplification, the figure is combined to show the cumulative effect of the transition to IFRS 15 to be recognized directly in equity.

The remeasurement effects are mainly attributable to the first-time recognition of

- contract assets in the amount of EUR 1.6 billion that, under IFRS 15, would have resulted in the earlier recognition of revenue, in particular from the sale of goods and merchandise;

- deferred contract costs of EUR 1.1 billion that, under IFRS 15, would have resulted in the later recognition of selling expenses; and

- contract liabilities totaling EUR 0.6 billion that, under IFRS 15, would have resulted in the later recognition of revenue.

After deferred tax liabilities totaling EUR 0.6 billion (net) and other minor effects were taken into account, the transition to the new standard as of January 1, 2018 resulted in a cumulative effect that increased retained earnings by EUR 1.8 billion and included the shares attributable to non-controlling interests.

The reclassifications mainly concern the following items:

- The receivables from long-term construction contracts (EUR 0.2 billion) that, under IAS 11, were recognized under trade and other receivables as of December 31, 2017 are classified as contract assets under IFRS 15.
- The deferred revenue of EUR 1.8 billion recognized under other liabilities as of December 31, 2017 is recognized as contract liabilities in accordance with IFRS 15.

Due to the remeasurements described above, the carrying amounts of the cash-generating units that must be tested for impairment in accordance with IAS 36 increased when IFRS 15 was applied for the first time on January 1, 2018. As a result, the carrying amounts of the cash-generating units Romania and Poland in the Europe operating segment and of the cash-generating unit Netherlands in the Group Development operating segment exceeded in each case the recoverable amounts for these units. Consequently, the goodwill recognized directly in equity in each case had to be impaired as of January 1, 2018 for an aggregate amount of EUR 0.1 billion. Please refer to the explanations given in the notes on intangible assets and property, plant and equipment, pages 46 and 47.

#### Comparative figures for the items of the financial statements affected by the first-time application of IFRS 15

The following tables contain relevant items from the financial statements as of September 30, 2018 in accordance with IFRS 15 as well as the previous accounting treatment in accordance with IAS 18/IAS 11 and related interpretations:

millions of €

|                                                                                         | IFRS 15<br>Sept. 30, 2018 | IAS 18/IAS 11<br>Sept. 30, 2018 | Change  |
|-----------------------------------------------------------------------------------------|---------------------------|---------------------------------|---------|
| <b>ASSETS</b>                                                                           |                           |                                 |         |
| <b>CURRENT ASSETS</b>                                                                   |                           |                                 |         |
| Trade and other receivables                                                             | 9,331                     | 9,703                           | (372)   |
| Contract assets                                                                         | 1,716                     | n. a.                           | 1,716   |
| Current recoverable income taxes                                                        | 335                       | 331                             | 4       |
| Other assets                                                                            | 1,752                     | 1,830                           | (78)    |
| <b>NON-CURRENT ASSETS</b>                                                               |                           |                                 |         |
| Capitalized contract costs                                                              | 1,566                     | n. a.                           | 1,566   |
| Deferred tax assets                                                                     | 3,104                     | 3,776                           | (672)   |
| Other assets                                                                            | 1,075                     | 1,203                           | (128)   |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                             |                           |                                 |         |
| <b>CURRENT LIABILITIES</b>                                                              |                           |                                 |         |
| Financial liabilities                                                                   | 7,319                     | 7,312                           | 7       |
| Trade and other payables                                                                | 8,988                     | 8,997                           | (9)     |
| Income tax liabilities                                                                  | 334                       | 326                             | 8       |
| Other provisions                                                                        | 2,839                     | 2,912                           | (73)    |
| Other liabilities                                                                       | 2,903                     | 4,602                           | (1,699) |
| Contract liabilities                                                                    | 1,801                     | n. a.                           | 1,801   |
| <b>NON-CURRENT LIABILITIES</b>                                                          |                           |                                 |         |
| Deferred tax liabilities                                                                | 8,204                     | 8,160                           | 44      |
| Other liabilities                                                                       | 3,476                     | 4,091                           | (615)   |
| Contract liabilities                                                                    | 604                       | n. a.                           | 604     |
| <b>SHAREHOLDERS' EQUITY</b>                                                             |                           |                                 |         |
| Retained earnings including carryforwards and net profit plus non-controlling interests | (22,539)                  | (24,487)                        | 1,948   |

Under IAS 18/IAS 11, trade and other receivables would have included receivables from long-term construction contracts, which are recognized as contract assets under IFRS 15.

Due to the transition to IFRS 15, contract assets are recognized for the first time and amortized, and capitalized contract costs are recognized as assets for the first time and amortized.

Under IAS 18/IAS 11, other liabilities would have included deferred revenue, which, under IFRS 15, is either recognized as contract liabilities or netted with contract assets.

The differences in the amounts recognized under deferred tax assets and deferred tax liabilities are due to remeasurement effects in connection with the first-time and continuing application of IFRS 15 in the first nine months of 2018.

millions of €

|                                                                                               | IFRS 15<br>Q1-Q3 2018 | IAS 18/IAS 11<br>Q1-Q3 2018 | Change      |
|-----------------------------------------------------------------------------------------------|-----------------------|-----------------------------|-------------|
| <b>NET REVENUE</b>                                                                            | <b>55,395</b>         | <b>55,408</b>               | <b>(14)</b> |
| Other operating income                                                                        | 1,077                 | 1,077                       | 0           |
| Changes in inventories                                                                        | 23                    | 23                          | 0           |
| Own capitalized costs                                                                         | 1,759                 | 1,759                       | 0           |
| Goods and services purchased                                                                  | (27,190)              | (27,365)                    | 174         |
| Personnel costs                                                                               | (12,245)              | (12,334)                    | 88          |
| Other operating expenses                                                                      | (2,119)               | (2,113)                     | (6)         |
| Depreciation, amortization and impairment losses                                              | (9,645)               | (9,645)                     | 0           |
| <b>PROFIT (LOSS) FROM OPERATIONS</b>                                                          | <b>7,053</b>          | <b>6,810</b>                | <b>243</b>  |
| Finance costs                                                                                 | (1,396)               | (1,393)                     | (3)         |
| Share of profit (loss) of associates and joint ventures accounted for using the equity method | (527)                 | (527)                       | 0           |
| Other financial income (expense)                                                              | (175)                 | (175)                       | 0           |
| <b>PROFIT (LOSS) FROM FINANCIAL ACTIVITIES</b>                                                | <b>(2,098)</b>        | <b>(2,094)</b>              | <b>(3)</b>  |
| <b>PROFIT (LOSS) BEFORE INCOME TAXES</b>                                                      | <b>4,956</b>          | <b>4,716</b>                | <b>240</b>  |
| Income taxes                                                                                  | (1,427)               | (1,357)                     | (70)        |
| <b>PROFIT (LOSS)</b>                                                                          | <b>3,529</b>          | <b>3,359</b>                | <b>170</b>  |

Adjusted for the effects of IFRS 15, total revenue was comparable with the prior-year period. Revenue-reducing effects were evident in the first three quarters of 2018, mainly due to the amortization of the contract assets/liabilities recognized in the statement of financial position over the (remaining) period of contract. These items also include reimbursements for handset subsidies granted by third-party retailers in the indirect sales channel. These reimbursements are a component of the commissions paid to those retailers. The subsidies are now no longer recognized as an expense, but as a reduction of the service revenues over the contract term. Under other business models, revenue was increased due to the capitalization and revenue-related amortization of expenses for sales commissions (contract costs) under goods and services purchased; these expenses were previously recognized as revenue-reducing effects.

Adjusted for the effects of IFRS 15, goods and services purchased and personnel costs would have come in at EUR 27.4 billion and EUR 12.3 billion, respectively, and would thus have been a total of EUR 0.3 billion higher. This effect is attributable to the capitalization of expenses for sales commissions, which, under IAS 18/IAS 11, would have been recognized immediately in profit or loss either under goods and services purchased (dealer commissions) or personnel costs (employee commissions). It was only partially offset by the amortization of capitalized expenses for sales commissions in the first three quarters of 2018.

#### STANDARDS, INTERPRETATIONS, AND AMENDMENTS ISSUED, BUT NOT YET TO BE APPLIED

In January 2016, the IASB issued IFRS 16 "Leases." The standard will be effective for the first time for financial years beginning on or after January 1, 2019. From the date of first-time application, the new lease standard will have a material effect on Deutsche Telekom's consolidated financial statements, particularly on the results of operations, net cash from operating activities, total assets, and the presentation of the financial position.

Deutsche Telekom will not apply the new lease standard retrospectively in full, but will make use of the corresponding exemption provisions for lessees, also known as the modified retrospective method. On transition to the new regulations, payment obligations from existing operating leases (please also refer to the 2017 Annual Report, Note 33 "Leases" in the notes to the consolidated financial statements, pages 226 and 227) will be discounted using the relevant incremental borrowing rate. The resulting present value will be recognized as a lease liability. The right-of-use assets will be carried in the amount of the lease liability, adjusted by the amount of the prepaid or accrued lease payments.

As regards the options and exemptions permitted under IFRS 16, Deutsche Telekom is likely to take the following approach:

- Right-of-use assets and lease liabilities will be reported separately in the statement of financial position.
- The recognition, measurement and disclosure requirements of IFRS 16 will also be applied in full to short-term leases and leases of low-value assets.
- A distinction will not be made in leases that contain both lease components and non-lease components. Each lease component will be accounted for – as a lease – in conjunction with other related performance components.
- IFRS 16 will not be applied to leases for intangible assets.

Depending on whether Deutsche Telekom is the supplier or the customer in an arrangement or on how the contractual facts have been designed in the various business models in our operating segments, the application of IFRS 16 will have the following material effects:

- The lease payments largely relate to leases of cell sites (land, space in cell towers or rooftop surface areas), network infrastructure, and buildings used for administrative or technical purposes.
- In the future, payment obligations for operating leases – which, in accordance with the existing regulations, must be disclosed in the notes to the consolidated financial statements – will be reported as right-of-use assets and lease liabilities.
- Deutsche Telekom anticipates a significant increase in total assets and liabilities on first-time adoption due to the capitalization of right-of-use assets and the recognition of lease liabilities. The increase in lease liabilities will lead to a corresponding increase in net debt. Due to material liabilities from straight-line leases in accordance with IAS 17 – which, under IFRS 16, must generally be deducted from the right-of-use assets – a significantly lower amount will be recognized for the right-of-use assets capitalized under IFRS 16 as of January 1, 2019 than is recognized for lease liabilities (see Note 14 “Other liabilities” in the notes to the consolidated financial statements in the 2017 Annual Report, page 206).
- Going forward, depreciation charges and interest expense – rather than lease expense – will be reported in the income statement. This will give rise to a significant improvement in EBITDA.
- In the statement of cash flows, the repayment portion of the lease payments from existing operating leases will reduce net cash from/used in financing activities and no longer affect net cash from operating activities. Only the interest payments will remain in net cash from operating activities, the total of which will rise.
- For Deutsche Telekom as a lessor, the number of identified leases will change. This does not affect the contracts for routers or similar hardware provided to customers as part of data and network solutions or contracts for terminal equipment and SmartHome network solutions provided to customers. It is expected that these will continue to be defined as leases. In fact, the number of contracts for modems/routers for the latest generation of devices provided to consumers as part of fixed-network mass-market contracts is expected to decrease. Deutsche Telekom has come to the conclusion that contracts for services provided in data centers include lease components for the letting of space, e.g., dedicated rooms for the customer's own hardware. Contracts concerning the letting of space to wholesale fixed-network customers also contain lease components.

The full effects of IFRS 16 will be analyzed as part of a Group-wide project for implementing the new standard. Given the complexity and the large number of different business models as well as the relevant transaction volumes, it is not currently possible to provide a firm estimate of the quantitative effects.

Readers are also referred to the Disclaimer at the end of this report as regards the forward-looking statements contained in this section; the latter reflect the current views of the management of Deutsche Telekom with regard to future events.

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 in the 2017 Annual Report, page 153 et seq.

## CHANGES IN ACCOUNTING POLICIES AND CHANGES IN THE REPORTING STRUCTURE

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

**Vivento Customer Services GmbH**, a provider of call center services, has been assigned to the Germany operating segment since January 1, 2018; previously it was part of the Group Headquarters & Group Services segment. Comparative figures have been adjusted retrospectively.

## CHANGES IN THE COMPOSITION OF THE GROUP, TRANSACTIONS WITH OWNERS, AND OTHER TRANSACTIONS

In the first nine months of 2018, Deutsche Telekom conducted the following transactions, which (will) have an impact on the composition of the Group. Other changes to the composition of the Group not shown here were of no material significance for Deutsche Telekom's interim consolidated financial statements.

### Acquisition of Layer3 TV, Inc.

The agreement signed by T-Mobile US on November 9, 2017 to acquire 100 percent of the shares in online TV provider Layer3 TV, Inc. was consummated on January 22, 2018. T-Mobile US expects the acquisition to further strengthen its TV and video portfolio, and its plans include rolling out its own TV service in 2018. The consideration paid at the acquisition date amounts to EUR 0.3 billion in cash.

The fair values of the acquired assets and liabilities recognized at the acquisition date mainly relate to an identifiable intangible asset of EUR 0.1 billion in connection with technology developed by Layer3 TV. This asset will be amortized over an expected useful life of five years. Goodwill of EUR 0.2 billion was recognized for the difference between the consideration paid and the balance of the identifiable assets acquired and the liabilities assumed at the acquisition date, measured at fair value. This item is mainly based on the industry expertise of the acquired management team as well as the other non-separable intangible assets identified. Under local tax law, this goodwill is not recognized and is thus not tax-deductible.

### Acquisition of UPC Austria GmbH

On December 22, 2017, T-Mobile Austria agreed to acquire a 100 per cent stake in UPC Austria GmbH and its subsidiaries, taking into account non-controlling interests. The European Commission approved the transaction on July 9, 2018 and the transaction was consummated on July 31, 2018.

With more than 1,000 employees, UPC Austria is a leading provider of communication and entertainment services in Austria's telecommunications sector. Since the acquisition date of July 31, 2018, UPC Austria has been included in the consolidated financial statements as a fully consolidated subsidiary. Through its high-performance coaxial and fiber-optic cable infrastructure, the company provides more than half a million consumers and business customers with fast, easy access to the digital world.

By acquiring UPC Austria, T-Mobile Austria is set to become the leading broadband provider in the Austrian market. The combination of the fast UPC fiber-optic network and T-Mobile Austria's high-performance LTE network will put the company in a good position to take a leading role in terms of internet speed, service, and entertainment in Austria.

As the transaction was concluded so close to September 30, 2018, all information relating to it that is provided here is provisional. The purchase price allocation and the measurement of the UPC Austria group's assets and liabilities as of July 31, 2018 had not yet been finalized by September 30, 2018. This applies, in particular, to the measurement of the company's property, plant and equipment, and intangible assets, as well as the accounting of non-controlling interests. Therefore, the net carrying amount of the goodwill may also change.

The cash consideration transferred at the date of acquisition was EUR 1.8 billion and took into account a negative amount of EUR 0.1 billion in provisional adjustments to net working capital and net debt in accordance with the purchase agreement. The aforementioned consideration may be adjusted on the basis of the closing statements – to be submitted to the seller by the buyer within 60 business days – detailing the final figures for net working capital and net debt.

The preliminary fair values of the UPC Austria group's acquired assets and liabilities recognized at the acquisition date are presented in the following table.

| Fair values at the acquisition date |              |
|-------------------------------------|--------------|
| millions of €                       |              |
| <b>ASSETS</b>                       |              |
| <b>CURRENT ASSETS</b>               | <b>30</b>    |
| Cash and cash equivalents           | 1            |
| Trade and other receivables         | 7            |
| Income tax receivables              | 18           |
| Other assets                        | 3            |
| Inventories                         | 1            |
| <b>NON-CURRENT ASSETS</b>           | <b>2,286</b> |
| Goodwill                            | 536          |
| Other intangible assets             | 514          |
| Of which: customer base             | 469          |
| Of which: other                     | 46           |
| Property, plant and equipment       | 1,235        |
| Other assets                        | 1            |
| <b>ASSETS</b>                       | <b>2,315</b> |
| <b>LIABILITIES</b>                  |              |
| <b>CURRENT LIABILITIES</b>          | <b>(78)</b>  |
| Financial liabilities               | (30)         |
| Trade and other payables            | (25)         |
| Other provisions                    | (8)          |
| Other liabilities                   | (15)         |
| <b>NON-CURRENT LIABILITIES</b>      | <b>(439)</b> |
| Financial liabilities               | (72)         |
| Provisions                          | (13)         |
| Deferred tax liabilities            | (354)        |
| Other liabilities                   | (1)          |
| <b>LIABILITIES</b>                  | <b>(517)</b> |

The preliminary acquired goodwill of EUR 536 million to be recognized in Deutsche Telekom's consolidated statement of financial position is calculated as follows:

| Fair values at the acquisition date                                  |            |
|----------------------------------------------------------------------|------------|
| millions of €                                                        |            |
| Consideration transferred                                            | 1,792      |
| + fair value of non-controlling interests excluding goodwill         | 36         |
| – fair value of the call option to acquire non-controlling interests | (29)       |
| – fair value of the acquired assets                                  | (1,779)    |
| + fair value of acquired liabilities                                 | 517        |
| <b>= GOODWILL</b>                                                    | <b>536</b> |

In the course of the business combination, the non-controlling interests were recognized at the fair value of the prorated net assets excluding goodwill. On the basis of the carrying amount of the shareholders' equity, the PPA adjustments directly attributable to UPC Telekabel Wien GmbH were taken into account and, subsequently, the corresponding share of the non-controlling interests was calculated. Goodwill is influenced by synergy effects that arise from the future business potential attributable to the company's position as an integrated provider of telecommunications services in Austria after the acquisition.

Goodwill resulting from the business combination is not recognized under local tax law and is thus not tax-deductible. The purchase price allocation did not result in any deferred taxes on goodwill, nor will it in the future. As the call option for the non-controlling interests purchased in the course of the business combination is an equity instrument, it was offset against consolidated shareholder's equity at the acquisition date.

A detailed analysis of the receivables acquired has not yet been completed. No material contingent liabilities have been identified.

T-Mobile Austria and the seller also concluded a transitional service contract covering the continuation and provision of certain services by the seller as well as management of the processes of separation from the seller and integration in T-Mobile Austria's organization. Fixed and/or usage-based charges are payable under this contract. The contract came into force on the date of transfer (July 31, 2018) and ends on the day the last service period expires. Some service periods last up to four years. The purchased services are expensed immediately under goods and services purchased.

No material transaction-based costs were incurred by September 30, 2018.

Deutsche Telekom's net revenue increased by EUR 61 million in the reporting period due to the acquisition of UPC Austria. If the business combination had already taken place on January 1, 2018, net revenue of the Group would have been EUR 271 million higher. Deutsche Telekom's net profit for the current reporting period includes profit of EUR 16 million from the UPC Austria group. If the business combination had already taken place on January 1, 2018, the Group's net profit would have been EUR 86 million higher. The above information reflects the situation prior to any effects of the purchase price allocation.

#### **Toll Collect**

On May 16, 2018, Daimler Financial Services AG, Deutsche Telekom AG, and the Federal Republic of Germany reached an agreement to end the Toll Collect arbitration proceedings. The settlement was notarized in early July 2018 and confirmed by the arbitral tribunal, bringing the arbitration proceedings to an end. The agreed settlement amount of around EUR 3.2 billion includes services previously provided to the Federal Republic of Germany. Daimler Financial Services AG and Deutsche Telekom AG have both agreed to make final payments of EUR 550 million each. These payments to the Federal Republic of Germany will be made on behalf of Toll Collect GbR in three tranches over the period until 2020; the first tranche was paid in the reporting period.

As it had announced in advance, the Federal Republic of Germany exercised its option to purchase 100 percent of the shares in the operating company, Toll Collect GmbH, when the operating agreement expired on August 31, 2018. Even after the acquisition of Toll Collect GmbH by the Federal Republic of Germany, the consortium Toll Collect GbR – comprising Deutsche Telekom AG, Daimler Financial Services AG, and Compagnie Financière et Industrielle des Autoroutes S.A. (Cofiroute) – continues to exist with an unchanged ownership structure.

The bank guarantees for third parties for a maximum amount of EUR 100 million that were issued during the term of the operating agreement expired as scheduled on October 15, 2018. The equity maintenance undertaking entered into by the aforementioned consortium members under the operating agreement remained in place until the Federal Republic of Germany assumed full control of Toll Collect GmbH, and was replaced as of August 31, 2018 by guaranteed equity base of at least EUR 50 million for Toll Collect GmbH.

The following transaction is expected to change the composition of the Deutsche Telekom Group in future.

#### **Agreed business combination of T-Mobile US and Sprint**

Together with their respective majority shareholders Deutsche Telekom AG and Softbank K.K., T-Mobile US and Sprint Corp. concluded a binding agreement on April 29, 2018 to combine their companies. Under the agreement, T-Mobile US will acquire all of the shares in Sprint. In return for every 9.75 Sprint shares, the company's shareholders will receive one new T-Mobile US share without any additional cash contribution. On completion of the transaction, Deutsche Telekom will hold around 42 percent of T-Mobile US' shares and Softbank around 27 percent, while the free float will account for about 31 percent. Due to the voting-rights agreement with Softbank, and to the fact that Deutsche Telekom will hold the majority of the seats on the new company's Board of Directors, T-Mobile US will continue to be included as a fully consolidated subsidiary in the consolidated financial statements. The larger T-Mobile US is expected to achieve cost and capital expenditure synergies with a net present value of around USD 43 billion (after integration costs). Around USD 15 billion has been budgeted for integration costs. The agreement is subject to approval by the authorities as well as other closing conditions.

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

##### **T-Mobile US share buy-back program**

Under the share buy-back program launched in December 2017, T-Mobile US acquired further common stock for an amount of USD 1.1 billion (EUR 0.9 billion) in the first half of 2018. Including the common stock acquired prior to that date, the total volume of shares repurchased under the share buy-back program amounts to USD 1.5 billion (EUR 1.3 billion). In addition, in the first quarter of 2018, Deutsche Telekom purchased shares in T-Mobile US on the capital market for a total amount of USD 0.2 billion (EUR 0.2 billion). As a result, Deutsche Telekom holds around 63 percent of the shares in T Mobile US.

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

### Acquisition of OTE shares

In March 2018, Deutsche Telekom exercised its right of first refusal as invited by the Greek privatization authority Hellenic Republic Asset Development Fund (HRADF) and acquired a 5 percent stake in its Greek subsidiary OTE. The transaction was completed in May 2018 through the acquisition of additional shares in the amount of EUR 0.3 billion. As a result, Deutsche Telekom AG holds around 45 percent of the company's shares.

## SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### TRADE AND OTHER RECEIVABLES

Trade and other receivables decreased by EUR 0.4 billion to EUR 9.3 billion, mainly due to reclassification and remeasurement effects from the mandatory first-time application of the new accounting standards IFRS 9 and IFRS 15. For example, receivables from long-term construction contracts in the amount of EUR 0.2 billion accounted for in accordance with IAS 11 were reclassified as contract assets as of January 1, 2018. Exchange rate effects, primarily from the translation from U.S. dollars into euros, had a slight offsetting effect.

### CONTRACT ASSETS

Following the transition to IFRS 15, a remeasurement effect of EUR 1.6 billion was recognized directly in equity as of January 1, 2018 in relation to the initial recognition of contract assets. In prior periods, under IFRS 15, these would have led to the earlier recognition of revenue, in particular from the sale of goods and merchandise. Further, as a result of the transition, receivables from long-term construction contracts in the amount of EUR 0.2 billion, which were previously recognized as trade and other receivables, were reclassified as contract assets. For more information, please refer to the section "Accounting policies," page 37 et seq.

### INVENTORIES

Compared with December 31, 2017, inventories were EUR 0.4 billion lower at EUR 1.5 billion, especially due to a reduction in inventories of higher-priced smartphones in the United States operating segment.

### NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

At the reporting date, the carrying amount of non-current assets and disposal groups held for sale was unchanged at EUR 0.2 billion. During the reporting period, sales of real estate took place in the Group Headquarters & Group Services segment, while a portfolio of shareholdings of a comparable volume in the Group Development operating segment was classified as non-current assets and disposal groups held for sale.

### INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets increased by EUR 2.0 billion to EUR 64.9 billion. Additions totaling EUR 2.6 billion increased the carrying amount. They mainly comprised capital expenditures in the United States and Europe operating segments and in the Group Headquarters & Group Services segment. Changes in the composition of the Group increased the carrying amount by a further EUR 1.4 billion. As of the date of acquisition of UPC Austria, an identifiable intangible asset of EUR 0.5 billion was recognized in connection with the latter's customer base, along with goodwill of EUR 0.5 billion. Further, as of the acquisition date of Layer3 TV, an identifiable intangible asset of EUR 0.1 billion was recognized in connection with technology developed by the latter as well as goodwill of EUR 0.2 billion. For detailed information on corporate transactions, please refer to the section "Changes in the composition of the Group, transactions with owners, and other transactions," page 43 et seq. Positive exchange rate effects, primarily from the translation of U.S. dollars into euros, increased the carrying amount by EUR 1.3 billion. Depreciation, amortization and impairment losses decreased the carrying amount by EUR 3.2 billion. The first-time application of IFRS 15 as of January 1, 2018 produced effects that reduced the carrying amount of intangible assets by EUR 0.1 billion. Under the new accounting standard, contract assets must be capitalized for the first time. For detailed information on the requirements and the effects of the first-time application of the standard, please refer to the section "Accounting policies," page 37 et seq. An initial consequence was that the carrying amounts of the cash-generating units that must be tested for impairment in accordance with IAS 36 increased when IFRS 15 was applied for the first time on January 1, 2018. As a result, the carrying amounts of the cash-generating units Romania and Poland in the Europe operating segment and of the cash-generating unit Netherlands in the Group Development operating segment exceeded in each case the recoverable amounts for these units. Consequently, the goodwill recognized for these units had to be impaired as of January 1, 2018. The recoverable amounts of these three units, along with the relevant valuation methods and the assumptions and parameters on which they are based, are described in the 2017 Annual Report, Note 5 "Intangible assets," page 180 et seq. The recoverable amount for the cash-generating unit Romania was EUR 10 million below its carrying amount as of January 1, 2018; the corresponding figure for the Poland unit was EUR 19 million below the carrying amount, and for the Netherlands unit EUR 68 million below the carrying amount. The corresponding goodwill impairments for these units were recognized directly in equity by reducing retained earnings as of January 1, 2018.

**Property, plant and equipment** increased by EUR 2.6 billion compared to December 31, 2017 to EUR 49.4 billion. Additions of EUR 7.7 billion, primarily in the United States and Germany operating segments, increased the carrying amount. They included, in particular, capital expenditure in connection with the modernization of the T-Mobile US network as well as for broadband and fiber-optic build-out, the IP transformation, and mobile infrastructure in the Germany operating segment. A further EUR 0.7 billion was attributable to the capitalization of higher-priced mobile handsets in connection with the JUMP! On Demand business model at T-Mobile US, under which customers do not purchase devices but lease them. Changes in the composition of the Group – particularly the acquisition of UPC Austria in the Europe operating segment and of Layer3 TV in the United States operating segment – increased the carrying amount by EUR 1.4 billion. Positive exchange rate effects, primarily from the translation of U.S. dollars into euros, decreased the carrying amount by EUR 0.4 billion. Depreciation, amortization and impairment losses in the amount of EUR 6.5 billion and disposals of EUR 0.5 billion – EUR 0.2 billion of which was accounted for by handsets returned by customers under the JUMP! On Demand program – reduced the carrying amount.

#### **CAPITALIZED CONTRACT COSTS**

Following the transition to IFRS 15, a remeasurement and reclassification effect of EUR 1.2 billion was recognized directly in equity as of January 1, 2018 in relation to the initial recognition of capitalized contract costs. Under IFRS 15, these costs would have resulted in the later recognition of selling expenses. The carrying amount had changed to EUR 1.6 billion as of September 30, 2018. For more information, please refer to the section “Accounting policies,” page 37 et seq.

#### **OTHER FINANCIAL ASSETS**

Other financial assets decreased from EUR 9.0 billion (as of December 31, 2017) to EUR 4.5 billion. On March 23, 2018, the 12 percent stake in BT, which is worth EUR 3.1 billion, was transferred to the Group’s own trust, Deutsche Telekom Trust e.V., where it will serve as plan assets to cover pension entitlements. The impairment loss on the exchange-traded stake in BT – which was recognized in other comprehensive income for the period from January 1, 2018 until the date of transfer – reduced the carrying amount by EUR 0.7 billion.

#### **TRADE AND OTHER PAYABLES**

Trade and other payables decreased by EUR 2.0 billion to EUR 9.0 billion due to the reduction in the portfolio of liabilities, mainly in the United States, Europe, and Germany operating segments and also as a result of the reduction in procurement volumes, especially in the United States. Exchange rate effects, mainly from the translation of U.S. dollars into euros, had a minor offsetting effect.

#### **OTHER LIABILITIES**

Current and non-current other liabilities decreased by EUR 1.9 billion to EUR 6.4 billion. The main reason for this decline were the reclassification effects triggered by the transition to IFRS 15: Deferred revenue of EUR 1.8 billion, previously recognized under other liabilities, was reclassified as contract liabilities. For further information on application of the new accounting standard, please refer to the section “Accounting policies,” page 37 et seq.

#### **FINANCIAL LIABILITIES**

Current and non-current financial liabilities increased by EUR 3.6 billion to EUR 61.1 billion compared with the end of 2017.

In the first nine months of 2018, T-Mobile US placed fixed-interest U.S. dollar bonds with a volume of USD 2.5 billion (EUR 2.0 billion) with institutional investors: an 8-year bond with a volume of USD 1.0 billion and a 10-year bond with a volume of USD 1.5 billion. In addition, Deutsche Telekom International Finance B.V. issued euro bonds with a total volume of EUR 3.4 billion and U.S. dollar bonds with a total volume of USD 1.75 billion (EUR 1.5 billion). Further, OTE PLC issued a 4-year fixed-interest euro bond with a volume of EUR 0.4 billion.

A contrary effect in the reporting period was generated by T-Mobile US’ premature repayment of senior notes in the amount of USD 1.0 billion (EUR 0.8 billion) with an interest rate of 6.125 percent, in the amount of USD 1.75 billion (EUR 1.4 billion) with an interest rate of 6.625 percent, and in the amount of USD 0.6 billion (EUR 0.5 billion) with an interest rate of 6.836 percent.

Further, euro bonds totaling EUR 1.1 billion and U.S. dollar bonds totaling USD 0.85 billion (EUR 0.7 billion) were repaid at Group level in the reporting period. The net change of EUR 0.7 billion in commercial paper also decreased the carrying amount of the financial liabilities.

The increase of EUR 0.8 billion in liabilities to banks compared with the end of 2017 was mainly due to the positive net change of EUR 0.6 billion in the balance of short-term borrowings and to the loan issued by the European Investment Bank in January 2018, with a volume of EUR 0.2 billion and a term of 7 years. Repayments in the reporting period had an offsetting effect.

The settlement agreed in the Toll Collect arbitration proceedings increased financial liabilities by EUR 0.6 billion. Payment of the first tranche of EUR 0.2 billion in the reporting period reduced financial liabilities. For further information, please refer to the section “Changes in the composition of the Group, transactions with owners, and other transactions,” page 43 et seq.

A year-on-year increase in the carrying amount of the financial liabilities of around EUR 0.4 billion relates to exchange rate effects in the United States operating segment.

The following table shows the composition and maturity structure of financial liabilities as of September 30, 2018:

millions of €

|                                                | Sept. 30, 2018 | Due within 1 year | Due >1 ≤ 5 years | Due > 5 years |
|------------------------------------------------|----------------|-------------------|------------------|---------------|
| Bonds and other securitized liabilities        | 47,965         | 1,875             | 18,935           | 27,156        |
| Liabilities to banks                           | 5,816          | 1,871             | 2,982            | 963           |
| Finance lease liabilities                      | 2,595          | 902               | 1,176            | 517           |
| Liabilities to non-banks from promissory notes | 510            | 179               | 53               | 278           |
| Other interest-bearing liabilities             | 1,762          | 1,046             | 547              | 169           |
| Other non-interest-bearing liabilities         | 1,466          | 1,334             | 126              | 5             |
| Derivative financial liabilities               | 1,010          | 113               | 169              | 729           |
| <b>FINANCIAL LIABILITIES</b>                   | <b>61,124</b>  | <b>7,319</b>      | <b>23,987</b>    | <b>29,818</b> |

### CONTRACT LIABILITIES

Following the transition to IFRS 15, a remeasurement effect of EUR 0.6 billion was recognized directly in equity as of January 1, 2018. This related to the initial recognition of contract liabilities that would have resulted in the later recognition of revenue under IFRS 15. In addition, a total of EUR 1.9 billion was reclassified as contract liabilities in accordance with IFRS 15. These reclassifications mainly comprise deferred revenue that was recognized under other liabilities as of December 31, 2017. The carrying amount for current and non-current contract liabilities was remeasured at EUR 2.4 billion as of September 30, 2018. For more information, please refer to the section "Accounting policies," page 37 et seq.

### PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

Provisions for pensions and other employee benefits decreased from EUR 8.4 billion as of December 31, 2017 to EUR 5.3 billion. The main reason for this decline was the transfer, on March 23, 2018, of the 12 percent stake in BT (valued at EUR 3.1 billion) to the Group's own trust, Deutsche Telekom Trust e.V., where it will serve as plan assets. Due to the netting of the present value of the pension obligations with the plan assets, the increase in external cover led to a reduction in provisions for pensions and other employee benefits. For more information on the Global Pension Policy and a description of the plan, please refer to page 200 et seq. of the 2017 Annual Report.

On July 20, 2018, the latest life expectancy tables (Heubeck-Richttafel 2018 G) were published. They take account of the most recent statistics of Germany's statutory pension scheme and Federal Statistical Office. For the first time, the tables include socioeconomic factors. Overall, Deutsche Telekom expects the first-time application of the new tables as of December 31, 2018 to result in a moderate increase in its defined benefit obligations, which will be recognized under other comprehensive income. At present, the financial impact of this cannot be assessed with sufficient certainty.

### SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

#### NET REVENUE

Net revenue breaks down into the following revenue categories:

millions of €

|                                                             | Q1-Q3 2018    | Q1-Q3 2017    |
|-------------------------------------------------------------|---------------|---------------|
| Revenue from the rendering of services                      | <b>46,070</b> | <b>46,854</b> |
| Germany                                                     | 13,188        | 13,746        |
| United States                                               | 20,614        | 20,525        |
| Europe                                                      | 7,349         | 7,414         |
| Systems Solutions                                           | 3,932         | 4,023         |
| Group Development                                           | 942           | 1,052         |
| Group Headquarters & Group Services                         | 44            | 94            |
| Revenue from the sale of goods and merchandise <sup>a</sup> | <b>8,373</b>  | <b>7,829</b>  |
| Germany                                                     | 1,529         | 1,177         |
| United States                                               | 5,441         | 5,505         |
| Europe                                                      | 1,104         | 868           |
| Systems Solutions                                           | 83            | 61            |
| Group Development                                           | 215           | 200           |
| Group Headquarters & Group Services                         | 0             | 17            |
| Revenue from the use of entity assets by others             | <b>952</b>    | <b>1,105</b>  |
| Germany                                                     | 359           | 320           |
| United States                                               | 448           | 653           |
| Europe                                                      | 36            | 34            |
| Systems Solutions                                           | 17            | (15)          |
| Group Development                                           | -             | -             |
| Group Headquarters & Group Services                         | 92            | 113           |
| <b>NET REVENUE</b>                                          | <b>55,395</b> | <b>55,787</b> |

<sup>a</sup> Revenue from the sale of goods and merchandise includes interest income of EUR 0.2 billion in the reporting period, calculated using the effective interest method. This income is primarily attributable to accrued interest on receivables in connection with terminal equipment sold under installment plans in the United States operating segment.

For details of changes in net revenue, please refer to the section "Development of business in the Group" in the interim Group management report, page 11 et seq.

## OTHER OPERATING INCOME

millions of €

|                                                                                                      | Q1-Q3 2018   | Q1-Q3 2017   |
|------------------------------------------------------------------------------------------------------|--------------|--------------|
| Income from the reversal of impairment losses on non-current assets                                  | 8            | 1,662        |
| Of which: IFRS 5                                                                                     | -            | 2            |
| Income from the disposal of non-current assets                                                       | 202          | 150          |
| Income from reimbursements                                                                           | 124          | 149          |
| Income from insurance compensation                                                                   | 313          | 46           |
| Income from ancillary services                                                                       | 21           | 24           |
| Miscellaneous other operating income                                                                 | 409          | 1,300        |
| Of which: income from divestitures and from the sale of stakes accounted for using the equity method | -            | 774          |
|                                                                                                      | <b>1,077</b> | <b>3,331</b> |

Income from the disposal of non-current assets was primarily attributable to the disposal of real estate previously recognized as non-current assets and disposal groups held for sale. Income from insurance compensation mainly comprised compensation payments received by T-Mobile US in the first three quarters of 2018 for damage caused by hurricanes in 2017. Miscellaneous other operating income decreased by EUR 0.9 billion year-on-year. The main items posted in the comparable period last year were income of EUR 0.5 billion from the divestiture of Strato AG, income of EUR 0.2 billion from a payment received in connection with the settlement agreement concluded with BT in July 2017, and income of EUR 0.2 billion from the sale of the remaining shares in Scout24 AG, which had been accounted for using the equity method.

## OTHER OPERATING EXPENSES

millions of €

|                                                                                  | Q1-Q3 2018     | Q1-Q3 2017     |
|----------------------------------------------------------------------------------|----------------|----------------|
| Impairment losses on financial assets <sup>a</sup>                               | (307)          | n. a.          |
| Gains (losses) from the write-off of financial assets measured at amortized cost | (45)           | n. a.          |
| Other                                                                            | (1,767)        | (2,443)        |
| Legal and audit fees                                                             | (217)          | (167)          |
| Losses from asset disposals                                                      | (117)          | (133)          |
| Income (losses) from the measurement of factoring receivables                    | (92)           | (89)           |
| Income (losses) from the measurement of receivables <sup>a</sup>                 | n. a.          | (449)          |
| Other taxes                                                                      | (364)          | (334)          |
| Cash and guarantee transaction costs                                             | (247)          | (242)          |
| Insurance expenses                                                               | (69)           | (66)           |
| Miscellaneous other operating expenses                                           | (661)          | (963)          |
|                                                                                  | <b>(2,119)</b> | <b>(2,443)</b> |

<sup>a</sup> Due to the transition to IFRS 9, changes were made both to the method of measuring impairment losses on receivables and to their disclosure in the financial statements. A comparison with the prior period is possible to a limited extent only.

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

## DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

At EUR 9.6 billion, depreciation, amortization and impairment losses were EUR 0.9 billion lower than in the prior-year period. This decrease was attributable in particular to the impairment of goodwill in the amount of EUR 1.2 billion that was recognized in the Systems Solutions operating segment in the prior-year period. By contrast, amortization of intangible assets and depreciation of property, plant and equipment were actually EUR 0.3 billion higher in the first three quarters of 2018 than in the prior-year period, an increase primarily related to the build-out of the 4G/LTE network in the United States operating segment and to capital expenditures in the Germany operating segment.

## PROFIT/LOSS FROM FINANCIAL ACTIVITIES

In the first three quarters of 2018, the loss from financial activities decreased by EUR 1.6 billion year-on-year to EUR 2.1 billion. This was attributable in particular to the decrease of EUR 1.8 billion in other financial expense to EUR 0.2 billion. The figure for the prior-year period was mainly impacted by the EUR 1.3 billion impairment of the financial stake in BT recognized in profit or loss. In March 2018, the financial stake in BT was transferred to Deutsche Telekom Trust e.V., where it will be used as plan assets to cover existing pension obligations. As a consequence of the transition to IFRS 9 as of January 1, 2018, changes in the value of the financial stake prior to the transfer date were no longer recognized in the income statement as profit/loss from financial activities, but in other comprehensive income. For more information, please refer to the disclosures on financial instruments, page 53 et seq. In the first three quarters of 2018, negative effects from the exercise and remeasurement of embedded derivatives at T-Mobile US increased the loss from financial activities by EUR 0.2 billion. In the prior-year period, this negative effect on the loss from financial activities totaled EUR 0.5 billion.

Finance costs of EUR 1.4 billion, which were EUR 0.3 billion lower than a year earlier, also had a positive effect on the loss from financial activities. This was essentially due to the fact that T-Mobile US has increasingly been financed internally since 2017. The Consent Fee of EUR 0.1 billion paid (or still payable) to lending banks in connection with the probable increase in the admissible amount of collateralized financing instruments at T-Mobile US as a consequence of the agreed business combination with Sprint had an increasing effect on finance costs.

The share of profit/loss of associates and joint ventures accounted for using the equity method decreased to EUR -0.5 billion. This was mainly attributable to the settlement agreement reached to end the Toll Collect arbitration proceedings, which had a negative effect of EUR 0.6 billion. The associated payments to the Federal Republic of Germany will be made on behalf of Toll Collect GbR in three tranches over the period until 2020. For further information, please refer to the section "Changes in the composition of the Group, transactions with owners, and other transactions," page 43 et seq. By contrast, the profit distribution resolved in March 2018 by the shareholders of the Toll Collect GmbH joint venture – EUR 0.1 billion of which is attributable to Deutsche Telekom – had a positive effect.

## INCOME TAXES

In the first nine months of 2018, a tax expense of EUR 1.4 billion was recognized. The effective tax rate of 28.8 percent essentially reflects the shares of the different countries in profit before income taxes and their respective national tax rates.

In the prior-year period, a tax expense of EUR 1.9 billion was recognized on marginally higher pre-tax income. The higher effective tax rate was attributable in particular to two non-tax-deductible items: the impairment of goodwill in the Systems Solutions operating segment and the impairment of the financial stake in BT recognized in profit and loss. The recognition of deferred tax assets of EUR 0.2 billion on federal loss carryforwards in the United States and tax reductions for a comparable amount for previous years in Germany had a contrary effect on the effective tax rate.

## OTHER DISCLOSURES

### NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### NET CASH FROM OPERATING ACTIVITIES

Net cash from operating activities increased by EUR 0.2 billion year-on-year to EUR 13.5 billion. Exchange rate effects weighed on the continuing positive business trend in the United States operating segment. Factoring agreements – especially in the Systems Solutions operating segment – resulted in positive effects of EUR 0.2 billion on net cash from operating activities in the reporting period. The effect from factoring agreements in the prior-year period totaled EUR 0.5 billion. The comparable figure in the prior-year period included a EUR 0.1 billion higher dividend payment from BT (totaling EUR 0.2 billion), while the profit of EUR 0.1 billion distributed by Toll Collect GmbH was a key component in the reporting period. Net interest payments were EUR 0.7 billion lower, enhancing net cash from operating activities, while the increase of EUR 0.1 billion in payments for income taxes decreased net cash from operating activities.

## NET CASH USED IN INVESTING ACTIVITIES

millions of €

|                                                                                    | Q1-Q3 2018      | Q1-Q3 2017      |
|------------------------------------------------------------------------------------|-----------------|-----------------|
| Cash capex                                                                         |                 |                 |
| Germany operating segment                                                          | (3,242)         | (3,109)         |
| United States operating segment                                                    | (3,653)         | (11,148)        |
| Europe operating segment                                                           | (1,253)         | (1,273)         |
| Systems Solutions operating segment                                                | (352)           | (264)           |
| Group Development operating segment                                                | (201)           | (215)           |
| Group Headquarters & Group Services                                                | (748)           | (712)           |
| Reconciliation                                                                     | 99              | 180             |
|                                                                                    | <b>(9,351)</b>  | <b>(16,541)</b> |
| Net cash flows for collateral deposited and hedging transactions                   | (460)           | 1,613           |
| Cash inflows from the sale of the shares in Scout24 AG                             | -               | 319             |
| Cash outflows for the acquisition of shares in Layer3 TV <sup>a</sup>              | (258)           | -               |
| Cash outflows for the acquisition of shares in UPC Austria GmbH <sup>b</sup>       | (1,791)         | -               |
| Proceeds from the disposal of property, plant and equipment, and intangible assets | 381             | 276             |
| Cash flows from the loss of control of subsidiaries and associates <sup>c</sup>    | (65)            | 499             |
| Reverse allocation under contractual trust agreement (CTA) on pension commitments  | 225             | -               |
| Payment in relation to settlement reached in Toll Collect arbitration proceedings  | (200)           | -               |
| Payment in relation to equity maintenance undertaking for Toll Collect GmbH        | (60)            | -               |
| Acquisition/sale of government bonds, net                                          | -               | 5               |
| Other                                                                              | (76)            | 70              |
|                                                                                    | <b>(11,655)</b> | <b>(13,759)</b> |

<sup>a</sup> Includes, in addition to the purchase price of EUR 260 million, inflows of cash and cash equivalents in the amount of EUR 2 million.

<sup>b</sup> Includes, in addition to the purchase price of EUR 1,792 million, inflows of cash and cash equivalents in the amount of EUR 1 million.

<sup>c</sup> Relates primarily to outflows of cash and cash equivalents in connection with the transfer of the stake in BT as plan assets to Deutsche Telekom Trust e.V. in March 2018.

Cash capex decreased from EUR 16.5 billion to EUR 9.4 billion. The prior-year figure contained a total of EUR 7.3 billion for the acquisition of mobile spectrum licenses, while the figure for the reporting period included payments totaling EUR 0.2 billion. In both periods, these payments related almost exclusively to the United States operating segment. Whereas cash capex in the Germany operating segment was up EUR 0.1 billion year-on-year due to the broadband/fiber-optic network build-out, cash capex in the United States operating segment – not including investments in mobile spectrum licenses – was EUR 0.4 billion lower, primarily due to exchange rate effects. Adjusted for exchange rate effects, and excluding capital expenditure on mobile spectrum licenses, cash capex was higher overall than in the prior-year period.

**NET CASH USED IN FINANCING ACTIVITIES**

millions of €

|                                                                     | Q1-Q3 2018     | Q1-Q3 2017     |
|---------------------------------------------------------------------|----------------|----------------|
| Repayment of bonds                                                  | (4,554)        | (10,980)       |
| Dividends<br>(including to non-controlling interests)               | (3,254)        | (1,559)        |
| Repayment of financial liabilities from<br>financed capex and opex  | (213)          | (264)          |
| Repayment of EIB loans                                              | (159)          | (323)          |
| Net cash flows for collateral deposited and<br>hedging transactions | 256            | 28             |
| Repayment of lease liabilities                                      | (629)          | (541)          |
| Repayment of financial liabilities for media<br>broadcasting rights | (323)          | (198)          |
| Cash flows from continuing involvement<br>factoring, net            | 32             | (9)            |
| Loans taken out with the EIB                                        | 150            | 675            |
| Promissory notes, net                                               | 324            | 167            |
| Secured loans                                                       | -              | (1,863)        |
| Issuance of bonds                                                   | 7,483          | 9,445          |
| Commercial paper, net                                               | (775)          | 1,568          |
| Overnight borrowings from banks                                     | 533            | -              |
| Cash inflows from transactions with<br>non-controlling entities     |                |                |
| T-Mobile US stock options                                           | 3              | 18             |
|                                                                     | <b>3</b>       | <b>18</b>      |
| Cash outflows from transactions with<br>non-controlling entities    |                |                |
| T-Mobile US share buy-backs                                         | (946)          | (94)           |
| OTE share buy-backs                                                 | (63)           | -              |
| Acquisition of T-Mobile US shares                                   | (164)          | -              |
| Acquisition of OTE shares                                           | (284)          | -              |
| Other                                                               | (1)            | (10)           |
|                                                                     | <b>(1,458)</b> | <b>(104)</b>   |
| Other                                                               | (355)          | (342)          |
|                                                                     | <b>(2,939)</b> | <b>(4,282)</b> |

**NON-CASH TRANSACTIONS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS**

In the first three quarters of 2018, Deutsche Telekom chose financing options totaling EUR 0.2 billion under which the payments for trade payables from operating and investing activities become due at a later point in time mainly by involving banks in the process (Q1 – Q3 2017: EUR 0.3 billion). These payables will subsequently be recognized under financial liabilities in the statement of financial position. As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In the first three quarters of 2018, Deutsche Telekom leased network equipment (classified as a finance lease) for a total of EUR 0.6 billion (Q1 – Q3 2017: EUR 0.8 billion). The finance lease is subsequently also shown under financial liabilities in the statement of financial position. Future repayments of the liabilities will be recognized in net cash used in/from financing activities.

Consideration for the acquisition of broadcasting rights will be paid by Deutsche Telekom in accordance with the terms of the contract on the date of its conclusion or spread over the term of the contract. Financial liabilities of EUR 0.2 billion were recognized in the first three quarters of 2018 for future consideration for acquired broadcasting rights (Q1 – Q3 2017: EUR 0.2 billion). As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In the United States operating segment, EUR 0.7 billion was recognized for mobile handsets under property, plant and equipment in the reporting period (Q1 – Q3 2017: EUR 0.7 billion). These relate to the JUMP! On Demand business model at T-Mobile US, under which customers do not purchase the devices but lease them. The payments are presented under net cash from operating activities.

Following the transfer of the financial stake in the BT Group to Deutsche Telekom Trust e.V. in the first quarter of 2018, a non-cash transfer of EUR 3.0 billion to plan assets was made in order to increase external capital funding; this reduced the provisions for pensions recognized in the statement of financial position.

**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 three quarters of 2018 and 2017.

Vivento Customer Services GmbH, a provider of call center services, has been assigned to the Germany operating segment since January 1, 2018; previously it was part of the Group Headquarters & Group Services segment. Comparative figures have been adjusted retrospectively.

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

For details on the development of operations in the operating segments and the Group Headquarters & Group Services segment, please refer to the section "Development of business in the operating segments" in the interim Group management report, page 17 et seq.

**Segment information in the first three quarters**

millions of €

|                                     |                         | Comparative period |                      |               |                                      |                               |                   | Reporting date |                     |                                                   |
|-------------------------------------|-------------------------|--------------------|----------------------|---------------|--------------------------------------|-------------------------------|-------------------|----------------|---------------------|---------------------------------------------------|
|                                     |                         | Net revenue        | Intersegment revenue | Total revenue | Profit (loss) from operations (EBIT) | Depreciation and amortization | Impairment losses | Segment assets | Segment liabilities | Investments accounted for using the equity method |
| Germany                             | Q1-Q3 2018              | 15,077             | 1,011                | 16,088        | 2,985                                | (2,964)                       | -                 | 36,232         | 26,725              | 12                                                |
|                                     | Q1-Q3 2017              | 15,244             | 1,012                | 16,256        | 3,238                                | (2,845)                       | (6)               | 33,739         | 26,641              | 12                                                |
| United States                       | Q1-Q3 2018              | 26,503             | 1                    | 26,504        | 3,591                                | (3,901)                       | -                 | 66,574         | 41,302              | 156                                               |
|                                     | Q1-Q3 2017 <sup>a</sup> | 26,683             | 1                    | 26,684        | 5,135                                | (3,821)                       | (4)               | 64,931         | 42,003              | 189                                               |
| Europe                              | Q1-Q3 2018              | 8,490              | 262                  | 8,752         | 1,127                                | (1,723)                       | (3)               | 27,644         | 10,018              | 59                                                |
|                                     | Q1-Q3 2017              | 8,316              | 271                  | 8,587         | 1,081                                | (1,666)                       | (2)               | 25,746         | 10,206              | 62                                                |
| Systems Solutions                   | Q1-Q3 2018              | 4,032              | 1,062                | 5,094         | (121)                                | (296)                         | -                 | 5,749          | 3,695               | 23                                                |
|                                     | Q1-Q3 2017              | 4,069              | 1,030                | 5,099         | (1,319)                              | (291)                         | (1,242)           | 6,408          | 5,061               | 31                                                |
| Group Development                   | Q1-Q3 2018              | 1,157              | 450                  | 1,607         | 431                                  | (244)                         | -                 | 6,802          | 6,015               | 314                                               |
|                                     | Q1-Q3 2017              | 1,252              | 450                  | 1,702         | 1,417                                | (215)                         | -                 | 9,997          | 5,549               | 346                                               |
| Group Headquarters & Group Services | Q1-Q3 2018              | 136                | 1,960                | 2,096         | (971)                                | (608)                         | (7)               | 47,340         | 59,108              | 11                                                |
|                                     | Q1-Q3 2017              | 223                | 2,039                | 2,262         | (851)                                | (475)                         | (24)              | 46,957         | 55,863              | 11                                                |
| TOTAL                               | Q1-Q3 2018              | 55,395             | 4,746                | 60,141        | 7,042                                | (9,736)                       | (10)              | 190,341        | 146,863             | 575                                               |
|                                     | Q1-Q3 2017              | 55,787             | 4,803                | 60,590        | 8,701                                | (9,313)                       | (1,278)           | 187,778        | 145,323             | 651                                               |
| Reconciliation                      | Q1-Q3 2018              | -                  | (4,746)              | (4,746)       | 11                                   | 101                           | (1)               | (48,081)       | (48,084)            | (1)                                               |
|                                     | Q1-Q3 2017              | -                  | (4,803)              | (4,803)       | (2)                                  | 24                            | (1)               | (46,444)       | (46,459)            | -                                                 |
| GROUP                               | Q1-Q3 2018              | 55,395             | -                    | 55,395        | 7,053                                | (9,635)                       | (11)              | 142,260        | 98,779              | 574                                               |
|                                     | Q1-Q3 2017              | 55,787             | -                    | 55,787        | 8,699                                | (9,289)                       | (1,279)           | 141,334        | 98,864              | 651                                               |

<sup>a</sup> Profit (loss) from operations (EBIT) in the comparative period includes a partial reversal of impairment losses on spectrum licenses previously acquired by T-Mobile US, accounting for EUR 1.7 billion.

**CONTINGENT LIABILITIES**

This section provides additional information and explains recent changes in the contingent liabilities as described in the consolidated financial statements for the 2017 financial year.

**Toll Collect arbitration proceedings.** On May 16, 2018, Daimler Financial Services AG, Deutsche Telekom AG, and the Federal Republic of Germany reached an agreement to end the Toll Collect arbitration proceedings. The settlement was notarized in early July 2018 and confirmed by the arbitral tribunal, bringing the arbitration proceedings to an end. The agreed settlement amount of around EUR 3.2 billion includes services previously provided to the Federal Republic of Germany. Daimler Financial Services AG and Deutsche Telekom AG have both agreed to make final payments of EUR 550 million each. For more information, please refer to the section "Changes in the composition of the Group, transactions with owners, and other transactions," page 43 et seq.

**Claims relating to charges for the shared use of cable ducts.** Regarding the legal proceedings brought by Unitymedia Hessen GmbH & Co. KG, Unitymedia NRW GmbH, and Kabel BW GmbH, an appeal filed by the plaintiffs was rejected by the Düsseldorf Higher Regional Court in its ruling of March 14, 2018. An appeal was not permitted. The plaintiffs filed a complaint against the non-allowance of appeal with the Federal Court of Justice. In the parallel proceedings brought by Vodafone Kabel Deutschland GmbH, their claim now stands at approximately EUR 624 million along with another around EUR 9 million for the alleged benefit from additional interest, plus interest in each case.

**Consent Fee for Sprint.** In connection with the agreed business combination of T-Mobile US and Sprint, T-Mobile US may be required to reimburse Sprint for 67 percent of the upfront consent and related bank fees it paid to lending banks, or USD 161 million, if the business combination agreement is terminated.

**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 September 30, 2018:

| millions of €                                                     |                |
|-------------------------------------------------------------------|----------------|
|                                                                   | Sept. 30, 2018 |
| Future obligations from operating leases                          | 17,104         |
| Purchase commitments regarding property, plant and equipment      | 4,162          |
| Purchase commitments regarding intangible assets                  | 519            |
| Firm purchase commitments for inventories                         | 4,130          |
| Other purchase commitments and similar obligations                | 13,919         |
| Payment obligations to the Civil Service Pension Fund             | 2,620          |
| Obligations from the acquisition for interests in other companies | 23,070         |
| Miscellaneous other obligations                                   | -              |
|                                                                   | <b>65,524</b>  |

Obligations from the acquisition for interests in other companies mainly concern the agreed business combination of T-Mobile US and Sprint at USD 26.5 billion (EUR 22.9 billion). Furthermore, the agreed acquisition of Tele2 Netherlands Holding N.V. results in a commitment of EUR 190 million for the cash component to be paid. For additional information on agreed corporate transactions, please refer to the section "Changes in the composition of the Group, transactions with owners, and other transactions," page 43 et seq. of this Interim Report, and to the section "Summary of accounting policies – Changes in the composition of the Group and other transactions" of the 2017 Annual Report, page 171 et seq.

## DISCLOSURES ON FINANCIAL INSTRUMENTS

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

millions of €

| Amounts recognized in the statement of financial position in accordance with IFRS 9                   |                                    |                                |                |                                                                                   |                                                                                |                                   |                                                                                     |                                        |
|-------------------------------------------------------------------------------------------------------|------------------------------------|--------------------------------|----------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------|-----------------------------------|-------------------------------------------------------------------------------------|----------------------------------------|
|                                                                                                       | Category in accordance with IFRS 9 | Carrying amount Sept. 30, 2018 | Amortized cost | Fair value through other comprehensive income without recycling to profit or loss | Fair value through other comprehensive income with recycling to profit or loss | Fair value through profit or loss | Amounts recognized in the statement of financial position in accordance with IAS 17 | Fair value Sept. 30, 2018 <sup>a</sup> |
| ASSETS                                                                                                |                                    |                                |                |                                                                                   |                                                                                |                                   |                                                                                     |                                        |
| Cash and cash equivalents                                                                             | AC                                 | 2,235                          | 2,235          |                                                                                   |                                                                                |                                   |                                                                                     | –                                      |
| Trade receivables                                                                                     |                                    |                                |                |                                                                                   |                                                                                |                                   |                                                                                     |                                        |
| At amortized cost                                                                                     | AC                                 | 5,549                          | 5,549          |                                                                                   |                                                                                |                                   |                                                                                     | –                                      |
| At fair value through other comprehensive income                                                      | FVOCI                              | 3,772                          |                |                                                                                   | 3,772                                                                          |                                   |                                                                                     | 3,772                                  |
| At fair value through profit or loss                                                                  | FVTPL                              | 10                             |                |                                                                                   |                                                                                | 10                                |                                                                                     | 10                                     |
| Other financial assets                                                                                |                                    |                                |                |                                                                                   |                                                                                |                                   |                                                                                     |                                        |
| Originated loans and other receivables                                                                |                                    |                                |                |                                                                                   |                                                                                |                                   |                                                                                     |                                        |
| At amortized cost                                                                                     | AC                                 | 3,050                          | 3,050          |                                                                                   |                                                                                |                                   |                                                                                     | 3,079                                  |
| Of which: collateral paid                                                                             | AC                                 | 686                            | 686            |                                                                                   |                                                                                |                                   |                                                                                     | –                                      |
| At fair value through other comprehensive income                                                      | FVOCI                              | –                              |                |                                                                                   |                                                                                |                                   |                                                                                     | –                                      |
| At fair value through profit or loss                                                                  | FVTPL                              | 108                            |                |                                                                                   |                                                                                | 108                               |                                                                                     | 108                                    |
| Equity instruments                                                                                    |                                    |                                |                |                                                                                   |                                                                                |                                   |                                                                                     |                                        |
| At fair value through other comprehensive income                                                      | FVOCI                              | 303                            |                | 303                                                                               |                                                                                |                                   |                                                                                     | 303                                    |
| Derivative financial assets                                                                           |                                    |                                |                |                                                                                   |                                                                                |                                   |                                                                                     |                                        |
| Derivatives without a hedging relationship                                                            | FVTPL                              | 784                            |                |                                                                                   |                                                                                | 784                               |                                                                                     | 784                                    |
| Of which: termination rights embedded in bonds issued                                                 | FVTPL                              | 159                            |                |                                                                                   |                                                                                | 159                               |                                                                                     | 159                                    |
| Of which: energy forward agreements embedded in contracts                                             | FVTPL                              | 2                              |                |                                                                                   |                                                                                | 2                                 |                                                                                     | 2                                      |
| Derivatives with a hedging relationship                                                               | n. a.                              | 127                            |                |                                                                                   | 14                                                                             | 113                               |                                                                                     | 127                                    |
| Lease assets                                                                                          | n. a.                              | 150                            |                |                                                                                   |                                                                                |                                   | 150                                                                                 | –                                      |
| Equity instruments within non-current assets and disposal groups held for sale                        | FVOCI                              | 94                             |                | 94                                                                                |                                                                                |                                   |                                                                                     | 94                                     |
| LIABILITIES                                                                                           |                                    |                                |                |                                                                                   |                                                                                |                                   |                                                                                     |                                        |
| Trade payables                                                                                        | AC                                 | 8,988                          | 8,988          |                                                                                   |                                                                                |                                   |                                                                                     | –                                      |
| Bonds and other securitized liabilities                                                               | AC                                 | 47,965                         | 47,965         |                                                                                   |                                                                                |                                   |                                                                                     | 51,589                                 |
| Liabilities to banks                                                                                  | AC                                 | 5,816                          | 5,816          |                                                                                   |                                                                                |                                   |                                                                                     | 5,881                                  |
| Liabilities to non-banks from promissory notes                                                        | AC                                 | 510                            | 510            |                                                                                   |                                                                                |                                   |                                                                                     | 587                                    |
| Other interest-bearing liabilities                                                                    | AC                                 | 1,762                          | 1,762          |                                                                                   |                                                                                |                                   |                                                                                     | 1,806                                  |
| Of which: collateral received                                                                         | AC                                 | 411                            | 411            |                                                                                   |                                                                                |                                   |                                                                                     | –                                      |
| Other non-interest-bearing liabilities                                                                | AC                                 | 1,466                          | 1,466          |                                                                                   |                                                                                |                                   |                                                                                     | –                                      |
| Finance lease liabilities                                                                             | n. a.                              | 2,595                          |                |                                                                                   |                                                                                |                                   | 2,595                                                                               | 2,831                                  |
| Derivative financial liabilities                                                                      |                                    |                                |                |                                                                                   |                                                                                |                                   |                                                                                     |                                        |
| Derivatives without a hedging relationship                                                            | FVTPL                              | 295                            |                |                                                                                   |                                                                                | 295                               |                                                                                     | 295                                    |
| Of which: options granted to third parties for the purchase of shares in subsidiaries and associates  | FVTPL                              | 10                             |                |                                                                                   |                                                                                | 10                                |                                                                                     | 10                                     |
| Of which: energy forward agreements embedded in contracts                                             | FVTPL                              | 71                             |                |                                                                                   |                                                                                | 71                                |                                                                                     | 71                                     |
| Derivatives with a hedging relationship                                                               | n. a.                              | 716                            |                |                                                                                   | 102                                                                            | 614                               |                                                                                     | 716                                    |
| Of which: aggregated by category in accordance with IFRS 9                                            |                                    |                                |                |                                                                                   |                                                                                |                                   |                                                                                     |                                        |
| ASSETS                                                                                                |                                    |                                |                |                                                                                   |                                                                                |                                   |                                                                                     |                                        |
| Financial assets at amortized cost                                                                    | AC                                 | 10,834                         | 10,834         |                                                                                   |                                                                                |                                   |                                                                                     | 3,079                                  |
| Financial assets at fair value through other comprehensive income with recycling to profit or loss    | FVOCI                              | 3,772                          |                |                                                                                   | 3,772                                                                          |                                   |                                                                                     | 3,772                                  |
| Financial assets at fair value through other comprehensive income without recycling to profit or loss | FVOCI                              | 397                            |                | 397                                                                               |                                                                                |                                   |                                                                                     | 397                                    |
| Financial assets at fair value through profit or loss                                                 | FVTPL                              | 902                            |                |                                                                                   |                                                                                | 902                               |                                                                                     | 902                                    |
| LIABILITIES                                                                                           |                                    |                                |                |                                                                                   |                                                                                |                                   |                                                                                     |                                        |
| Financial liabilities at amortized cost                                                               | AC                                 | 66,507                         | 66,507         |                                                                                   |                                                                                |                                   |                                                                                     | 59,863                                 |
| Financial liabilities at fair value through profit or loss                                            | FVTPL                              | 295                            |                |                                                                                   |                                                                                | 295                               |                                                                                     | 295                                    |

<sup>a</sup> The exemption provisions under IFRS 7.29a were applied for information on specific fair values.

Trade receivables include receivables amounting to EUR 1.4 billion (December 31, 2017: EUR 1.6 billion) due in more than one year. The fair value generally equals the carrying amount.

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

millions of €

|                                                                                                                |                                          |                                        | Amounts recognized in the statement of financial position<br>in accordance with IAS 39 |      |                                                   |                                            | Amounts<br>recognized<br>in the<br>statement<br>of financial<br>position in<br>accordance<br>with IAS 17 | Fair value<br>Dec. 31<br>2017 <sup>a</sup> |
|----------------------------------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------|----------------------------------------------------------------------------------------|------|---------------------------------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------|--------------------------------------------|
|                                                                                                                | Category in<br>accordance<br>with IAS 39 | Carrying<br>amount<br>Dec. 31,<br>2017 | Amortized<br>cost                                                                      | Cost | Fair value<br>recognized<br>directly in<br>equity | Fair value<br>through<br>profit or<br>loss |                                                                                                          |                                            |
| <b>ASSETS</b>                                                                                                  |                                          |                                        |                                                                                        |      |                                                   |                                            |                                                                                                          |                                            |
| Cash and cash equivalents                                                                                      | LaR                                      | 3,312                                  | 3,312                                                                                  |      |                                                   |                                            |                                                                                                          | -                                          |
| Trade receivables                                                                                              | LaR                                      | 9,553                                  | 9,553                                                                                  |      |                                                   |                                            |                                                                                                          | -                                          |
| Originated loans and receivables                                                                               | LaR/n. a.                                | 3,507                                  | 3,354                                                                                  |      |                                                   |                                            | 153                                                                                                      | 3,539                                      |
| Of which: collateral paid                                                                                      | LaR                                      | 504                                    | 504                                                                                    |      |                                                   |                                            |                                                                                                          | -                                          |
| Other non-derivative financial assets                                                                          |                                          |                                        |                                                                                        |      |                                                   |                                            |                                                                                                          |                                            |
| Held-to-maturity investments                                                                                   | HtM                                      | 5                                      | 5                                                                                      |      |                                                   |                                            |                                                                                                          | -                                          |
| Available-for-sale financial assets                                                                            | AFS                                      | 4,216                                  |                                                                                        | 187  | 4,029                                             |                                            |                                                                                                          | 4,029                                      |
| Derivative financial assets                                                                                    |                                          |                                        |                                                                                        |      |                                                   |                                            |                                                                                                          |                                            |
| Derivatives without a hedging relationship                                                                     | FAHfT                                    | 1,103                                  |                                                                                        |      |                                                   | 1,103                                      |                                                                                                          | 1,103                                      |
| Of which: termination rights embedded in bonds issued                                                          | FAHfT                                    | 351                                    |                                                                                        |      |                                                   | 351                                        |                                                                                                          | 351                                        |
| Of which: energy forward agreements embedded in contracts                                                      | FAHfT                                    | -                                      |                                                                                        |      |                                                   |                                            |                                                                                                          | -                                          |
| Derivatives with a hedging relationship                                                                        | n. a.                                    | 214                                    |                                                                                        |      | 42                                                | 172                                        |                                                                                                          | 214                                        |
| Non-current assets and disposal groups held for sale                                                           | AFS                                      |                                        |                                                                                        |      |                                                   |                                            |                                                                                                          |                                            |
| <b>LIABILITIES</b>                                                                                             |                                          |                                        |                                                                                        |      |                                                   |                                            |                                                                                                          |                                            |
| Trade payables                                                                                                 | FLAC                                     | 10,934                                 | 10,934                                                                                 |      |                                                   |                                            |                                                                                                          |                                            |
| Bonds and other securitized liabilities                                                                        | FLAC                                     | 45,453                                 | 45,453                                                                                 |      |                                                   |                                            |                                                                                                          | 50,472                                     |
| Liabilities to banks                                                                                           | FLAC                                     | 4,974                                  | 4,974                                                                                  |      |                                                   |                                            |                                                                                                          | 5,062                                      |
| Liabilities to non-banks from promissory notes                                                                 | FLAC                                     | 480                                    | 480                                                                                    |      |                                                   |                                            |                                                                                                          | 582                                        |
| Liabilities with the right of creditors to priority repayment in the event of default                          | FLAC                                     | -                                      | -                                                                                      |      |                                                   |                                            |                                                                                                          | -                                          |
| Other interest-bearing liabilities                                                                             | FLAC                                     | 1,598                                  | 1,598                                                                                  |      |                                                   |                                            |                                                                                                          | 1,629                                      |
| Of which: collateral received                                                                                  | FLAC                                     | 569                                    | 569                                                                                    |      |                                                   |                                            |                                                                                                          | -                                          |
| Other non-interest-bearing liabilities                                                                         | FLAC                                     | 1,443                                  | 1,443                                                                                  |      |                                                   |                                            |                                                                                                          | -                                          |
| Finance lease liabilities                                                                                      | n. a.                                    | 2,635                                  | 2,635                                                                                  |      |                                                   |                                            | 2,635                                                                                                    | 2,893                                      |
| Derivative financial liabilities                                                                               |                                          |                                        |                                                                                        |      |                                                   |                                            |                                                                                                          |                                            |
| Derivatives without a hedging relationship                                                                     | FLHfT                                    | 337                                    |                                                                                        |      |                                                   | 337                                        |                                                                                                          | 337                                        |
| Of which: conversion rights embedded in Mandatory Convertible Preferred Stock                                  | FLHfT                                    | -                                      |                                                                                        |      |                                                   | -                                          |                                                                                                          | -                                          |
| Of which: options granted to third parties for the purchase of shares in subsidiaries                          | FLHfT                                    | 10                                     |                                                                                        |      |                                                   | 10                                         |                                                                                                          | 10                                         |
| Of which: energy forward agreements embedded in contracts                                                      | FLHfT                                    | 46                                     |                                                                                        |      |                                                   | 46                                         |                                                                                                          | 46                                         |
| Derivatives with a hedging relationship                                                                        | n. a.                                    | 609                                    |                                                                                        |      | 168                                               | 441                                        |                                                                                                          | 609                                        |
| Derivative financial liabilities directly associated with non-current assets and disposal groups held for sale | FLHfT                                    | -                                      |                                                                                        |      |                                                   | -                                          |                                                                                                          | -                                          |
| Of which: aggregated by category in accordance with IAS 39                                                     |                                          |                                        |                                                                                        |      |                                                   |                                            |                                                                                                          |                                            |
| Loans and receivables                                                                                          | LaR                                      | 16,219                                 | 16,219                                                                                 |      |                                                   |                                            |                                                                                                          | 3,386                                      |
| Held-to-maturity investments                                                                                   | HtM                                      | 5                                      | 5                                                                                      |      |                                                   |                                            |                                                                                                          | -                                          |
| Available-for-sale financial assets                                                                            | AFS                                      | 4,216                                  |                                                                                        | 187  | 4,029                                             |                                            |                                                                                                          | 4,029                                      |
| Financial assets held for trading                                                                              | FAHfT                                    | 1,103                                  |                                                                                        |      |                                                   | 1,103                                      |                                                                                                          | 1,103                                      |
| Financial liabilities measured at amortized cost                                                               | FLAC                                     | 64,882                                 | 64,882                                                                                 |      |                                                   |                                            |                                                                                                          | 57,745                                     |
| Financial liabilities held for trading                                                                         | FLHfT                                    | 337                                    |                                                                                        |      |                                                   | 337                                        |                                                                                                          | 337                                        |

<sup>a</sup> The exemption provisions under IFRS 7.29a were applied for information on specific fair values.

The portfolio of financial assets by measurement category in accordance with IAS 39 is reconciled to the IFRS 9 measurement categories as follows:

#### Reconciliation of financial assets from IAS 39 to IFRS 9

millions of €

|                                                                                                              | Carrying<br>amount<br>Dec. 31,<br>2017<br>(IAS 39) | Reclassifi-<br>cation <sup>a</sup> | Reclassi-<br>fication<br>to other com-<br>prehensive<br>income | Remeasure-<br>ments <sup>b</sup> | Carrying<br>amount<br>Jan. 1, 2018<br>(IFRS 9) <sup>c</sup> | Effect to be<br>recognized<br>in retained<br>earnings<br>Jan. 1, 2018 <sup>d</sup> |
|--------------------------------------------------------------------------------------------------------------|----------------------------------------------------|------------------------------------|----------------------------------------------------------------|----------------------------------|-------------------------------------------------------------|------------------------------------------------------------------------------------|
| <b>AT FAIR VALUE THROUGH PROFIT OR LOSS</b>                                                                  |                                                    |                                    |                                                                |                                  |                                                             |                                                                                    |
| Ending balance in accordance with IAS 39                                                                     | 1,103                                              |                                    |                                                                |                                  | 1,103                                                       |                                                                                    |
| Additions to IFRS 9 – At fair value through profit or loss from                                              |                                                    |                                    |                                                                |                                  |                                                             |                                                                                    |
| IAS 39 – Loans and receivables or held-to-maturity investments                                               |                                                    | 8                                  |                                                                |                                  | 8                                                           |                                                                                    |
| IAS 39 – Available-for-sale financial assets                                                                 |                                                    | 12                                 |                                                                |                                  | 12                                                          |                                                                                    |
|                                                                                                              | <b>1,103</b>                                       | <b>20</b>                          |                                                                |                                  | <b>1,123</b>                                                |                                                                                    |
| <b>AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME</b>                                                      |                                                    |                                    |                                                                |                                  |                                                             |                                                                                    |
| Ending balance in accordance with IAS 39                                                                     | 4,216                                              |                                    |                                                                |                                  | 4,216                                                       |                                                                                    |
| Additions to IFRS 9 – At fair value through other comprehensive income with recycling to profit or loss from |                                                    |                                    |                                                                |                                  |                                                             |                                                                                    |
| IAS 39 – Loans and receivables or held-to-maturity investments                                               |                                                    | 5,035                              | (101)                                                          | (2)                              | 4,931                                                       | (97)                                                                               |
| Disposals from IAS 39 – Available-for-sale financial assets to                                               |                                                    |                                    |                                                                |                                  |                                                             |                                                                                    |
| IFRS 9 – At amortized cost                                                                                   |                                                    | (185)                              |                                                                |                                  | (185)                                                       |                                                                                    |
| IFRS 9 – At fair value through other comprehensive income with recycling to profit or loss                   |                                                    |                                    |                                                                | (1)                              | (1)                                                         | (1)                                                                                |
| IFRS 9 – At fair value through profit or loss                                                                |                                                    | (12)                               |                                                                |                                  | (12)                                                        |                                                                                    |
|                                                                                                              | <b>4,216</b>                                       | <b>4,838</b>                       | <b>(101)</b>                                                   | <b>(3)</b>                       | <b>8,950</b>                                                | <b>(99)</b>                                                                        |
| <b>AT AMORTIZED COST</b>                                                                                     |                                                    |                                    |                                                                |                                  |                                                             |                                                                                    |
| Ending balance in accordance with IAS 39                                                                     | 16,226                                             |                                    |                                                                |                                  | 16,226                                                      |                                                                                    |
| Additions to IFRS 9 – At amortized cost from                                                                 |                                                    |                                    |                                                                |                                  |                                                             |                                                                                    |
| IAS 39 – Available-for-sale financial assets                                                                 |                                                    | 185                                |                                                                |                                  | 185                                                         |                                                                                    |
| Disposals from IAS 39 – Loans and receivables or held-to-maturity investments to                             |                                                    |                                    |                                                                |                                  |                                                             |                                                                                    |
| IFRS 9 – At amortized cost                                                                                   |                                                    | (313)                              |                                                                | (38)                             | (350)                                                       | (39)                                                                               |
| IFRS 9 – At fair value through other comprehensive income with recycling to profit or loss                   |                                                    | (5,035)                            |                                                                |                                  | (5,035)                                                     |                                                                                    |
| IFRS 9 – At fair value through profit or loss                                                                |                                                    | (8)                                |                                                                |                                  | (8)                                                         |                                                                                    |
|                                                                                                              | <b>16,226</b>                                      | <b>(5,170)</b>                     |                                                                | <b>(38)</b>                      | <b>11,017</b>                                               | <b>(39)</b>                                                                        |
| <b>TOTAL CHANGE</b>                                                                                          | <b>21,544</b>                                      | <b>(313)</b>                       | <b>(101)</b>                                                   | <b>(41)</b>                      | <b>21,090</b>                                               | <b>(138)</b>                                                                       |

<sup>a</sup> Carrying amount under IAS 39 that must be reclassified from an IAS 39 category to a new IFRS 9 category.

<sup>b</sup> Resulting difference from the revaluation of an IAS 39 instrument under the new IFRS 9 category.

<sup>c</sup> The allowances posted under trade receivables recognized at fair value through other comprehensive income were offset with the receivables. On initial presentation of the transition to IFRS 9 in the Interim Group Report for the period January 1 to March 31, 2018, these allowances were presented gross in other comprehensive income.

<sup>d</sup> Effects include shares attributable to non-controlling interests.

The main reclassifications from the old IAS 39 measurement categories to the new IFRS 9 measurement categories relate to portfolios of trade receivables that are to be sold under a factoring agreement. Previously assigned to the category “Loans and receivables” and measured at amortized cost, these receivables are now measured – depending on the underlying business model – either at fair value through other comprehensive income with recycling to profit or loss, or at fair value through profit or loss. Trade receivables with a carrying amount of EUR 136 million were reclassified as contract assets in accordance with IFRS 15.

In addition, Deutsche Telekom reclassified all equity instruments previously recognized as available-for-sale financial assets to the IFRS 9 category “At fair value through other comprehensive income without recycling to profit or loss.”

Under IFRS 9, debt instruments previously assigned to the categories “Available-for-sale financial assets,” “Held-to-maturity investments,” and “Loans and receivables” are reclassified – depending on the underlying business model and the cash flow characteristics of each instrument – to the new categories “At amortized cost,” “At fair value through other comprehensive income with recycling to profit or loss,” or “At fair value through profit or loss.”

The allocation of financial liabilities to IFRS 9 measurement categories does not result in any changes. The names of the measurement categories were updated to reflect the wording of the new standard.

Subsidiaries that are not included in the consolidated financial statements due to their subordinate significance, and which were previously recognized under IAS 39 at amortized cost as available-for-sale financial assets, are recognized under other assets as of the 2018 financial year and were reclassified as of January 1, 2018 with a carrying amount of EUR 177 million.

The following table shows the classes of financial assets and liabilities under IFRS 9 along with their previous and current measurement categories and carrying amounts:

#### Classes of financial instruments in accordance with IFRS 9

|                                                                                                      | Measurement categories                                                                                         |                                                       | Carrying amounts<br>Dec. 31, 2017/Jan. 1, 2018 |        |            |
|------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------|--------|------------|
|                                                                                                      | IAS 39                                                                                                         | IFRS 9                                                | IAS 39                                         | IFRS 9 | Difference |
| <b>ASSETS</b>                                                                                        |                                                                                                                |                                                       |                                                |        |            |
| Cash and cash equivalents                                                                            | Loans and receivables (LaR)                                                                                    | Amortized cost (AC)                                   | 3,312                                          | 3,312  | 0          |
| Trade receivables                                                                                    |                                                                                                                |                                                       |                                                |        |            |
| At amortized cost                                                                                    |                                                                                                                | Amortized cost (AC)                                   |                                                | 4,344  | (5,056)    |
| At fair value through other comprehensive income                                                     | Loans and receivables (LaR)                                                                                    | Fair value through other comprehensive income (FVOCI) | 9,400                                          | 4,919  | 4,919      |
| At fair value through profit or loss                                                                 |                                                                                                                | Fair value through profit or loss (FVTPL)             |                                                | 6      | 6          |
| Other financial assets                                                                               |                                                                                                                |                                                       |                                                |        |            |
| Originated loans and other receivables                                                               |                                                                                                                |                                                       |                                                |        |            |
| At amortized cost                                                                                    | Loans and receivables (LaR) or held-to-maturity investments (HtM) or available-for-sale financial assets (AFS) | Amortized cost (AC)                                   | 3,512                                          | 3,361  | (151)      |
| Of which: collateral paid                                                                            | Loans and receivables (LaR)                                                                                    | Amortized cost (AC)                                   | 504                                            | 504    | -          |
| At fair value through profit or loss                                                                 | Available-for-sale financial assets (AFS)                                                                      | Fair value through profit or loss (FVTPL)             | 14                                             | 14     | -          |
| Equity instruments                                                                                   |                                                                                                                |                                                       |                                                |        |            |
| At fair value through other comprehensive income                                                     | Available-for-sale financial assets (AFS)                                                                      | Fair value through other comprehensive income (FVOCI) | 4,202                                          | 4,029  | (173)      |
| At fair value through profit or loss                                                                 | Available-for-sale financial assets (AFS)                                                                      | Fair value through profit or loss (FVTPL)             | -                                              | -      | -          |
| Derivative financial assets                                                                          |                                                                                                                |                                                       |                                                |        |            |
| Derivatives without a hedging relationship                                                           | Financial assets held for trading (FAHFT)                                                                      | Fair value through profit or loss (FVTPL)             | 1,103                                          | 1,103  | -          |
| Of which: termination rights embedded in bonds issued                                                | Financial assets held for trading (FAHFT)                                                                      | Fair value through profit or loss (FVTPL)             | 351                                            | 351    | -          |
| Derivatives with a hedging relationship                                                              | n. a.                                                                                                          | n. a.                                                 | 214                                            | 214    | -          |
| Lease assets <sup>a</sup>                                                                            | n. a.                                                                                                          | n. a.                                                 | 153                                            | 153    | -          |
| <b>LIABILITIES</b>                                                                                   |                                                                                                                |                                                       |                                                |        |            |
| Trade payables                                                                                       | Financial liabilities measured at amortized cost (FLAC)                                                        | Amortized cost (AC)                                   | 10,934                                         | 10,934 | -          |
| Bonds and other securitized liabilities                                                              | Financial liabilities measured at amortized cost (FLAC)                                                        | Amortized cost (AC)                                   | 45,453                                         | 45,453 | -          |
| Liabilities to banks                                                                                 | Financial liabilities measured at amortized cost (FLAC)                                                        | Amortized cost (AC)                                   | 4,974                                          | 4,974  | -          |
| Liabilities to non-banks from promissory notes                                                       | Financial liabilities measured at amortized cost (FLAC)                                                        | Amortized cost (AC)                                   | 480                                            | 480    | -          |
| Other interest-bearing liabilities                                                                   | Financial liabilities measured at amortized cost (FLAC)                                                        | Amortized cost (AC)                                   | 1,598                                          | 1,598  | -          |
| Of which: collateral received                                                                        | Financial liabilities measured at amortized cost (FLAC)                                                        | Amortized cost (AC)                                   | 569                                            | 569    | -          |
| Other non-interest-bearing liabilities                                                               | Financial liabilities measured at amortized cost (FLAC)                                                        | Amortized cost (AC)                                   | 1,443                                          | 1,443  | -          |
| Finance lease liabilities                                                                            | n. a.                                                                                                          | n. a.                                                 | 2,635                                          | 2,635  | -          |
| Derivative financial liabilities                                                                     |                                                                                                                |                                                       |                                                |        |            |
| Derivatives without a hedging relationship                                                           | Financial liabilities held for trading (FLHFT)                                                                 | Fair value through profit or loss (FVTPL)             | 337                                            | 337    | -          |
| Of which: options granted to third parties for the purchase of shares in subsidiaries and associates | Financial liabilities held for trading (FLHFT)                                                                 | Fair value through profit or loss (FVTPL)             | 10                                             | 10     | -          |
| Of which: energy forward agreements embedded in contracts                                            | Financial liabilities held for trading (FLHFT)                                                                 | Fair value through profit or loss (FVTPL)             | 46                                             | 46     | -          |
| Derivatives with a hedging relationship                                                              | n. a.                                                                                                          | n. a.                                                 | 609                                            | 609    | -          |

<sup>a</sup> Carrying amount in accordance with IAS 17.

The allowances on financial assets in accordance with IAS 39 are being reconciled to the IFRS 9 requirements as follows:

#### Allowances on financial assets

millions of €

|                                                         | Trade receivables |           | Contract assets | Originated loans and other receivables | Total      |
|---------------------------------------------------------|-------------------|-----------|-----------------|----------------------------------------|------------|
| Measurement categories                                  |                   |           |                 |                                        |            |
| in accordance with IAS 39                               | LaR               | LaR       | n. a.           | LaR                                    |            |
| in accordance with IFRS 9                               | AC                | FVOCI     | n. a.           | AC                                     |            |
| Allowances                                              |                   |           |                 |                                        |            |
| Amount in accordance with IAS 39 (Dec. 31, 2017)        | 1,303             | 334       | 0               | 19                                     | 1,657      |
| Additions resulting from change in measurement category | 24                | 99        | 28              |                                        | 151        |
| Disposals resulting from change in measurement category |                   |           |                 | (13)                                   | (13)       |
| Amount in accordance with IFRS 9 (Jan. 1, 2018)         | 1,327             | 433       | 28              | 6                                      | 1,795      |
| <b>DIFFERENCE IN RETAINED EARNINGS (DEBIT (CREDIT))</b> | <b>24</b>         | <b>99</b> | <b>28</b>       | <b>(13)</b>                            | <b>138</b> |

#### Financial instruments measured at fair value

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

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

#### Financial instruments measured at fair value

millions of €

|                                                                 | Sept. 30, 2018 |         |         | Total |
|-----------------------------------------------------------------|----------------|---------|---------|-------|
|                                                                 | Level 1        | Level 2 | Level 3 |       |
| <b>ASSETS</b>                                                   |                |         |         |       |
| Trade receivables                                               |                |         |         |       |
| At fair value through other comprehensive income                |                |         | 3,772   | 3,772 |
| At fair value through profit or loss                            |                |         | 10      | 10    |
| Other financial assets – originated loans and other receivables |                |         |         |       |
| At fair value through other comprehensive income                |                |         |         | -     |
| At fair value through profit or loss                            | 99             |         | 9       | 108   |
| Equity instruments                                              |                |         |         |       |
| At fair value through other comprehensive income                | 10             |         | 387     | 397   |
| Derivative financial assets                                     |                |         |         |       |
| Derivatives without a hedging relationship                      |                | 623     | 161     | 784   |
| Derivatives with a hedging relationship                         |                | 127     |         | 127   |
| <b>LIABILITIES</b>                                              |                |         |         |       |
| Derivative financial liabilities                                |                |         |         |       |
| Derivatives without a hedging relationship                      |                | 214     | 81      | 295   |
| Derivatives with a hedging relationship                         |                | 716     |         | 716   |

**Financial instruments measured at fair value**

millions of €

|                                                              | Dec. 31, 2017 |         |         |              |
|--------------------------------------------------------------|---------------|---------|---------|--------------|
|                                                              | Level 1       | Level 2 | Level 3 | Total        |
| <b>ASSETS</b>                                                |               |         |         |              |
| Available-for-sale financial assets (AFS)                    | 3,752         |         | 277     | <b>4,029</b> |
| Financial assets held for trading (FAHFT)                    |               | 752     | 351     | <b>1,103</b> |
| Derivative financial assets with a hedging relationship      |               | 214     |         | <b>214</b>   |
| <b>LIABILITIES</b>                                           |               |         |         |              |
| Financial liabilities held for trading (FLHFT)               |               | 281     | 56      | <b>337</b>   |
| Derivative financial liabilities with a hedging relationship |               | 609     |         | <b>609</b>   |

Of the equity instruments measured at fair value through other comprehensive income and recognized under other financial assets, the instruments presented in the different levels constitute separate classes of financial instruments. In each case, the fair values of the total volume of equity instruments recognized as Level 1 are the price quotations at the reporting date. The total volume of instruments recognized as Level 1 amounted to EUR 10 million (December 31, 2017: EUR 3,752 million). The figure for the prior-year period included a strategic financial stake of 12 percent in BT with a carrying amount equivalent to around EUR 3.7 billion. In the reporting period, this stake was transferred to plan assets.

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

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

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

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

millions of €

|                                                                          | Equity instruments at fair value through other comprehensive income | Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued | Derivative financial assets at fair value through profit or loss: energy forward agreements embedded in contracts | Derivative financial liabilities at fair value through profit or loss: energy forward agreements embedded in contracts |
|--------------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| <b>Carrying amount as of January 1, 2018</b>                             | 277                                                                 | 351                                                                                                           | –                                                                                                                 | (46)                                                                                                                   |
| Additions (including first-time categorization as Level 3)               | 126                                                                 | 11                                                                                                            | –                                                                                                                 | –                                                                                                                      |
| Value decreases recognized in profit/loss (including losses on disposal) | –                                                                   | (158)                                                                                                         | –                                                                                                                 | (26)                                                                                                                   |
| Value increases recognized in profit/loss (including gains on disposal)  | –                                                                   | 68                                                                                                            | 2                                                                                                                 | 3                                                                                                                      |
| Value decreases recognized directly in equity                            | (25)                                                                | –                                                                                                             | –                                                                                                                 | –                                                                                                                      |
| Value increases recognized directly in equity                            | 35                                                                  | –                                                                                                             | –                                                                                                                 | –                                                                                                                      |
| Disposals                                                                | (26)                                                                | (118)                                                                                                         | –                                                                                                                 | –                                                                                                                      |
| Currency translation effects recognized directly in equity               | –                                                                   | 5                                                                                                             | –                                                                                                                 | (2)                                                                                                                    |
| <b>CARRYING AMOUNT AS OF SEPTEMBER 30, 2018</b>                          | <b>387</b>                                                          | <b>159</b>                                                                                                    | <b>2</b>                                                                                                          | <b>(71)</b>                                                                                                            |

The equity instruments assigned to Level 3 that are measured at fair value through other comprehensive income and carried under other financial assets are equity investments with a carrying amount of EUR 379 million measured using the best information available at the reporting date. As a rule, Deutsche Telekom considers transactions involving shares in those companies to have the greatest relevance. Transactions involving shares in comparable companies are also considered. The proximity of the relevant transaction to the reporting date, and the question of whether it was conducted at arm's length, are relevant for deciding which information is used for the measurement. Furthermore, the degree of similarity between the object being measured and comparable companies must be taken into consideration. Based on Deutsche Telekom's own assessment, the fair values of the equity investments at the reporting date could be determined with sufficient reliability. Please refer to the table on page 58 for the development of the carrying amounts in the reporting period. At the reporting date, investments with a carrying amount of EUR 94 million were held for sale, while there were no plans to sell the remaining investments. In the case of investments with a carrying amount of EUR 277 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why the share prices agreed in the transactions were to be used without adjustment for the measurement as of September 30, 2018. In the case of investments with a carrying amount of EUR 102 million, an analysis of operational indicators (especially revenue, EBIT and liquidity) revealed that the carrying amounts were equivalent to current fair values. Due to better comparability, previous arm's-length transactions involving shares in these investments are preferable to more recent transactions involving shares in comparable companies. As of the reporting date, there were no investments for which the latest arm's-length transactions involving shares in these companies took place some time ago and where a measurement executed more recently via shares in comparable companies provides a better representation of the fair values. In addition, non-material individual items with a carrying amount of EUR 8 million are included with differences in value of minor relevance.

The derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial assets relate to options embedded in bonds issued by T-Mobile US with a carrying amount of EUR 159 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 are measured using an option pricing model. Historical interest rate volatilities of bonds issued by T-Mobile US and comparable issuers are used for the measurement because these provide a more reliable estimate at the reporting date than current market interest rate volatilities. The absolute figure used for the interest rate volatility at the current reporting date was between 1.0 and 2.0 percent. The significant decline in this value compared with the prior year is mainly attributable to the improvement in the rating of T-Mobile US in the reporting period. 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 2.3 and 3.0 percent for the remaining maturities of the bonds and between 1.1 and 2.0 percent for shorter terms. For the mean reversion input, which is likewise unobservable, 10 percent was used. In our opinion, the values used constitute the best estimate in each case. If other values had been used for interest rate volatility, spread curve or mean reversion, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table on the following page. In the reporting period, a net expense of EUR 47 million when translated into euros was recognized under the Level 3 measurement in other financial income/expense for unrealized losses for the options in the portfolio at the reporting date. In the reporting period, several options were exercised and the relevant bonds canceled prematurely. At the time of termination, the options and their total carrying amount of EUR 118 million when translated into euros were expensed and derecognized. For the development of the carrying amounts in the reporting period, please refer to the corresponding table on page 58. The changes in value recognized in profit or loss in the reporting period were mainly attributable to fluctuations in the interest rates and historical interest rate volatilities in absolute terms that are relevant for measurement. Due to their distinctiveness, these instruments constitute a separate class of financial instruments.

**Sensitivities<sup>a</sup> of the carrying amounts of the financial assets and financial liabilities assigned to Level 3 depending on unobservable inputs**

millions of €

|                                                                   | Derivative financial<br>assets at fair value<br>through profit or loss:<br>termination rights em-<br>bedded in bonds issued | Derivative financial<br>assets at fair value<br>through profit or loss:<br>energy forward agree-<br>ments embedded in<br>contracts | Derivative financial<br>liabilities at fair value<br>through profit or loss:<br>energy forward agree-<br>ments embedded in<br>contracts |
|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Interest rate volatility <sup>b</sup> +10 %                       | 20                                                                                                                          | -                                                                                                                                  | -                                                                                                                                       |
| Interest rate volatility <sup>b</sup> -10 %                       | (18)                                                                                                                        | -                                                                                                                                  | -                                                                                                                                       |
| Spread curve <sup>c</sup> +100 basis points                       | (87)                                                                                                                        | -                                                                                                                                  | -                                                                                                                                       |
| Spread curve <sup>c</sup> -100 basis points                       | 167                                                                                                                         | -                                                                                                                                  | -                                                                                                                                       |
| Mean reversion <sup>d</sup> +100 basis points                     | (5)                                                                                                                         | -                                                                                                                                  | -                                                                                                                                       |
| Mean reversion <sup>d</sup> -100 basis points                     | 5                                                                                                                           | -                                                                                                                                  | -                                                                                                                                       |
| Future energy prices +10 %                                        | -                                                                                                                           | 6                                                                                                                                  | 35                                                                                                                                      |
| Future energy prices -10 %                                        | -                                                                                                                           | (6)                                                                                                                                | (35)                                                                                                                                    |
| Future energy output +5 %                                         | -                                                                                                                           | 2                                                                                                                                  | 7                                                                                                                                       |
| Future energy output -5 %                                         | -                                                                                                                           | (2)                                                                                                                                | (7)                                                                                                                                     |
| Future prices for renewable energy credits <sup>e</sup> +100 %    | -                                                                                                                           | 1                                                                                                                                  | 10                                                                                                                                      |
| Future prices for renewable energy credits <sup>e</sup> from zero | -                                                                                                                           | (1)                                                                                                                                | (10)                                                                                                                                    |

<sup>a</sup> Change in the relevant input parameter assuming all other input parameters are unchanged.<sup>b</sup> Interest rate volatility shows the magnitude of fluctuations in interest rates over time (relative change). The larger the fluctuations, the higher the interest rate volatility.<sup>c</sup> The spread curve shows, for the respective maturities, the difference between the interest rates payable by T-Mobile US and the interest rates on U.S. government bonds.<sup>d</sup> Mean reversion describes the assumption that, after a change, an interest rate will revert to its average over time. The higher the selected value (mean reversion speed), the faster the interest rate will revert to its average in the measurement model.<sup>e</sup> Renewable energy credits is the term used for U.S. emission certificates.

With a carrying amount of EUR 71 million when translated into euros, the derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial liabilities relate to energy forward agreements embedded in contracts entered into by T-Mobile US. The same applies to derivative financial instruments with a carrying amount of EUR 2 million when translated into euros. These agreements consist of two components: the energy forward agreement and the acquisition of renewable energy credits by T-Mobile US. The agreements were entered into with energy producers in 2017 and 2018, and will run for terms of between 12 and 20 years from the commencement of commercial operations. In the case of one energy forward agreement, commercial operations began at the end of 2017; with the others, commercial operations are set to begin between 2019 and 2020. The respective settlement period of the energy forward agreement, which is accounted for separately as a derivative, also starts when the facility begins commercial operation. Under the energy forward agreements, T-Mobile US receives variable amounts based on the facility's actual energy output and the then current energy prices, and pays fixed amounts per unit of energy generated throughout the term of the contract. The energy forward agreements are measured using valuation models because no observable market prices are available. The value of the derivative is materially influenced by the facility's future energy output, for which T-Mobile US estimated a value of 1,954 gigawatt hours per year at the reporting date. The value of the derivatives is also materially influenced by future energy prices, which are not observable for the period beyond five years. Further, the value of the derivatives is materially influenced by the future prices for renewable energy credits, which are also not observable. For the unobservable portion

of the term, T-Mobile US used on-peak energy prices of between EUR 23.18/MWh and EUR 62.98/MWh when translated into euros and off-peak prices of between EUR 14.22/MWh and EUR 53.64/MWh when translated into euros. An average on-peak/off-peak ratio of 54 percent was used. In our opinion, the values used constitute the best estimate in each case. If other values had been used for future energy prices, future energy output or future prices of renewable energy credits, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table above. In the reporting period, a net expense of EUR 23 million (when translated into euros) was recognized under the Level 3 measurement in other operating income/expense for unrealized losses for the derivatives. For the development of the carrying amounts in the reporting period, please refer to the corresponding table on page 58. The market-price changes in the reporting period were largely attributable to changes in observable and unobservable energy prices and to interest rate effects. As one contract now has a positive fair value (for Deutsche Telekom) of EUR 2 million when translated into euros, it has to be recognized as a financial asset. Due to their distinctiveness, these instruments constitute a separate class of financial instruments. Measurement of the derivatives on initial recognition resulted in a positive value from T-Mobile US' perspective of EUR 139 million when translated into euros. In the view of T-Mobile US, the contracts were entered into at current market conditions, and the most appropriate parameters for the unobservable inputs were used for measurement purposes. The transaction price at inception was zero in each case. Since the unobservable inputs have a material influence on the measurement of the derivatives, the respective amount resulting from initial measurement was not carried on initial recognition. Instead,

these amounts are amortized in profit or loss on a straight-line basis over the period of commercial energy generation (for a total amount of EUR 10 million per year when translated into euros). This amortization adjusts the effects from measuring the derivatives in each accounting period using the respective valuation models and updated parameters. All amounts from the measurement of the derivatives are presented in net terms per contract in the statement of financial position (derivative financial assets/liabilities) and in the income statement (other operating income/expenses). The difference yet to be amortized in the income statement developed as follows during the reporting period:

**Energy forward agreements: development of the not-yet-amortized measurement amounts on initial recognition**

millions of €

|                                                                                          |            |
|------------------------------------------------------------------------------------------|------------|
| <b>Measurement amount on initial recognition (carrying amount as of January 1, 2018)</b> | <b>112</b> |
| Measurement amount on initial recognition (additions during the reporting period)        | 28         |
| Measurement amounts amortized in profit or loss in prior periods                         | -          |
| Measurement amounts amortized in profit or loss in the current reporting period          | (3)        |
| Currency translation adjustments                                                         | -          |
| <b>MEASUREMENT AMOUNTS NOT AMORTIZED AS OF SEPTEMBER 30, 2018</b>                        | <b>137</b> |

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

The financial liabilities measured at fair value through profit or loss and assigned to Level 3 include derivative financial liabilities with a carrying amount of EUR 10 million resulting from an option granted to third parties in the prior-year period for the purchase of shares in an associate of Deutsche Telekom. The option was granted in connection with a sale of shares in this associate, and no notable fluctuations in value are expected. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments.

**Disclosures on credit risk**

In line with the contractual provisions, in the event of insolvency all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. The net amounts are normally recalculated every bank working day and offset against each other. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 411 million (December 31, 2017: EUR 569 million). The credit risk was thus reduced by EUR 389 million (December 31, 2017: EUR 566 million) because, on the reporting date, the collateral received was offset by corresponding net derivative positions in the same amount. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 750 million as of the reporting date (December 31, 2017: EUR 966 million) had a maximum credit risk of EUR 13 million as of September 30, 2018 (December 31, 2017: EUR 28 million). There is no default risk on embedded derivatives held. For information on the amount not yet amortized from initial measurement of the energy forward agreement, please refer to the explanation above. 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 686 million (December 31, 2017: EUR 504 million) to counterparties pursuant to collateral contracts. 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 574 million at the reporting date (December 31, 2017: EUR 889 million), 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

With the exception of the matters described in the following, there were no significant changes as of September 30, 2018 to the related-party disclosures reported in the consolidated financial statements as of December 31, 2017.

**Joint ventures.** In March 2018, the shareholders of the equity-accounted joint venture Toll Collect GmbH resolved to distribute a dividend, Deutsche Telekom's share of which is EUR 0.1 billion. On May 16, 2018, Daimler Financial Services AG, Deutsche Telekom AG, and the Federal Republic of Germany reached an agreement to end the Toll Collect arbitration proceedings. As it had announced in advance, the Federal Republic of Germany exercised its option to purchase 100 percent of the shares in the operating company, Toll Collect GmbH, when the operating agreement expired on August 31, 2018. Even after the acquisition of Toll Collect GmbH by the Federal Republic of Germany, the consortium Toll Collect GbR – comprising Deutsche Telekom AG, Daimler Financial Services AG and Compagnie Financière et Industrielle des Autoroutes S.A. (Cofiroute) – continues to exist with an unchanged ownership structure. For more information, please refer to the section “Changes in the composition of the Group, transactions with owners, and other transactions,” page 43 et seq.

**Deutsche Telekom Trust e.V.** On March 23, 2018, the 12 percent stake in BT, which was worth EUR 3.1 billion at the time, was transferred to the Group's own trust, Deutsche Telekom Trust e.V., where it will serve as plan assets to cover pension entitlements.

## EXECUTIVE BODIES

### Changes in the composition of the Board of Management

At its meeting on February 21, 2018, the Supervisory Board of Deutsche Telekom AG resolved to extend Timotheus Höttges' contract as Chairman of our Board of Management by five years. Timotheus Höttges will be reappointed as Chairman of the Board of Management effective January 1, 2019. Also at its meeting on February 21, 2018, the Supervisory Board of Deutsche Telekom AG resolved to appoint Dr. Christian P. Illek as Chief Financial Officer (CFO) effective January 1, 2019. The current CFO, Thomas Dannenfeldt, will leave Deutsche Telekom AG for personal reasons when his contract expires at the end of 2018.

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

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

### Changes in the composition of the Supervisory Board

**Shareholder representatives.** Dr. Ulrich Schröder resigned from his position as a member of the Supervisory Board of Deutsche Telekom AG effective February 6, 2018. Dr. Günther Bräunig was initially court-appointed to the Supervisory Board of Deutsche Telekom AG effective March 21, 2018 and subsequently elected to this position by resolution of the shareholders' meeting on May 17, 2018.

Sari Baldauf's term of office expired at the end of the shareholders' meeting of May 17, 2018. Harald Krüger was elected to the Supervisory Board of Deutsche Telekom AG by the shareholders' meeting of May 17, 2018.

Prof. Ulrich Lehner was elected for a further term of office on the Supervisory Board of Deutsche Telekom AG by the shareholders' meeting of May 17, 2018. The members of the Supervisory Board once again elected Prof. Lehner to the position of Chairman.

Johannes Geismann resigned from his position on the Supervisory Board of Deutsche Telekom AG as of the end of the shareholders' meeting of May 17, 2018. Dr. Rolf Bösing was court-appointed to the Supervisory Board of Deutsche Telekom AG effective June 1, 2018.

**Employee representatives.** Hans-Jürgen Kallmeier resigned from his position as a member of the Supervisory Board of Deutsche Telekom AG effective midnight, December 31, 2017. Odysseus Chatzidis was court-appointed to the Supervisory Board of Deutsche Telekom AG effective January 3, 2018.

Monika Brandl resigned from her position on the Supervisory Board of Deutsche Telekom AG effective July 1, 2018. Nicole Seelemann-Wandtke was court-appointed to the Supervisory Board of Deutsche Telekom AG effective July 5, 2018.

## EVENTS AFTER THE REPORTING PERIOD (SEPTEMBER 30, 2018)

**T-Mobile US concludes interest rate lock transactions.** In October 2018, T-Mobile US entered into several interest rate lock transactions (forward payer swaps) with multiple banks with an aggregate notional amount of USD 9.6 billion. These agreements are to hedge the interest rate levels for future long-term bond issuances.

## 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, and the interim Group management report includes a fair review of the development and per-

formance 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, November 8, 2018

Deutsche Telekom AG  
Board of Management

Timotheus Höttges

Adel Al-Saleh

Thomas Dannenfeldt

Srini Gopalan

Dr. Christian P. Illek

Dr. Thomas Kremer

Claudia Nemat

Dr. Dirk Wössner

## REVIEW REPORT

### To Deutsche Telekom AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to September 30, 2018, which are part of the quarterly financial report pursuant to § 115 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to the interim financial reporting as adopted by the EU and to the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim Group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Review Engagements, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU and that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

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

Frankfurt/Main, November 8, 2018

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

|                   |                   |
|-------------------|-------------------|
| Dr. Peter Bartels | Thomas Tandetzki  |
| Wirtschaftsprüfer | Wirtschaftsprüfer |