DEUTSCHE TELEKOM

INTERIM GROUP REPORT
JANUARY 1 TO MARCH 31, 2019

LIFE IS FOR SHARING.

SELECTED FINANCIAL DATA OF THE GROUP

millions of €

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

millions

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

[a] Excluding wholesale.

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

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

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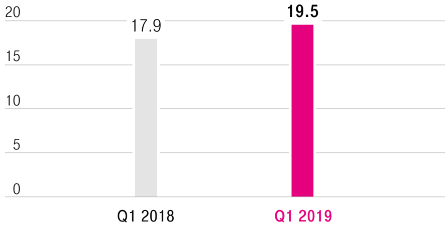
TO OUR SHAREHOLDERS

DEUTSCHE TELEKOM AT A GLANCE

NET REVENUE

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

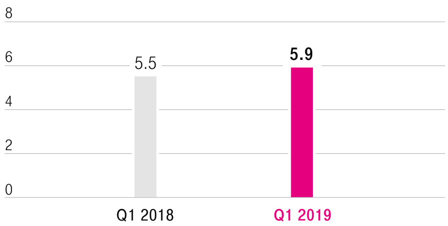
Net revenue
billions of €



ADJUSTED EBITDA AL[a]

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

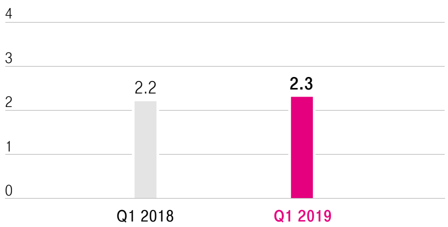
Adjusted EBITDA AL[a]
billions of €



EBIT

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

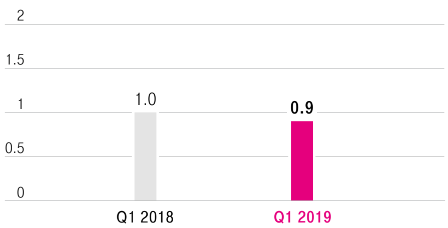
EBIT
billions of €

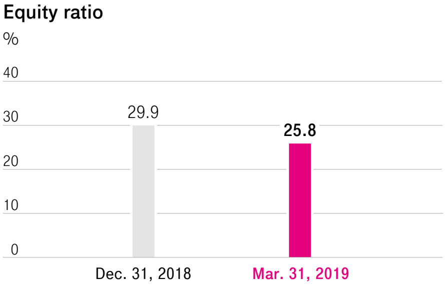


NET PROFIT

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

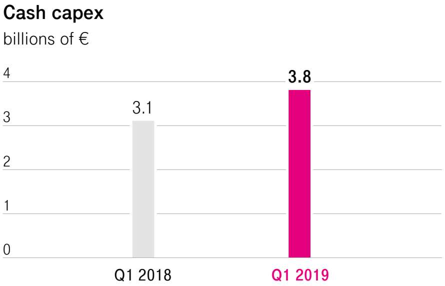
Net profit
billions of €





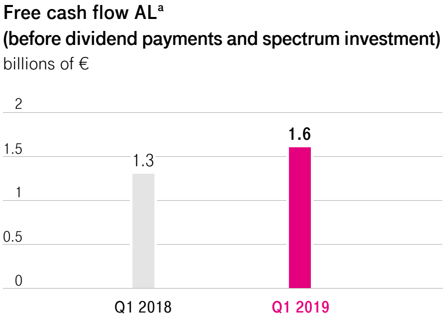
EQUITY RATIO

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



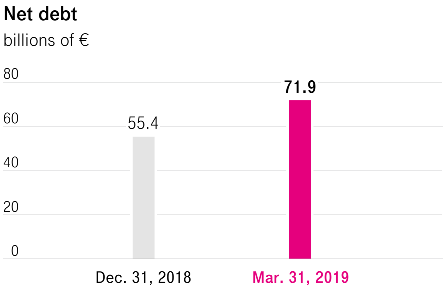
CASH CAPEX

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



FREE CASH FLOW AL[a] (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)

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



NET DEBT

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

[a] The new IFRS 16 "Leases" accounting standard has been applied since January 1, 2019. This led to a change in the definition of some of our financial performance indicators. Prior-year figures have not been adjusted; however, for the redefined key performance indicators we show prior-year comparatives calculated on a pro-forma basis.

For a more detailed explanation, please refer to the section "Development of business in the Group," page 11 et seq.

HIGHLIGHTS IN THE FIRST QUARTER OF 2019

BOARD OF MANAGEMENT

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

CORPORATE TRANSACTIONS

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

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

INVESTMENTS IN NETWORKS

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

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

Nearshore rollout: first tranche successfully completed. VDSL2 vectoring technology with speeds of up to 250 Mbit/s has been rolled out in the vicinity of 3,152 local exchanges (nearshore areas) in 2,855 local networks. Around 1.7 million households now have access to faster internet connections. By 2020, all 7,516 of Germany's nearshore areas will have been upgraded. We plan to lay around 6,000 kilometers of optical fiber in 7,122 nearshore areas and install more than 30,000 new multi-service access nodes (MSANs). Some six million households, equivalent to around 14 percent of our broadband coverage, will benefit from the build-out.

INNOVATIONS AND PARTNERSHIPS

Holistic approach to climate protection – scaled-down SIM card creates less plastic waste. Taking responsibility for a climate-friendly society is a central field of activity in our CR strategy. We are significantly reducing the amount of plastic used for selling our SIM cards and making a major contribution to waste prevention. By cutting the size of the SIM punch card in half, they will no longer be sold in the standard credit card-style format. This step reduces the amount of plastic waste generated in Germany by 17.5 tons. We are the first telecommunications company in Germany to go down this route and avoid using plastic to the largest possible extent. By 2021, we will also procure all of the electricity the Group needs from renewable sources and reduce other emissions from gas, oil, and other sources of energy. These measures are expected to lower our CO_2 emissions by 90 percent versus 2017 by the year 2030.

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

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

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

CORPORATE CUSTOMER DEALS

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

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

AWARDS

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

Major awards in the first quarter of 2019

JANUARY – MARCH

- **Brand Finance Global 500:** Deutsche Telekom is the most valuable telecommunications brand in Europe with the highest brand value in the Company's history
- **Top 50 Most Valuable German Brands:** Deutsche Telekom rated the second most valuable brand in Germany by the BrandZ study
- **Top Supplier Retail 2019:** The EHI Retail Institute honors T-Systems with an award for its work as a digital partner for innovative concepts in retail
- **Sustainability report ranking:** Award for best transparency from the Institute for Ecological Economy Research (IÖW)
- **Quality-assured customer satisfaction:** Certification organization TÜV stamps its seal of quality on our customer service
- **World's most ethical companies 2019:** The Ethisphere Institute ranks us as one of the most ethical companies worldwide and we are the sole winner in Germany
- **European Council Award:** Our legal department wins in the category Competition Team of the Year
- **AV-Test 2019:** Our smart home platform Qivicon receives top marks for "Very good protection" for the fifth time in a row (03/2019)
- **Mobile provider hotline test:** Rated "very good" and overall test winner by connect trade magazine (05/2019)

INTERIM GROUP MANAGEMENT REPORT

GROUP ORGANIZATION, STRATEGY, AND MANAGEMENT

With regard to our Group organization, strategy, and management, please refer to the explanations in the 2018 combined management report (2018 Annual Report, page 31 et seq.). From the Group's perspective, the following changes and/or additions were made to the Group organization and the performance management system:

On December 15, 2017, Deutsche Telekom signed an agreement with the Tele2 Group on the acquisition of 100 percent of the shares in the telecommunications provider Tele2 Netherlands Holding N.V. by T-Mobile Netherlands Holding B.V. Tele2 Group received a consideration in the form of a 25 percent stake in T-Mobile Netherlands, along with a provisional cash payment (taking purchase price adjustments into account) of EUR 234 million. After the European Commission issued its approval without conditions on November 27, 2018, the transaction was consummated on January 2, 2019. Tele2 Netherlands has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since the acquisition date. This transaction will establish a stronger, more sustainable provider of convergent fixed-network and mobile services on the Dutch market.

The consummation of our Business Combination Agreement to merge with Sprint is subject to approvals by the regulatory and anti-trust authorities and certain other customary closing conditions. We expect to receive federal regulatory approval in the first half of 2019. On June 18, 2018, we filed the Public Interest Statement and applications for approval of our merger with Sprint with the Federal Communications Commission (FCC). The FCC issued a Public Notice formally accepting our applications and establishing a period for public comment. The transaction remains subject to FCC review. The FCC's informal transaction review clock, which has stopped and started several times as T-Mobile US and Sprint have filed additional information, is currently set to expire on June 3, 2019.

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

The mandatory first-time application of the new IFRS 16 "Leases" accounting standard as of January 1, 2019 has a material impact on Deutsche Telekom's consolidated financial statements. The new standard requires payment obligations from existing operating leases to be discounted and recognized as lease liabilities; as financial liabilities, they increase net debt. At the same time, the lessee recognizes a right-of-use asset. Operating expenses previously recognized in connection with operating leases will in future be recognized in depreciation charges on right-of-use assets and in interest expenses for discounted obligations from operating leases, as appropriate. This will significantly increase EBITDA without any attendant change in the economic circumstances. In the statement of cash flows, the principal 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. The interest portion of the payments will remain in net cash from operating activities and thus also in free cash flow.

Since expenses and cash outflows for leases are substantial elements of our earnings performance and solvency, effective the start of the 2019 financial year we have taken into account the effects of the mandatory first-time application of the IFRS 16 accounting standard when determining our financial performance indicators. We also want to ensure maximum comparability with our previous performance indicators. Our operational performance is now measured on the basis of "EBITDA after leases" (EBITDA AL) (previously EBITDA). EBITDA AL is calculated by adjusting EBITDA for depreciation of the right-of-use assets and for interest expenses on recognized lease liabilities. The "free cash flow" financial performance indicator has been replaced by "free cash flow after leases" (free cash flow AL). Free cash flow AL is determined by adjusting free cash flow for repayments of lease liabilities. To improve comparability of our performance indicators with the EBITDA and free cash flow indicators reported in the financial statements of T Mobile US in accordance with U.S. GAAP, which continues to differentiate between operating and finance leases, expenses and repayments for finance leases at T-Mobile US will not be taken into account when determining EBITDA AL and free cash flow AL. For more information on the new IFRS 16 accounting standard, please refer to the section "Accounting policies" to the interim consolidated financial statements, page 35 et seq.

A reconciliation of the definitions of the former financial performance indicators with the new "after leases" indicators can be found in the following table.

millions of €

	Q1 2019
EBITDA	6,461
Depreciation of right-of-use assets [a]	(763)
Interest expenses on recognized lease liabilities [a]	(198)
EBITDA AL	**5,500**
Free cash flow	2,370
Repayment of lease liabilities [a]	(813)
FREE CASH FLOW AL	**1,557**

[a] Excluding finance leases at T-Mobile US.

The published prior-year figures have not been adjusted retroactively following the first-time application of IFRS 16. To enable comparability with the new performance indicators, pro-forma comparatives were determined for the prior year. These were reached using approximate calculations of the key effects of IFRS 16 for the prior year, before applying the calculation shown in the table for the current year. Changes to the organizational structure within the Group were also taken into consideration.

THE ECONOMIC ENVIRONMENT

This section provides additional information on, and explains recent changes to, the economic situation as described in the combined management report for the 2018 financial year, focusing on macroeconomic developments in the first three months of 2019, the outlook, the currently prevailing economic risks, and the regulatory environment. The overall economic outlook presupposes there are no major unexpected occurrences in the forecast period.

MACROECONOMIC DEVELOPMENT

In the first three months of 2019, leading institutions and banks revised their growth outlooks downwards. The International Monetary Fund (IMF) lowered its growth forecast for global GDP in 2019 from 3.5 percent to 3.3 percent. Global growth is expected to return to 3.6 percent in 2020 on the back of the pickup anticipated for the second half of 2019. For the German economy, the IMF projects growth in the current year of 0.8 percent. Despite the sharp decline in industrial activity in Germany, domestic consumption and the service sector remain robust. The national economies in our core markets in Europe (excluding Germany) and North America continue to expand.

OUTLOOK

Under the current conditions, we expect to see weaker but still stable economic trends in the economies of our core markets. However, the outlook is negatively affected by the economic slowdown in Europe and China and decelerated growth in global trade, with expansion in 2019 and 2020 now expected to be weaker than previously projected.

OVERALL ECONOMIC RISKS

The economic risks have increased. Trade conflicts, political uncertainty – including with respect to Brexit – and further declines in industrial activity could curb a sustained expansion. Furthermore, geopolitical crises could also have a negative impact on the economies of the countries in which we operate.

REGULATION

Increase of rates for unbundled local loop lines (ULL). According to a draft consultation published by the Federal Network Agency on April 10, 2019, the Agency is planning to increase the regulated rates received by Telekom Deutschland for leasing the “last mile” of its network with effect from July 1, 2019. Specifically, the rate for leasing the line from the customer to the cable distribution box is to increase from EUR 6.77/month to EUR 7.05/month and the charge for the longer section from the customer to the main distribution frame is to increase from EUR 10.02/month to EUR 11.19/month. Although these rates remain below the level we sought in our application, the Agency has at least recognized that the costs of building out the last mile of the network have risen in the three years since the rates were last set. The draft ruling will be subject to consultation at national and European level. Provided the European Commission expresses no serious doubts, the new rates may take effect as of July 1, 2019.

Spectrum auction in Germany. The Federal Network Agency commenced the auction of nationwide frequencies for Germany in the 2.1 GHz and 3.4 to 3.7 GHz bands on March 19, 2019. Telekom Deutschland GmbH was admitted to the auction proceedings along with three other companies: Drillisch Netz AG, Telefónica Germany GmbH & Co. OHG, and Vodafone GmbH. The three existing network operators and six service providers have brought legal action in connection with the auction terms and conditions; however, this has no effect on the auction timing. As such, the auction began as planned on March 19, 2019. Additionally, the Federal Network Agency published basic terms and conditions for the award of spectrum in the 3.7 to 3.8 GHz band, which is reserved for local assignments. The award of this spectrum is to be prepared and implemented after the auction ends and the award rules have been finalized. Latest information on the spectrum auction is being published on the Federal Network Agency’s homepage.

Spectrum auction in Austria. The auction in Austria of key spectrum in the 3.6 GHz range (3.4 to 3.8 GHz) required for the rollout of 5G was held between February 12 and March 8, 2019. The nationwide network operators A1, T-Mobile Austria, and Hutchison, as well as other regional operators, were admitted to the proceedings as participants. Deutsche Telekom’s subsidiary T-Mobile Austria secured continuous nationwide spectrum of 110 MHz (in the 3,690 to 3,800 MHz band), while Hutchison obtained only 100 MHz and A1 received varying regional spectrum packages due to the success of four regional providers.

Spectrum auctions in the United States. The Federal Communications Commission (FCC) held a 28 GHz auction from November 2018 through January 2019. This was the first time that 5G spectrum in such a high-frequency band (known as millimeter wave (mmWave) had been auctioned in the United States. On March 14, 2019, a second mmWave auction began in which a total of 1.55 GHz of spectrum in the 24 GHz band was being made available. T-Mobile US is participating in this auction and the out-come will be announced after proceedings come to an end. A third auction is due to start on December 10, 2019 for spectrum in the 37 GHz, 39 GHz, and 47 GHz bands. The FCC will announce the details in due course.

AWARDING OF SPECTRUM

The following table provides an overview of the main spectrum awards such as auctions as well as license extensions in Germany and at our international subsidiaries. It also indicates spectrum to be awarded in the near future in various countries.

Main spectrum awards

	Expected start of award procedure	Expected end of award procedure	Frequency ranges (MHz)	Award process	Spectrum acquired (MHz)	Spectrum investment
Germany	Started	Q2 2019	2,100 / 3,400 – 3,700	Auction (SMRA [a]), since Mar. 19, 2019	tbd	tbd
Greece	Q3 2019	Q4 2019	700 / 1,500 / 3,400 – 3,800	Auction (SMRA [a]), expected	tbd	tbd
Greece	Q1 2020	Q2 2020	700 / 1,500	Auction (SMRA [a]), expected	tbd	tbd
Croatia		Completed	2,100 / 2,600	Assignment on application	2x 20 MHz in the 2,600 MHz band	Annual fees, no one-time charge
Croatia	Q2 2019	Q3 2019	3,400 – 3,800	tbd	tbd	tbd
Netherlands	Q1 2020	Q2 2020	700 / 1,500 / 2,100	Auction, details tbd	tbd	tbd
North Macedonia	Q2 2019	Q3 2019	2,100	tbd	2x 15 MHz	tbd
North Macedonia		Completed	1,800	Extension of licenses	2x 10 MHz	No extension fees
North Macedonia	Q2 2019	Q3 2019	700 / 3,400 – 3,800	Auction, details tbd	tbd	tbd
Austria		Completed	3,400 – 3,800	Regional auction (CCA [b])	1x 110 MHz	€ 57 million
Austria	Q1 2020	Q2 2020	700 / 1,500 / 2,100	Auction (CCA [b]), expected	tbd	tbd
Poland	Q4 2019	Q1 2020	3,600 – 3,800	tbd	tbd	tbd
Poland	Q3 2021	Q4 2022	700 / 3,600 – 3,800	tbd	tbd	tbd
Romania	Q4 2019	Q4 2019	700 / 800 / 1,500 / 2,600 / 3,400 – 3,600	Auction, details tbd	tbd	tbd
Slovakia	Q3 2019	Q4 2019	700 / 1,800	Auction (SMRA [a]), expected	tbd	tbd
Czech Republic	Q3 2019	Q4 2019	700 / 3,400 – 3,600	Auction, details tbd	tbd	tbd
Hungary	Q3 2019	Q3 2019	700 / 2,100 / 2,600 / 3,400 – 3,800	Auction, details tbd	tbd	tbd
United States		Completed	28,000	Auction (SMRA [a])	Still open [c]	Still open [c]
United States	Started	Q2 2019	24,000	Auction (CCA [b]), since Mar. 14, 2019	tbd	tbd
United States	Q4 2019	Q1 2020	37,000 / 39,000 / 47,000	Auction (CCA [b])	tbd	tbd

[a] Simultaneous electronic multi-round auction with ascending, parallel bids for all available frequency ranges.

[b] Combinatorial clock auction, three-stage, multi-round auction for spectrum from all available frequency ranges.

[c] Auction completed. Outcome to be announced once the subsequent 24 GHz auction is concluded.

DEVELOPMENT OF BUSINESS IN THE GROUP

The new IFRS 16 "Leases" accounting standard has been applied since January 1, 2019. The presentation of the **financial position of the Group** and the **results of operations of the Group** are materially influenced by the application of this standard. Since the start of the 2019 financial year, we have taken the effects of the mandatory first-time application into account when determining our financial performance indicators. For further information on the first-time application of the accounting standard, please refer to the section "Group organization, strategy, and management," page 8, and in the interim consolidated financial statements in the section "Accounting policies," page 35 et seq.

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

In the first quarter of 2019, we generated net revenue of EUR 19.5 billion, which was up EUR 1.6 billion or 8.7 percent year-on-year. Even adjusted for positive net exchange rate effects of EUR 0.7 billion – mainly from the translation of U.S. dollars into euros – as well as positive effects of changes in the composition of the Group in the amount of EUR 0.2 billion resulting from the acquisitions of UPC Austria and Tele2 Netherlands, revenue increased by EUR 0.7 billion or 3.5 percent.

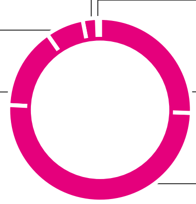
Our United States operating segment in particular contributed to the positive revenue trend with an increase of 15.9 percent – or, adjusted for exchange rate effects, of a substantial 7.0 percent. This increase was due primarily to higher service revenues from the rise in the average branded customer base, triggered in particular by the continued growth in existing and greenfield markets, the growing success in new customer segments, along with low customer churn. Revenue in our home market of Germany was up slightly on the prior-year level, due in particular to the strong performance in mobile business and higher IT and broadband revenues from fixed-network business. In our Europe operating segment, revenue was up by 2.8 percent year-on-year; adjusted for exchange rate effects and without the inclusion of UPC Austria, it increased marginally by 0.4 percent. Higher revenue from business customers had a positive effect, and even fixed-network revenues in the core business were slightly higher than in the prior-year period. In the Systems Solutions operating segment, revenue came in below the figure for the prior-year period. While revenues in our growth areas developed positively, revenues in the traditional IT and telecommunications businesses declined as expected. Revenue in our Group Development operating segment increased significantly year-on-year, mainly due to the revenue contributions from Tele2 Netherlands taken into account since the beginning of 2019.

For detailed information on revenue development in our segments, please refer to the section "Development of business in the operating segments," page 16 et seq.

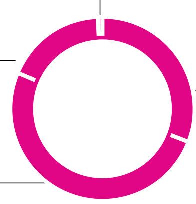
Contribution of the segments to net revenue
millions of €

	Q1 2019	Q1 2018	Change	Change %	FY 2018
NET REVENUE	**19,488**	**17,924**	**1,564**	**8.7**	**75,656**
Germany	5,357	5,325	32	0.6	21,700
United States	9,796	8,455	1,341	15.9	36,522
Europe	2,891	2,811	80	2.8	11,885
Systems Solutions	1,630	1,665	(35)	(2.1)	6,936
Group Development	682	528	154	29.2	2,185
Group Headquarters & Group Services	651	651	0	0.0	2,735
Intersegment revenue	(1,520)	(1,511)	(9)	(0.6)	(6,307)

Contribution of the segments to net revenue[a]
%



Breakdown of revenue by region
%



[a] For more information on net revenue, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 44 and 45.

At 50.3 percent, our United States operating segment again provided the largest contribution to net revenue of the Group and was up 3.1 percentage points above the level in the prior-year period. The proportion of net revenue generated internationally increased from 66.6 percent to 69.0 percent.

EBITDA AL, ADJUSTED EBITDA AL

Excluding special factors, adjusted EBITDA AL increased year-on-year by EUR 0.5 billion or 8.3 percent to EUR 5.9 billion in the first quarter of 2019; this increase was attributable to positive net exchange rate effects of EUR 0.2 billion and slightly positive effects of changes in the composition of the Group. Excluding these effects, adjusted EBITDA AL increased by EUR 0.2 billion or 3.9 percent. All operating segments made a positive contribution to this development: Adjusted EBITDA AL of our United States operating segment had a noticeably positive effect on the back of the higher revenue. Our Germany operating segment contributed to this result thanks to slightly higher revenues and the successful implementation of further efficiency and digitalization measures with a 2.4 percent increase in adjusted EBITDA AL. Adjusted EBITDA AL in our Europe operating segment increased by 5.2 percent; even excluding UPC Austria and assuming constant exchange rates, an increase of 1.5 percent was recorded. Successfully implemented efficiency enhancement measures are taking effect in our Systems Solutions operating segment in the form of significantly higher adjusted EBITDA AL. The increase in adjusted EBITDA AL in our Group Development operating segment was driven by revenue growth as well as by the earnings contributions from Tele2 Netherlands, acquired in early 2019.

EBITDA AL increased by EUR 0.3 billion or 5.6 percent year-on-year to EUR 5.5 billion, with special factors decreasing from EUR -0.3 billion to EUR -0.4 billion. At EUR 0.3 billion, expenses incurred in connection with staff-related measures and non-staff-related restructuring expenses were more or less level with the prior-year figure. In addition, expenses incurred in connection with the agreement on the business combination of T-Mobile US and Sprint were recorded as special factors.

For detailed information on the development of EBITDA AL/adjusted EBITDA AL in our segments, please refer to the section “Development of business in the operating segments,” page 16 et seq.

Contribution of the segments to adjusted Group EBITDA AL
millions of €

	Q1 2019	Q1 2018	Change	Change %	FY 2018
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP [a]	**5,940**	**5,487**	**453**	**8.3**	**23,074**
Germany	2,108	2,058	50	2.4	8,516
United States	2,679	2,331	348	14.9	10,084
Europe	945	898	47	5.2	3,813
Systems Solutions	92	60	32	53.3	442
Group Development	255	225	30	13.3	892
Group Headquarters & Group Services	(137)	(92)	(45)	(48.9)	(601)
Reconciliation	(2)	7	(9)	n.a.	(72)

[a] Prior-year comparatives were calculated on a pro-forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

EBIT

Group EBIT stood at EUR 2.3 billion, up EUR 0.1 billion or 4.0 percent against the prior-year period. This increase is partly due to the effects described under EBITDA AL. At EUR 4.2 billion, depreciation, amortization and impairment losses were EUR 1.1 billion higher than in the prior-year period, due in particular to the depreciation charge for right-of-use assets required to be recognized for the first time in accordance with IFRS 16. In the prior-year period, expenses had been recognized in EBITDA in connection with operating leases. Depreciation of property, plant and equipment and amortization of intangible assets were EUR 0.2 billion higher than in the prior year, mainly due to the consistently high investment volume in past years.

PROFIT BEFORE INCOME TAXES

At EUR 1.9 billion, profit before income taxes was EUR 0.1 billion higher than in the first quarter of 2018. Loss from financial activities remained at the prior-year level of EUR 0.4 billion. While the finance cost increased by EUR 0.2 billion to EUR 0.6 billion, due in particular to increased lease liabilities since the application of IFRS 16, other financial income/expense increased by EUR 0.2 billion, mainly due to positive measurement effects from embedded derivatives at T-Mobile US. In the prior-year period, these had a negative effect of EUR 0.1 billion on other financial income/expense.

NET PROFIT, ADJUSTED NET PROFIT

Net profit decreased year-on-year by EUR 0.1 billion to EUR 0.9 billion. Tax expense in the first quarter of 2019 was flat on the prior-year period at EUR 0.5 billion. For further information, please refer to the interim consolidated financial statements, page 43. Profit attributable to non-controlling interests increased from EUR 0.3 billion to EUR 0.4 billion, mainly in our United States operating segment. Excluding special factors, which had an effect of EUR 0.3 billion on net profit, adjusted net profit in the first quarter of 2019 amounted to EUR 1.2 billion.

millions of €

	Q1 2019	Q1 2018	Change	Change %	FY 2018
NET PROFIT (LOSS)	**900**	**992**	**(92)**	**(9.3)**	**2,166**
Special factors affecting EBITDA	(440)	(280)	(160)	(57.1)	(1,497)
Staff-related measures	(290)	(270)	(20)	(7.4)	(1,159)
Non-staff-related restructuring	(19)	(21)	2	9.5	(109)
Effects of deconsolidation, disposals, and acquisitions	(111)	28	(139)	n.a.	(223)
Other	(20)	(17)	(3)	(17.6)	(6)
Special factors affecting net profit	158	82	76	92.7	(882)
Impairment losses	0	0	0	0.0.	(707)
Profit (loss) from financial activities	0	2	(2)	n.a.	(757)
Income taxes	122	90	32	35.6	401
Non-controlling interests	36	(10)	46	n.a.	181
TOTAL SPECIAL FACTORS	**(282)**	**(198)**	**(84)**	**(42.4)**	**(2,379)**
ADJUSTED NET PROFIT (LOSS)	**1,183**	**1,190**	**(7)**	**(0.6)**	**4,545**

ADJUSTED EARNINGS PER SHARE

From the 2019 financial year onward, the dividend amount is to reflect the relative growth of adjusted earnings per share. Adjusted earnings per share is calculated as the profit attributable to the owners of the parent adjusted for special factors divided by the adjusted weighted average number of ordinary shares outstanding which totaled 4,742 million as of March 31, 2019. With adjusted net profit attributable to the owners of the parent in the amount of EUR 1.2 billion, this gives adjusted earnings per share of EUR 0.25. Adjusted earnings per share in the first quarter of 2018 likewise amounted to EUR 0.25.

EMPLOYEES

Headcount development

	Mar. 31, 2019	Dec. 31, 2018	Change %
NUMBER OF FTEs IN THE GROUP	**214,609**	**215,675**	**(0.5)**
Of which: civil servants (in Germany, with an active service relationship)	13,135	13,507	(2.8)
Germany	62,358	62,621	(0.4)
United States	45,786	46,871	(2.3)
Europe	47,191	48,133	(2.0)
Systems Solutions	38,036	37,467	1.5
Group Development	2,795	1,976	41.4
Group Headquarters & Group Services	18,442	18,606	(0.9)

The Group's headcount decreased by 0.5 percent compared with the end of 2018. In our Germany operating segment, the total number of employees had decreased by 0.4 percent at the end of the first quarter of 2019 as a result of efficiency enhancement measures and the take-up of socially responsible instruments in connection with the staff restructuring. The total number of employees in our United States operating segment decreased by 2.3 percent at March 31, 2019 compared with December 31, 2018, primarily due to seasonal effects. In our Europe operating segment, the headcount was down 2.0 percent compared with the end of the prior year. Our national companies in Hungary and Romania in particular contributed to this development. The number of employees in our Systems Solutions operating segment increased by 1.5 percent compared with the end of 2018, mainly due to the first-time inclusion and expansion of a service unit in India. The remaining headcount in this segment decreased by 1.2 percent on account of restructuring measures. In our Group Development operating segment, the number of employees rose by 41.4 percent compared with the end of 2018. The substantial increase is attributable to the inclusion of Tele2 Netherlands in the Netherlands. The headcount in the Group Headquarters & Group Services segment was down 0.9 percent compared with the end of 2018, mainly due to the ongoing staff restructuring at Vivento and the lower headcount in the Technology and Innovation unit.

FINANCIAL POSITION OF THE GROUP

Condensed consolidated statement of financial position
millions of €

	Mar. 31, 2019	%	Dec. 31, 2018	%	Mar. 31, 2018
ASSETS					
Trade and other receivables	9,990	6.0	9,988	6.9	9,121
Intangible assets	66,387	40.1	64,950	44.7	61,957
Property, plant and equipment	48,766	29.5	50,631	34.8	46,576
Right-of-use assets	16,828	10.2	n.a.	n.a.	n.a.
Other assets	23,501	14.2	19,806	13.6	20,371
TOTAL ASSETS	**165,472**	**100.0**	**145,375**	**100.0**	**138,025**
LIABILITIES					
Current financial liabilities	14,958	9.0	10,527	7.2	8,905
Trade and other payables	10,241	6.2	10,735	7.4	9,132
Current and non-current lease liabilities	18,728	11.3	n.a.	n.a.	n.a.
Non-current financial liabilities	50,988	30.8	51,748	35.6	48,799
Provisions for pensions and other employee benefits	5,750	3.5	5,502	3.8	5,264
Deferred tax liabilities	8,996	5.4	8,240	5.7	7,078
Other liabilities	13,049	7.9	15,186	10.4	15,156
Shareholders' equity	42,762	25.8	43,437	29.9	43,691
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**165,472**	**100.0**	**145,375**	**100.0**	**138,025**

Total assets amounted to EUR 165.5 billion as of March 31, 2019, up by EUR 20.1 billion against December 31, 2018. The recognition of right-of-use assets and current and non-current lease liabilities resulting from the mandatory first-time application of the IFRS 16 "Leases" accounting standard had a significant impact.

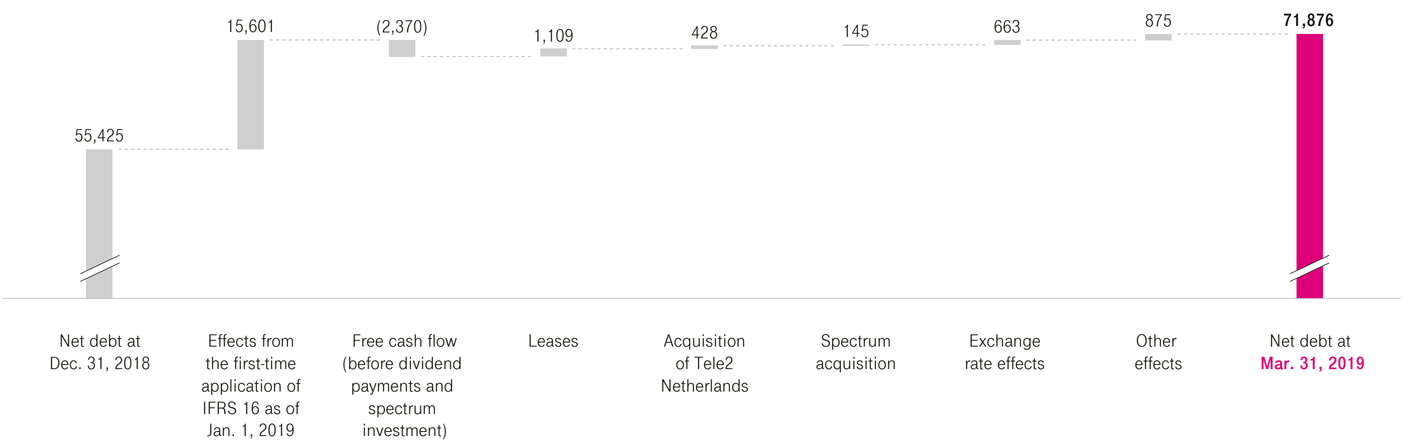
The total carrying amounts of **intangible assets** and **property, plant and equipment** were EUR 0.4 billion lower year-on-year. Capital expenditure totaling EUR 3.6 billion – especially to upgrade and build out the network in our United States operating segment and in connection with the broadband/fiber-optic build-out, the IP transformation, and mobile infrastructure in the Germany and Europe operating segments – increased total assets. Effects of changes in the composition of the Group totaling EUR 1.0 billion, mainly due to the acquisition of Tele2 Netherlands in the Group Development operating segment, and positive exchange rate effects totaling EUR 1.0 billion, particularly from the translation of U.S. dollars into euros, also increased the carrying amount. Depreciation of property, plant and equipment and amortization of intangible assets reduced the carrying amount by EUR 3.3 billion and disposals by EUR 0.1 billion. **Rights to use** the underlying leased assets were recognized in the amount of EUR 16.8 billion as of March 31, 2019; until December 31, 2018, these had been recorded in the amount of EUR 2.5 billion under property, plant and equipment as assets from finance leases. **Trade and other receivables** remained at the same level as at year-end 2018. Higher cash and cash equivalents in particular increased the carrying amount of **other assets**.

On the liabilities side, current and non-current **financial liabilities** increased by EUR 3.7 billion compared with the end of 2018. This increase is mainly due to the dividend of EUR 3.3 billion resolved by the shareholders' meeting on March 28, 2019 and paid out to the shareholders of Deutsche Telekom AG at the beginning of April 2019. In addition, Deutsche Telekom AG issued euro bonds with a total volume of EUR 1.8 billion and pound sterling bonds with a total volume of GBP 0.4 billion (EUR 0.5 billion) in the first quarter of 2019. Scheduled repayments of promissory notes in the amount of EUR 0.2 billion in the first quarter of 2019 had an offsetting effect. The net change of EUR 0.5 billion in commercial paper and net short-term borrowings of EUR 0.6 billion also reduced the carrying amount of the financial liabilities. The transition to IFRS 16 resulted in finance lease liabilities being reclassified from financial liabilities to lease liabilities. Based on the carrying amounts as of December 31, 2018, this reclassification reduced financial liabilities by EUR 2.5 billion. The current and non-current **lease liabilities** to be recognized since the first-time application of IFRS 16 amounted to EUR 18.7 billion as of March 31, 2019. **Trade and other payables** decreased by EUR 0.5 billion due to the reduction in the level of liabilities, mainly in the Europe and Germany operating segments. The level of liabilities in the United States operating segment increased. **Provisions for pensions and other employee** benefits increased by EUR 0.2 billion compared with December 31, 2018 due to interest rate adjustments. **Other liabilities** were reduced in particular by liabilities of EUR 2.2 billion from straight-line leases, mainly for cell sites, in the United States operating segment that were no longer required to be reported under IFRS 16.

Shareholders' equity decreased by EUR 0.7 billion as of December 31, 2018 to EUR 42.8 billion, due in particular to the resolved dividend of EUR 3.3 billion paid out by Deutsche Telekom AG. The subsequent measurement of equity instruments directly in equity and the remeasurement of defined benefit plans also reduced the carrying amount by EUR 0.2 billion in each case. By contrast, the profit of EUR 1.3 billion increased shareholders' equity. The transition to the IFRS 16 accounting standard likewise increased the carrying amount. The cumulative effect of this was an increase of EUR 0.3 billion in retained earnings (including shares attributable to non-controlling interests) recognized directly in equity as of January 1, 2019. Currency translation effects of EUR 0.5 billion recognized directly in equity and capital increases from share-based payments of EUR 0.1 billion increased shareholders' equity. The acquisition of Tele2 Netherlands in the Group Development operating segment resulted in effects of EUR 0.7 billion, increasing shareholders' equity.

For further information on the statement of financial position, please refer to the interim consolidated financial statements, page 40 et seq.

Changes in net debt
millions of €



Other effects of EUR 0.9 billion include, among other factors, effects from the measurement of financial instruments, financing options under which the payments for trade payables become due at a later point in time by involving banks in the process, and the recognition of liabilities for the acquisition of broadcasting rights. For more information on net debt, please refer to the disclosures on the reconciliation of alternative performance measures in the section "Additional information," pages 56 and 57.

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

	Q1 2019	Q1 2018	Change	Change %	FY 2018
CASH GENERATED FROM OPERATIONS	**6,609**	**4,805**	**1,804**	**37.5**	**19,663**
Interest received (paid)	(600)	(509)	(91)	(17.9)	(1,715)
NET CASH FROM OPERATING ACTIVITIES	**6,009**	**4,297**	**1,712**	**39.8**	**17,948**
Cash outflows for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment (CASH CAPEX)	(3,682)	(3,076)	(606)	(19.7)	(12,223)
Proceeds from the disposal of intangible assets (excluding goodwill) and property, plant and equipment	44	161	(117)	(72.7)	525
Free cash flow (before dividend payments and spectrum investment)	2,370	1,382	988	71.5	6,250
FREE CASH FLOW AL (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT) [a]	**1,557**	**1,318**	**239**	**18.1**	**6,051**

[a] Prior-year comparatives were calculated on a pro-forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

Free cash flow AL. Free cash flow AL in the Group before dividend payments and spectrum investment increased by EUR 0.2 billion year-on-year to EUR 1.6 billion.

Net cash from operating activities increased by EUR 1.7 billion year-on-year to EUR 6.0 billion. Due to the first-time application of the IFRS 16 accounting standard, the principal repayment portion of lease payments is presented in net cash used in/from financing activities. These payments totaling EUR 0.8 billion were taken into account in the calculation of free cash flow AL. In the first quarter of 2018, the cash outflows in connection with operating leases reduced net cash from operating activities. The strong performance of the United States operating segment significantly increased net cash from operating activities. Factoring agreements – especially in the Systems Solutions operating segment – resulted in positive effects of EUR 0.3 billion on net cash from operating activities in the reporting period. The effect from factoring agreements in the prior-year period also totaled EUR 0.3 billion. In addition, in the prior-year period dividends received in the amount of EUR 0.2 billion had had an increasing effect. Net cash from operating activities was also reduced by EUR 0.1 billion higher net interest payments.

Of the EUR 0.6 billion year-on-year increase in cash capex (before spectrum investment), EUR 0.5 billion is attributable to the United States operating segment, mainly due to the accelerated infrastructure build-out for the 600 MHz spectrum, laying the groundwork for 5G. Other capital expenditures were focused primarily on the Germany and Europe operating segments and went toward the build-out and upgrade of our networks.

For further information on the statement of cash flows, please refer to the interim consolidated financial statements, pages 43 and 44.

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS

For detailed information, please refer to the IR back-up at www.telekom.com/en/investor-relations.

GERMANY

For information on changes resulting from the first-time application of the IFRS 16 “Leases” accounting standard, please refer to the section “Group organization, strategy, and management,” page 8.

CUSTOMER DEVELOPMENT

thousands

	Mar. 31, 2019	Dec. 31, 2018	Change Mar. 31, 2019/ Dec. 31, 2018 %	Mar. 31, 2018	Change Mar. 31, 2019/ Mar. 31, 2018 %
Mobile customers	44,657	44,202	1.0	42,730	4.5
Contract customers	25,195	25,435	(0.9)	25,102	0.4
Prepay customers	19,462	18,767	3.7	17,628	10.4
Fixed-network lines	18,414	18,625	(1.1)	19,149	(3.8)
Of which: retail IP-based	16,065	15,356	4.6	12,843	25.1
Retail broadband lines	13,608	13,561	0.3	13,357	1.9
Of which: optical fiber	7,609	7,236	5.2	6,232	22.1
Television (IPTV, satellite)	3,419	3,353	2.0	3,193	7.1
Unbundled local loop lines (ULLs)	5,050	5,236	(3.6)	5,846	(13.6)
Wholesale broadband lines	6,975	6,722	3.8	5,993	16.4
Of which: optical fiber	5,285	4,970	6.3	4,135	27.8

Total

In Germany we continue to be market leader both in terms of fixed-network and mobile revenues. This success is attributable to our high-performance networks. We offer best customer experience with multi-award-winning network quality – in the fixed network as in mobile communications and service – and with a broad product portfolio. Thanks to the sustained popularity of our convergent MagentaEINS offering, our MagentaEINS customer base totaled 4.4 million at the end of the first quarter of 2019.

High demand for mobile rate plans with included data volumes resulted in an increase in the number of branded contract customers under the Telekom and congstar brands. Our initiatives in the automotive sector drove growth in the number of prepay customers.

We made further headway with our IP transformation program, and by the end of the first quarter of 2019 had migrated 22.9 million retail and wholesale lines to IP, bringing the total migration level to 90 percent of all lines.

We continued to see strong demand for our fiber-optic products. As of the end of the first quarter of 2019, the number of lines had increased to 12.9 million overall. In other words, we connected 688 thousand lines to our fiber-optic network in Germany in the first three months of 2019. With the progress made in fiber-optic rollout and vectoring technology, we also drove the marketing of higher bandwidths.

Mobile communications

We won a further 455 thousand mobile customers in the first quarter of 2019 compared with year-end 2018. Of these, a total of 132 thousand were contract customers under our Telekom and congstar brands. The number of mobile contract customers with resellers (service providers) decreased, primarily due to the volatile developments at some of our service providers. The number of prepay customers increased by 695 thousand.

Fixed network

Due to the persistently challenging development in the fixed-network market, primarily owing to aggressive pricing offers of competitors, we are pursuing new paths in marketing. Our focus is on convergent offerings and their further development – for instance, MagentaTV with exclusive access to a wide range of additional content – as well as TV lines and fiber-optic lines. As a result, since the start of the year the number of broadband lines has grown by 47 thousand and the number of TV customers by 66 thousand. In the traditional fixed network, the number of lines decreased by 211 thousand.

Our MagentaZuhause rate plans offer a comprehensive product portfolio for the fixed network based on IP technology and rate plan-specific bandwidths. MagentaZuhause Hybrid bundles fixed-network and mobile technology in a single router. To date, 490 thousand customers, primarily based in rural areas, have selected this innovative product.

Wholesale

At the end of the first quarter of 2019, fiber-optic lines accounted for 44.0 percent of all lines – 2.4 percentage points higher than at the end of 2018. This accelerated growth was driven largely by high demand for our contingent model. The number of unbundled local loop lines decreased by 186 thousand or 3.6 percent compared with the end of the prior year. This is due first to the move to higher-quality fiber-optic lines, and second to retail customers switching to cable operators. In addition, wholesale customers are migrating their retail customers to their own fiber-optic lines. In wholesale, the number of lines stood at 12 million at the end of the first quarter of 2019.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2019	Q1 2018	Change	Change %	FY 2018
TOTAL REVENUE		5,357	5,325	32	0.6	21,700
Consumers		2,833	2,813	20	0.7	11,543
Business Customers		1,510	1,491	19	1.3	6,082
Wholesale		931	932	(1)	(0.1)	3,720
Other		83	90	(7)	(7.8)	355
Profit from operations (EBIT)		863	935	(72)	(7.7)	3,969
EBIT margin	%	16.1	17.6			18.3
Depreciation, amortization and impairment losses		(1,083)	(980)	(103)	(10.5)	(4,042)
EBITDA		1,946	1,915	31	1.6	8,012
EBITDA AL [a]		1,940	1,891	49	2.6	7,918
Special factors affecting EBITDA		(168)	(167)	(1)	(0.6)	(598)
EBITDA (adjusted for special factors)		2,114	2,082	32	1.5	8,610
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS) [a]		2,108	2,058	50	2.4	8,516
EBITDA AL margin (adjusted for special factors) [a]	%	39.4	38.6			39.2
CASH CAPEX		(1,216)	(1,145)	(71)	(6.2)	(4,240)

[a] Prior-year comparatives were calculated on a pro-forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

Total revenue
Total revenue was up slightly year-on-year by 0.6 percent. In mobile business, revenue increased by 2.4 percent. Higher IT and broadband revenues had a positive effect on fixed-network business. This was sufficient to almost completely offset the year-on-year decrease in fixed-network revenue (primarily from voice components).

Revenue from **Consumers** grew by 0.7 percent year-on-year. Volume-driven declines in revenue from voice components continue to strongly impact on traditional fixed-network business. By contrast, revenue from broadband business increased.

Revenue from **Business Customers** increased by 1.3 percent. Mobile revenue increased by 1.5 percent and IT revenue by 36.9 percent compared with the prior-year quarter. In the fixed network, by contrast, a decline was recorded in traditional voice telephony, due largely to the increasing number of customers moving to flat-rate plans in connection with the migration to IP.

Wholesale revenue in the first quarter of 2019 remained on a par with the prior-year quarter due to the revenue contributions from our contingent model.

EBITDA AL, adjusted EBITDA AL
EBITDA AL amounted to EUR 1,940 million in the first quarter of 2019, an increase of 2.6 percent against the prior-year quarter. This was attributable largely to reduced personnel costs – mainly as a result of the lower headcount – and the successful implementation of further efficiency and digitalization initiatives. EBITDA AL adjusted for special factors increased by 2.4 percent to EUR 2,108 million year-on-year due to the reasons mentioned. Our adjusted EBITDA AL margin increased to 39.4 percent, up from 38.6 percent in the prior-year quarter.

EBIT
Profit from operations decreased by 7.7 percent year-on-year to EUR 863 million due to higher depreciation, amortization and impairment losses on account of sustained high investments in our network infrastructure.

Cash capex
Cash capex increased by 6.2 percent compared with the first quarter of 2018. As part of our integrated network strategy, we again made significant investments in the broadband and fiber-optic rollout, our IP transformation, and our mobile infrastructure.

UNITED STATES
For information on changes resulting from the first-time application of the IFRS 16 "Leases" accounting standard and changes in the organizational structure, please refer to the section "Group organization, strategy, and management," page 8.

CUSTOMER DEVELOPMENT

thousands

	Mar. 31, 2019	Dec. 31, 2018	Change Mar. 31, 2019/ Dec. 31, 2018 %	Mar. 31, 2018	Change Mar. 31, 2019/ Mar. 31, 2018 %
Mobile customers	81,301	79,651	2.1	74,040	9.8
Branded customers	64,744	63,656	1.7	59,941	8.0
Branded postpaid	43,538	42,519	2.4	39,065	11.5
Branded prepay	21,206	21,137	0.3	20,876	1.6
Wholesale customers	16,557	15,995	3.5	14,099	17.4

Total
At March 31, 2019, the United States operating segment (T-Mobile US) had 81.3 million customers, compared to 79.7 million customers at December 31, 2018. Net customer additions were 1.7 million for the first quarter of 2019, compared to 1.4 million net customer additions for the first quarter of 2018, due to the factors described below.

Branded customers. Branded postpaid net customer additions were 1.02 million for the first quarter of 2019, compared to 1.01 million branded postpaid net customer additions for the first quarter of 2018. The increase in branded postpaid net customer additions was due primarily to higher branded postpaid phone net customer additions primarily due to record-low churn, partially offset by lower branded postpaid other net customer additions primarily due to higher deactivations from a growing customer base.

Branded prepay net customer additions were 69 thousand for the first quarter of 2019, compared to 199 thousand branded prepay net customer additions for the first quarter of 2018. The decrease was due to continued competitive activity in the marketplace, partially offset by lower churn.

Wholesale customers. Wholesale net customer additions were 562 thousand for the first quarter of 2019, compared to 229 thousand for the first quarter of 2018. The increase was due primarily to higher gross additions from the continued success of our M2M and MVNO partnerships.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2019	Q1 2018	Change	Change %	FY 2018
TOTAL REVENUE		9,796	8,455	1,341	15.9	36,522
Profit from operations (EBIT)		1,376	1,137	239	21.0	4,634
EBIT margin	%	14.0	13.4			12.7
Depreciation, amortization and impairment losses		(1,835)	(1,223)	(612)	(50.0)	(5,294)
EBITDA		3,210	2,360	850	36.0	9,928
EBITDA AL [a]		2,580	2,359	221	9.4	9,924
Special factors affecting EBITDA		(99)	28	(127)	n.a.	(160)
EBITDA (adjusted for special factors)		3,309	2,332	977	41.9	10,088
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS) [a]		2,679	2,331	348	14.9	10,084
EBITDA AL margin (adjusted for special factors) [a]	%	27.3	27.6			27.6
CASH CAPEX		(1,713)	(1,143)	(570)	(49.9)	(4,661)

[a] Prior-year comparatives were calculated on a pro-forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

Total revenue

Total revenue for the United States operating segment of EUR 9.8 billion in the first quarter of 2019 increased by 15.9 percent, compared to EUR 8.5 billion in the first quarter of 2018. In U.S. dollars, T-Mobile US' total revenues increased by 7.0 percent year-on-year due primarily to an increase in service revenue driven by growth in the average branded customer base from the continued growth in existing and greenfield markets including the growing success of new customer segments and rate plans such as T-Mobile ONE Unlimited 55+, T-Mobile ONE Military, T-Mobile for Business, and T-Mobile Essentials, along with record-low churn and growth in wearables and other connected devices.

EBITDA AL, adjusted EBITDA AL

In euros, adjusted EBITDA AL increased by 14.9 percent to EUR 2.7 billion in the first quarter of 2019, compared to EUR 2.3 billion in the first quarter of 2018. Adjusted EBITDA AL margin slightly decreased to 27.3 percent in first quarter of 2019, compared to 27.6 percent in the first quarter of 2018. In U.S. dollars, adjusted EBITDA AL increased by 6.2 percent during the same period. Adjusted EBITDA AL increased due primarily to higher service revenues, as further discussed above. These increases were partially offset by higher employee-related costs, costs related to managed services, commissions and costs primarily related to an increase in amortization expense related to costs that were capitalized upon the adoption of IFRS 15 on January 1, 2018.

EBITDA AL for the first quarter of 2019 included special factors of EUR -99 million compared to special factors of EUR 28 million for the first quarter of 2018. The decrease in special factors was primarily due to a purchase and investment gain in the first quarter of 2018 and costs related to the proposed Sprint transaction in the first quarter of 2019. Overall, EBITDA AL increased by 9.4 percent to EUR 2.6 billion in the first quarter of 2019, compared to EUR 2.4 billion in the first quarter of 2018, due to the factors described above, including special factors.

EBIT

EBIT increased to EUR 1.4 billion in the first quarter of 2019 compared to EUR 1.1 billion in the first quarter of 2018 driven by higher EBITDA AL. The continued deployment of low-band spectrum, including 600 MHz, and laying the groundwork for 5G results in higher depreciation charges. The mandatory first-time application of the IFRS 16 "Leases" accounting standard as of January 1, 2019 results in higher depreciation charges for right-of-use assets previously recognized as operating expenses for operating leases.

Cash capex

Cash capex increased to EUR 1.7 billion in the first quarter of 2019, compared to EUR 1.1 billion in the first quarter of 2018, primarily due to the accelerated rollout of our 600 MHz low-band spectrum including laying the groundwork for 5G.

EUROPE

For information on changes resulting from the first-time application of the IFRS 16 "Leases" accounting standard and changes in the organizational structure, please refer to the section "Group organization, strategy, and management," page 8.

CUSTOMER DEVELOPMENT

thousands

		Mar. 31, 2019	Dec. 31, 2018	Change Mar. 31, 2019/ Dec. 31, 2018 %	Mar. 31, 2018	Change Mar. 31, 2019/ Mar. 31, 2018 %
EUROPE, TOTAL	Mobile customers [a]	47,800	50,542	(5.4)	49,254	(3.0)
	Contract customers	26,844	26,665	0.7	25,686	4.5
	Prepay customers [a]	20,956	23,877	(12.2)	23,567	(11.1)
	Fixed-network lines [b]	8,977	9,020	(0.5)	8,409	6.8
	Of which: IP-based	7,663	7,371	4.0	5,947	28.9
	Broadband customers	6,478	6,405	1.1	5,598	15.7
	Television (IPTV, satellite, cable)	4,904	4,835	1.4	4,271	14.8
	Unbundled local loop lines (ULLs)/wholesale PSTN	2,278	2,275	0.1	2,270	0.4
	Wholesale broadband lines	417	411	1.5	389	7.2
GREECE	Mobile customers	7,682	7,893	(2.7)	8,053	(4.6)
	Fixed-network lines	2,581	2,566	0.6	2,551	1.2
	Broadband customers	1,938	1,893	2.4	1,800	7.7
ROMANIA	Mobile customers	5,421	5,360	1.1	5,236	3.5
	Fixed-network lines	1,697	1,741	(2.5)	1,823	(6.9)
	Broadband customers	1,078	1,101	(2.1)	1,124	(4.1)
HUNGARY	Mobile customers	5,305	5,330	(0.5)	5,298	0.1
	Fixed-network lines	1,673	1,663	0.6	1,634	2.4
	Broadband customers	1,170	1,148	1.9	1,088	7.5
POLAND	Mobile customers	10,823	10,787	0.3	10,509	3.0
	Fixed-network lines	18	18	0.0	27	(33.3)
	Broadband customers	11	18	(38.9)	23	(52.2)
CZECH REPUBLIC	Mobile customers	6,186	6,188	0.0	6,156	0.5
	Fixed-network lines	355	318	11.6	220	61.4
	Broadband customers	274	251	9.2	189	45.0
CROATIA	Mobile customers	2,262	2,273	(0.5)	2,229	1.5
	Fixed-network lines	922	931	(1.0)	959	(3.9)
	Broadband customers	617	618	(0.2)	620	(0.5)
SLOVAKIA	Mobile customers	2,391	2,369	0.9	2,282	4.8
	Fixed-network lines	854	853	0.1	860	(0.7)
	Broadband customers	550	543	1.3	525	4.8
AUSTRIA	Mobile customers [a]	4,765	7,194	(33.8)	6,071	(21.5)
	Fixed-network lines [b]	544	595	(8.6)	0	0.0
	Broadband customers	601	594	1.2	0	0.0
OTHER [c]	Mobile customers	2,967	3,149	(5.8)	3,419	(13.2)
	Fixed-network lines	334	333	0.3	334	0.0
	Broadband customers	239	238	0.4	229	4.4

[a] As of January 1, 2019, the portfolio of M2M SIM cards in Austria was streamlined. 2.4 million customers were deactivated. Prior-year comparatives were not adjusted.

[b] Following the acquisition of UPC Austria, we have reported fixed-network lines and broadband customers since the third quarter of 2018. The comparatives for fixed-network lines were adjusted to exclude TV-only customers.

[c] "Other": national companies of Albania, North Macedonia, and Montenegro, as well as the lines of the GTS Central Europe group in Romania.

Total

The markets in our segment remained intensely competitive in the first quarter of 2019. We continue to rise to this challenge in the current financial year, achieving an increase of 13.5 percent in the number of FMC customers as of March 31, 2019, thanks in particular to our convergent product portfolio, MagentaOne. We took important steps in 2018 to develop our segment comprehensively into an integrated provider of mobile communications and fixed-network products: The acquisition of UPC Austria will allow us to offer convergent products in Austria, too. The agreement concluded in Poland concerning the use of Orange's fiber-optic network will allow us to offer comprehensive convergent services there in future. In addition to the agreement with Orange, T-Mobile Polska signed a wholesale FTTH agreement with network operator Nexera, covering more than 450 thousand households, which are expected to be connected by the end of 2020.

Our broadband/TV operations are making progress consistently, not least thanks to the large-scale build-out of the network with state-of-the-art fiber-optic-based lines (FTTH, FTTB, and FTTC), in particular in the national companies of Greece and Hungary. As a result, the number of IP lines increased by 4.0 percent to 7.7 million as of March 31, 2019, primarily thanks to the migration from traditional PSTN lines to IP technology. In our mobile business, we recorded moderate growth in the number of high-value contract customers. The number of prepay customers decreased sharply, mainly due to the streamlining of the portfolio in Austria. In addition, the national companies in Greece and Albania recorded reductions in their prepay customer bases, due in part to the deactivation of inactive prepaid SIM cards.

Mobile communications

The number of mobile customers totaled 47.8 million in the first quarter of 2019, down by 5.4 percent or 2.7 million customers compared with the end of 2018. This decline is primarily attributable to the streamlining of the prepay portfolio at our Austrian subsidiary, which removed 2.4 million cross-border M2M SIM cards from our customer base, which we had provided internally to the Germany segment. Excluding this effect, this figure would have been stable compared with the prior year. The number of contract customers increased slightly by 0.7 percent against December 31, 2018. Overall, our national companies reported positive trends in their contract customer base, especially in Poland, Hungary, and the Czech Republic. Contract customers accounted for 56.2 percent of the total customer base. Our customers benefited not only from our innovative services/rate plans, but also from greater coverage with fast mobile broadband – a result of our integrated network strategy. As of March 31, 2019, we already covered 97 percent of the population in the countries of our operating segment with LTE, reaching around 109 million people in total. Customer demand for high data volumes has risen sharply due to the explosion in data traffic driven by video streaming services, for example.

Fixed network

Our TV and entertainment services saw moderate customer growth of 1.4 percent as of March 31, 2019, primarily due to new business in Croatia. Adjusted for this effect, the number of customers remained stable compared with the end of the prior year. Gains at our national companies in Hungary and the Czech Republic offset customer losses in Romania. With both telecommunication providers and OTT players offering TV services, the TV market is already saturated in many countries of our segment.

The broadband business also recorded slight growth of 1.1 percent compared with the end of the prior year to 6.5 million customers. In particular, the customer bases of our national companies in Greece, the Czech Republic, and Hungary saw growth, partly on the back of increased investment in innovative fiber-optic-based technologies. For example, we increased household coverage with optical fiber at our four biggest integrated national companies to 2.7 million households as of March 31, 2019 (December 31, 2018: 2.6 million).

Consistent growth in IP-based lines as a percentage of all fixed-network lines confirms that we are making good progress: At the end of March 2019, this share amounted to 85.4 percent. At 9.0 million, the number of fixed-network lines in our Europe operating segment remained on a par with the high prior-year level, also thanks to the acquisition of UPC Austria.

FMC – fixed-mobile convergence

Our portfolio of convergent products, MagentaOne, remained highly popular with consumers across all of our integrated national companies. As of March 31, 2019, we had 3.8 million FMC customers; this corresponds to significant growth of 13.5 percent or 445 thousand net additions compared with the end of the prior year. The main driver of this trend was our national company in Greece, which since fall 2018 also offers its convergent product portfolio to prepay customers. We have also been increasingly successful in marketing our MagentaOne Business product to business customers.

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DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2019	Q1 2018	Change	Change %	FY 2018
TOTAL REVENUE		2,891	2,811	80	2.8	11,885
Greece		697	686	11	1.6	2,888
Romania		217	226	(9)	(4.0)	933
Hungary		459	443	16	3.6	1,889
Poland		348	375	(27)	(7.2)	1,526
Czech Republic		257	254	3	1.2	1,047
Croatia		220	222	(2)	(0.9)	966
Slovakia		185	181	4	2.2	761
Austria		306	218	88	40.4	1,055
Other [a]		244	253	(9)	(3.6)	1,031
Profit from operations **(EBIT)**		339	345	(6)	(1.7)	744
EBIT margin	%	11.7	12.3			6.3
Depreciation, amortization and impairment losses		(696)	(559)	(137)	(24.5)	(3,013)
EBITDA		1,035	905	130	14.4	3,757
EBITDA AL [b]		921	891	30	3.4	3,691
Special factors affecting EBITDA		(24)	(7)	(17)	n.a.	(122)
EBITDA (adjusted for special factors)		1,059	911	148	16.2	3,880
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS) [b]		945	898	47	5.2	3,813
Greece		283	280	3	1.1	1,173
Romania		26	33	(7)	(21.2)	135
Hungary		121	120	1	0.8	540
Poland		92	95	(3)	(3.2)	382
Czech Republic		107	108	(1)	(0.9)	432
Croatia		83	81	2	2.5	374
Slovakia		82	80	2	2.5	320
Austria		118	74	44	59.5	336
Other [a]		33	27	6	22.2	121
EBITDA AL margin (adjusted for special factors) [b]	%	32.7	31.9			32.1
CASH CAPEX		(446)	(438)	(8)	(1.8)	(1,887)

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

[a] "Other": national companies of Albania, North Macedonia, and Montenegro, as well as IWS (International Wholesale), consisting of ICSS (International Carrier Sales & Solutions) and its national companies, the GTS Central Europe group in Romania, and the Europe Headquarters.

[b] Prior-year comparatives were calculated on a pro-forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

Total revenue
Our Europe operating segment generated total revenue of EUR 2.9 billion in the first quarter of 2019, a year-on-year increase of 2.8 percent. In organic terms, i.e., assuming constant exchange rates and without the inclusion of UPC Austria as of July 31, 2018, revenue increased slightly by 0.4 percent.

Our business customer operations made the biggest contribution to organic growth, mainly due to the good development of ICT business in Hungary. Fixed-network revenue at segment level also increased slightly against the prior-year period in the core business, mainly due to the positive revenue effect from broadband and TV business, especially in Greece, the Czech Republic, and Slovakia. Wholesale business remained on a par with the prior-year level. Mobile revenues remained constant, with increased, higher-margin service revenues – especially in Hungary, Poland, the Czech Republic, and Greece – being offset by lower revenues from terminal equipment business. Intense competition on the telecommunications markets had a negative impact on our revenue in some countries of our operating segment.

Revenue from Consumers increased by 4.5 percent compared with the prior year, mainly driven by fixed-network operations. Here revenue increased on the back of the positive trend in TV and broadband business thanks to our innovative TV and program management activities as well as the continuous rollout of fiber-optic technology in most of our national companies. In addition, strong growth in the number of FMC customers had a positive impact on revenue. This offset moderately declining voice telephony revenues. Mobile revenues remained stable against the prior-year quarter.

Revenue from Business Customers, especially in ICT, increased again in the first quarter of 2019, up 1.6 percent year-on-year. Core business with fixed-network and mobile communications remained stable as a result of our convergent SME solutions (MagentaOne Business), which we sell on the markets. We generated double-digit percentage figures compared with the prior year with our corporate customers in key ICT/cloud computing business as well as in the innovative smart city/IoT fields.

Wholesale revenue remained stable year-on-year. Falling revenues from voice business were offset by rising revenues from IP data business with OTT players.

Looking at the development by country, our national companies in Hungary, Greece, the Czech Republic, and Slovakia made the largest contributions to the organic development of revenue in the reporting period. This offset the decline in revenue in Romania in particular, where the negative trend is attributable to lower mobile revenues – with the positive effect of the increase in customer numbers being offset by lower prices. Higher wholesale revenue in the fixed-network business offset revenue declines in broadband and TV business. The B2B/ICT business with business customers made a positive contribution to revenue.

EBITDA AL, adjusted EBITDA AL

Our Europe operating segment generated adjusted EBITDA AL of EUR 945 million in the first quarter of 2019, an increase of 5.2 percent year-on-year. In organic terms, i.e., assuming constant exchange rates and without the inclusion of UPC Austria, adjusted EBITDA AL increased by 1.5 percent compared with the prior-year period, thus continuing the positive trend in 2019.

The positive trend in adjusted organic EBITDA AL comes on the back of the slight increase in revenue and positive one-time effects, in particular in Poland and Croatia.

Looking at the development by country, the increase in adjusted organic EBITDA AL was largely attributable to the positive trends at our national companies in Greece, Hungary, Croatia, Slovakia, and Austria. A contrasting development was reported primarily at the national company in Romania. In Romania, adjusted EBITDA AL was down 21.2 percent year-on-year, mainly as a result of the lower revenue contribution.

Our EBITDA AL increased by 3.4 percent year-on-year to EUR 921 million, due primarily to higher adjusted EBITDA AL. At EUR -24 million, special factors were EUR 17 million higher than in the prior-year period. In organic terms, EBITDA AL remained stable.

Development of operations in selected countries

Greece. In Greece, revenue stood at EUR 697 million in the first quarter of 2019, up 1.6 percent year-on-year. This was driven primarily by higher mobile revenue and consistently high fixed-network revenue. Broadband business posted particularly strong growth as a result of the marketing of fiber-optic and vectored lines. The growth trends continued in our B2B/ICT business customer operations and wholesale business. TV revenues also increased compared with the first quarter of the prior year. The FMC offering developed positively, with rising customer numbers and corresponding revenues.

In the first quarter of 2019, adjusted EBITDA AL in Greece increased by 1.1 percent year-on-year to EUR 283 million. The increase in revenue was partially offset by higher personnel costs. Savings in direct costs had a positive impact on adjusted EBITDA AL.

Hungary. In Hungary, revenue grew substantially in the first quarter of 2019 by 3.6 percent compared with the prior-year period to EUR 459 million. In organic terms, it increased by 5.8 percent. This growth was driven by rising service and terminal equipment revenues in the mobile business. The fixed-network business also recorded a positive trend with sustained revenue growth in the B2B/ICT business customer operations. Broadband and terminal equipment business also made a positive contribution to revenue. Our MagentaOne portfolio of FMC products is enjoying success among consumers and business customers alike.

Adjusted EBITDA AL increased slightly against the prior-year quarter to EUR 121 million. In organic terms, adjusted EBITDA AL increased by 3.0 percent.

Austria. Our national company in Austria generated revenue of EUR 306 million in the first quarter of 2019, up 40.4 percent year-on-year. This increase is attributable to the effects of the acquisition of UPC Austria, which now allows us to offer fixed-network technology in addition to the mobile broadband internet services already being successfully marketed to our customers. In organic terms, i.e., excluding UPC Austria, revenue would remain on a par with the prior-year level.

The increase in revenue also impacted adjusted EBITDA AL, which increased by 59.5 percent year-on-year to EUR 118 million. Adjusted for the acquisition of UPC Austria, adjusted EBITDA would have been 4.8 percent higher year-on-year.

Poland. Revenue at our national company in Poland decreased by 7.2 percent compared with the prior-year quarter to EUR 348 million; in organic terms, it decreased by 4.7 percent. This decrease is mainly due to lower revenue from mobile terminal equipment business, which could not be offset by the 2.8 percent increase in service revenues. B2B/ICT business customer operations recorded higher revenues as a result of the integration of the systems solutions business in 2017. The traditional fixed-network business recorded a decline overall.

Adjusted EBITDA AL stood at EUR 92 million, down 3.2 percent year-on-year. In organic terms, adjusted EBITDA AL grew slightly by 0.4 percent. The downward trend in revenue was offset by an even larger reduction in direct costs; indirect costs also declined slightly compared with the prior-year period. Overall, the revenue trend, especially in the sale of terminal equipment and in fixed-network business, as well as a need for increased investment due to technological development and requirements, resulted in a lowering of revenue and earnings expectations in Poland.

EBIT
EBIT in our Europe operating segment decreased by 1.7 percent in the first quarter of 2019 to EUR 339 million. Whereas previously expenses had been recognized in connection with operating leases, the right-of-use assets recognized in this context since the application of accounting standard IFRS 16 as of January 1, 2019 result in particular in higher depreciation charges. The decline in EBIT was driven by the increase in other depreciation, amortization and impairment losses compared with the prior-year period.

Cash capex
In the first quarter of 2019, our Europe operating segment reported cash capex of EUR 446 million, up 1.8 percent year-on-year. Alongside more subdued investments at some national companies, our capital expenditures were focused primarily on building out our broadband and fiber-optic technology in Greece, Romania, Hungary, and Croatia as part of our integrated network strategy. Limited payments were made in the first quarter of 2019 for the acquisition of spectrum licenses, primarily in Hungary.

SYSTEMS SOLUTIONS
For information on changes resulting from the first-time application of the IFRS 16 "Leases" accounting standard, please refer to the section "Group organization, strategy, and management," page 8.

ORDER ENTRY

millions of €

	Q1 2019	2018	Q1 2018	Change Q1 2019/ Q1 2018 %
ORDER ENTRY	1,609	6,776	1,506	6.8

Development of business
We realigned our strategy for the Systems Solutions operating segment with a focus on establishing sustained growth in this area. Our previous investments in growth areas and innovation fields (such as the public cloud, the Internet of Things, digital solutions, security) along with efforts to scale back the number of risk-prone legacy contracts in our traditional IT operations mark important steps on our transformation journey. On this basis, we continue to realign the segment strategy to focus on consistently moving the business into strategic growth areas while simultaneously strengthening our telecommunications business and successfully managing the decline in traditional IT business.

With this in mind, we are executing a comprehensive transformation program under which we realigned our organization and workflows, adjusted capacities, developed a new strategy for our portfolio, and created three offering clusters. Ten portfolio units and one emerging business unit look after not only our traditional IT and telecommunications businesses, but also our growth areas (public cloud, Internet of Things, digital solutions, security, SAP, classified ICT, health, and toll collection systems).

Order entry in our Systems Solutions operating segment was up by 6.8 percent in the reporting period, marking a particularly positive development compared with the already strong prior year. This growth is primarily due to a positive trend in our growth areas SAP, public cloud, and health.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2019	Q1 2018	Change	Change %	FY 2018
TOTAL REVENUE		1,630	1,665	(35)	(2.1)	6,936
Of which: external revenue		1,278	1,332	(54)	(4.1)	5,497
Loss from operations **(EBIT)**		(49)	(76)	27	35.5	(291)
Special factors affecting EBIT		(46)	(38)	(8)	(21.1)	(322)
EBIT (adjusted for special factors)		(3)	(38)	35	92.1	32
EBIT margin (adjusted for special factors)	%	(0.2)	(2.3)			0.5
Depreciation, amortization and impairment losses		(128)	(95)	(33)	(34.7)	(453)
EBITDA		79	19	60	n.a.	163
EBITDA AL [a]		46	22	24	n.a.	176
Special factors affecting EBITDA		(46)	(38)	(8)	(21.1)	(266)
EBITDA (adjusted for special factors)		125	57	68	n.a.	429
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS) [a]		92	60	32	53.3	442
EBITDA AL margin (adjusted for special factors) [a]	%	5.6	3.6			6.4
CASH CAPEX		(93)	(83)	(10)	(12.0)	(462)

[a] Prior-year comparatives were calculated on a pro-forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

Total revenue

Total revenue in our Systems Solutions operating segment in the reporting period amounted to EUR 1.6 billion, down slightly on the prior-year level. Revenue in our growth areas developed positively (especially in the public cloud, health, security, and the Internet of Things); however, this growth could not yet fully offset the decline in traditional IT and telecommunications businesses. The trend in IT operations was primarily a result of the decline in our international corporate customer operations and the general falling market trend in our core market of Western Europe, as well as of deliberate portfolio decisions (such as the termination of desktop services). In telecommunications business, revenue declined on account of lower volumes at various customers due to seasonal effects.

EBITDA AL, adjusted EBITDA AL

In the reporting period, adjusted EBITDA AL at our Systems Solutions operating segment increased by EUR 32 million to EUR 92 million, mainly due to effects from our transformation program, a positive development in the Open Telekom Cloud, and enhanced efficiency in traditional IT operations. EBITDA AL increased by EUR 24 million year-on-year to EUR 46 million, mainly due to the effects described under adjusted EBITDA AL. Special factors were up EUR 8 million year-on-year, due to ongoing restructuring measures.

EBIT, adjusted EBIT

Adjusted EBIT in our Systems Solutions operating segment increased by EUR 35 million compared with the prior-year period, coming in at EUR -3 million. The effects described under adjusted EBITDA AL were the main drivers of this decrease. Whereas previously expenses had been recognized in connection with operating leases, the right-of-use assets recognized in this context since the application of accounting standard IFRS 16 as of January 1, 2019 result in particular in higher depreciation charges. EBIT increased by EUR 27 million compared with the first three months of the prior year to EUR -49 million, also due to the aforementioned effects.

Cash capex

Cash capex in the Systems Solutions operating segment stood at EUR 93 million in the reporting period, compared with EUR 83 million in the prior-year quarter. Capital expenditures remain focused on developing our operations in growth areas, such as digital solutions, the Internet of Things, and toll collection systems. In parallel, we are investing in the upgrade of our in-house IT systems.

GROUP DEVELOPMENT

For information on changes resulting from the first-time application of the IFRS 16 "Leases" accounting standard and changes in the organizational structure, please refer to the section "Group organization, strategy, and management," page 8.

Since the spin-off from T-Mobile Netherlands on January 1, 2019, the cell tower business of T-Mobile Netherlands has been reported under GD Towers, the new unit set up in the Group Development operating segment. This unit comprises DFMG and the cell tower business of T-Mobile Netherlands. Prior-year comparatives were not adjusted.

CUSTOMER DEVELOPMENT

thousands

		Mar. 31, 2019	Dec. 31, 2018	Change Mar. 31, 2019/ Dec. 31, 2018 %	Mar. 31, 2018	Change Mar. 31, 2019/ Mar. 31, 2018 %
NETHERLANDS	Mobile customers	5,382	4,021	33.8	3,905	37.8
	Fixed-network lines	557	241	n.a.	198	n.a.
	Broadband customers	557	241	n.a.	198	n.a.

The number of mobile and fixed-network customers increased significantly compared with the end of 2018 due to the customer base acquired in connection with Tele2 Netherlands. There was also clear customer growth in the operating business. Despite intense competition, customer additions were recorded in particular in mobile communications thanks to our attractive rate plan portfolio offering large data packages through to unlimited data volumes. The number of fixed-network consumers also increased further as a result of our attractive rate plan portfolio.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2019	Q1 2018	Change	Change %	FY 2018
TOTAL REVENUE		682	528	154	29.2	2,185
Of which: Netherlands		461	309	152	49.2	1,322
Profit from operations (EBIT)		126	148	(22)	(14.9)	560
Depreciation, amortization and impairment losses		(200)	(78)	(122)	n.a.	(334)
EBITDA		325	227	98	43.2	893
EBITDA AL [a]		249	220	29	13.2	865
Special factors affecting EBITDA		(6)	(5)	(1)	(20.0)	(27)
EBITDA (adjusted for special factors)		332	231	101	43.7	921
Of which: Netherlands		147	108	39	36.1	425
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS) [a]		255	225	30	13.3	892
Of which: Netherlands		123	104	19	18.3	413
EBITDA AL margin (adjusted for special factors) [a]	%	37.4	42.6			40.8
CASH CAPEX		(86)	(85)	(1)	(1.2)	(271)

[a] Prior-year comparatives were calculated on a pro-forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

Total revenue

Total revenue in our Group Development operating segment increased by 29.2 percent year-on-year, primarily due to the inclusion of Tele2 Netherlands since the start of 2019. Both business customer and consumer operations contributed to this revenue growth, on the back of customer growth and a positive trend in business with MVNOs in the Netherlands. The GD Towers unit also recorded a year-on-year increase in revenue, driven by volume-based growth at DFMG.

EBITDA AL, adjusted EBITDA AL

EBITDA AL increased from EUR 220 million in the prior-year period to EUR 249 million. This growth was mainly attributable to the earnings contributed by Tele2 Netherlands and the aforementioned positive effects on revenue. Efficient cost management also contributed to the growth in EBITDA AL. EBITDA AL of the GD Towers unit is increasing steadily thanks to growing volumes. In addition to the positive effects from the acquisition of Tele2 Netherlands, EBITDA AL of T-Mobile Netherlands was impacted by the transfer of the EBITDA AL contribution of the Dutch cell tower business to GD Towers. Furthermore, earnings from operations increased on the back of revenue growth and efficiency enhancement measures. For the same reasons, adjusted EBITDA AL increased from EUR 225 million to EUR 255 million. The decline in the EBITDA AL margin is attributable to the integration of Tele2 Netherlands.

EBIT

Due to the consolidation of Tele2 Netherlands at T-Mobile Netherlands and the associated increase in depreciation, amortization and impairment losses, as well as one-time effects resulting from the integration, EBIT decreased by EUR 22 million compared with the first quarter of 2018 to EUR 126 million. GD Towers' high investments in new cell sites also increased depreciation, amortization and impairment losses. Whereas previously expenses had been recognized in connection with operating leases, the right-of-use assets recognized in this context since the application of accounting standard IFRS 16 as of January 1, 2019 result in particular in higher depreciation charges.

Cash capex

Cash capex increased by EUR 1 million compared with the prior-year period, primarily due to the additional investments for the integration of Tele2 Netherlands.

GROUP HEADQUARTERS & GROUP SERVICES

For information on changes resulting from the first-time application of the IFRS 16 "Leases" accounting standard, please refer to the section "Group organization, strategy, and management," page 8.

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2019	Q1 2018	Change	Change %	FY 2018
TOTAL REVENUE	651	651	0	0.0	2,735
Loss from operations (EBIT)	(393)	(324)	(69)	(21.3)	(1,662)
Depreciation, amortization and impairment losses	(260)	(162)	(98)	(60.5)	(825)
EBITDA	(132)	(162)	30	18.5	(837)
EBITDA AL [a]	(234)	(184)	(50)	(27.2)	(923)
Special factors affecting EBITDA	(97)	(92)	(5)	(5.4)	(322)
EBITDA (adjusted for special factors)	(35)	(70)	35	50.0	(515)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS) [a]	(137)	(92)	(45)	(48.9)	(601)
CASH CAPEX	(274)	(248)	(26)	(10.5)	(1,078)

[a] Prior-year comparatives were calculated on a pro-forma basis for the redefined key performance indicators resulting from the introduction of the IFRS 16 accounting standard.

Total revenue

Total revenue in our Group Headquarters & Group Services segment remained at the prior-year level in the first quarter of 2019. A slight negative factor resulted from the fact that, as of January 2016, the costs of intragroup development services newly commissioned from Deutsche Telekom IT in Germany are no longer charged internally. This was contrasted mainly by a slight increase in intragroup revenue from land and buildings.

EBITDA AL, adjusted EBITDA AL

Adjusted EBITDA AL in the Group Headquarters & Group Services segment decreased by EUR 45 million year-on-year in the reporting period, mainly as a result of lower income from real estate sales.

Overall, EBITDA AL was negatively impacted by special factors amounting to EUR 97 million, especially for staff-related measures. By contrast, special factors of EUR 92 million had been recorded in the prior-year period.

EBIT

The year-on-year decrease of EUR 69 million in EBIT was mainly due to the effects described under EBITDA AL. Whereas previously expenses had been recognized in connection with operating leases, the right-of-use assets recognized in this context since the application of accounting standard IFRS 16 as of January 1, 2019 result in particular in higher depreciation charges. The increase in other depreciation, amortization and impairment losses was due, in particular, to higher depreciation and amortization caused by increased levels of capitalization at Deutsche Telekom IT. The latter were attributable to the fact that the costs of newly commissioned intragroup development services in Germany are no longer charged internally. This development was partially offset by lower depreciation, amortization and impairment losses from land and buildings as a result of our continued optimization of the real estate portfolio.

Cash capex

Cash capex increased by EUR 26 million year-on-year, primarily owing to increased investment in technology and innovation, mainly for development activities.

EVENTS AFTER THE REPORTING PERIOD (MARCH 31, 2019)

Please refer to the section "Events after the reporting period" in the interim consolidated financial statements, page 53.

FORECAST

The statements in this section reflect the current views of our management. To date, there is no evidence that the forecasts published in the 2018 combined management report have significantly changed (2018 Annual Report, page 102 et seq.). Accordingly, the statements made therein remain valid. For additional information and recent changes in the economic situation, please refer to the section "The economic environment" in this interim Group management report. Readers are also referred to the Disclaimer at the end of this report.

RISKS AND OPPORTUNITIES

This section provides important additional information and explains recent changes in the risks and opportunities as described in the combined management report for the 2018 financial year (2018 Annual Report, page 113 et seq.). Readers are also referred to the Disclaimer at the end of this report.

OPERATIONAL RISKS

The risk significance in the risk category "Risks relating to IT/NT network operations, United States" was regraded from medium to low in the first quarter of 2019. This was due not only to the geographical redundancies that were put in place, but also to the adequate disaster recovery functions for the billing systems for customer services, which were rated as functional in tests. The risk is thus mitigated and will no longer be reported.

LITIGATION

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

ANTI-TRUST PROCEEDINGS

Claims for damages against Slovak Telekom following a European Commission decision to impose fines. On February 21, 2019, Slovak Telekom and Deutsche Telekom filed an appeal with the European Union Court of Justice against the ruling by the General Court of the European Union of December 13, 2018 in which the fines imposed by the European Commission were partially overturned and the level of the fines reduced.

ASSESSMENT OF THE AGGREGATE RISK POSITION

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

millions of €

	Mar. 31, 2019	Dec. 31, 2018	Change	Change %	Mar. 31, 2018
ASSETS					
CURRENT ASSETS	**24,693**	**21,870**	**2,823**	**12.9**	**21,706**
Cash and cash equivalents	6,144	3,679	2,465	67.0	3,618
Trade and other receivables	9,990	9,988	2	0.0	9,121
Contract assets	1,841	1,765	76	4.3	1,728
Current recoverable income taxes	556	492	64	13.0	246
Other financial assets	2,277	2,847	(570)	(20.0)	2,918
Inventories	2,015	1,790	225	12.6	1,819
Other assets	1,726	1,164	562	48.3	2,122
Non-current assets and disposal groups held for sale	145	145	0	0.0	134
NON-CURRENT ASSETS	**140,779**	**123,505**	**17,274**	**14.0**	**116,319**
Intangible assets	66,387	64,950	1,437	2.2	61,957
Property, plant and equipment	48,766	50,631	(1,865)	(3.7)	46,576
Right-of-use assets	16,828	n.a.	n.a.	n.a.	n.a.
Capitalized contract costs	1,833	1,744	89	5.1	1,286
Investments accounted for using the equity method	614	576	38	6.6	571
Other financial assets	2,147	1,585	562	35.5	1,829
Deferred tax assets	3,169	2,949	220	7.5	3,199
Other assets	1,035	1,070	(35)	(3.3)	902
TOTAL ASSETS	**165,472**	**145,375**	**20,097**	**13.8**	**138,025**
LIABILITIES					
CURRENT LIABILITIES	**37,365**	**29,144**	**8,221**	**28.2**	**26,223**
Financial liabilities [a]	14,958	10,527	4,431	42.1	8,905
Lease liabilities	4,054	n.a.	n.a.	n.a.	n.a.
Trade and other payables	10,241	10,735	(494)	(4.6)	9,132
Income tax liabilities	368	328	40	12.2	307
Other provisions	2,995	3,144	(149)	(4.7)	3,082
Other liabilities	3,013	2,654	359	13.5	2,913
Contract liabilities	1,703	1,720	(17)	(1.0)	1,885
Liabilities directly associated with non-current assets and disposal groups held for sale	30	36	(6)	(16.7)	0
NON-CURRENT LIABILITIES	**85,345**	**72,794**	**12,551**	**17.2**	**68,111**
Financial liabilities [a]	50,988	51,748	(760)	(1.5)	48,799
Lease liabilities	14,673	n.a.	n.a.	n.a.	n.a.
Provisions for pensions and other employee benefits	5,750	5,502	248	4.5	5,264
Other provisions	3,201	3,291	(90)	(2.7)	3,115
Deferred tax liabilities	8,996	8,240	756	9.2	7,078
Other liabilities	1,233	3,427	(2,194)	(64.0)	3,321
Contract liabilities	504	585	(81)	(13.8)	533
LIABILITIES	**122,710**	**101,938**	**20,772**	**20.4**	**94,334**
SHAREHOLDERS' EQUITY	**42,762**	**43,437**	**(675)**	**(1.6)**	**43,691**
Issued capital	12,189	12,189	0	0.0	12,189
Treasury shares	(48)	(49)	1	2.0	(49)
	12,141	**12,141**	**0**	**0.0**	**12,140**
Capital reserves	54,894	54,646	248	0.5	54,761
Retained earnings including carryforwards	(38,518)	(37,392)	(1,126)	(3.0)	(34,472)
Total other comprehensive income	(416)	(653)	237	36.3	(1,332)
Net profit (loss)	900	2,166	(1,266)	(58.4)	992
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	**29,001**	**30,907**	**(1,906)**	**(6.2)**	**32,088**
Non-controlling interests	13,761	12,530	1,231	9.8	11,603
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**165,472**	**145,375**	**20,097**	**13.8**	**138,025**

The new IFRS 16 "Leases" accounting standard has been applied since January 1, 2019. Prior-year comparatives were not adjusted. For more information, please refer to the section "Accounting policies," page 35 et seq.

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

CONSOLIDATED INCOME STATEMENT

millions of €

	Q1 2019	Q1 2018	Change	Change %	FY 2018
NET REVENUE	**19,488**	**17,924**	**1,564**	**8.7**	**75,656**
Of which: interest income calculated using the effective interest method [a]	89	67	22	32.8	305
Other operating income	204	373	(169)	(45.3)	1,491
Changes in inventories	32	1	31	n.a.	(14)
Own capitalized costs	590	559	31	5.5	2,433
Goods and services purchased	(8,842)	(8,718)	(124)	(1.4)	(38,160)
Personnel costs	(4,301)	(4,057)	(244)	(6.0)	(16,436)
Other operating expenses	(709)	(813)	104	12.8	(3,134)
Impairment losses on financial assets	(78)	(106)	28	26.4	(394)
Gains (losses) from the write-off of financial assets measured at amortized cost	(18)	(10)	(8)	(80.0)	(120)
Other	(613)	(697)	84	12.1	(2,620)
Depreciation, amortization and impairment losses	(4,204)	(3,097)	(1,107)	(35.7)	(13,836)
PROFIT (LOSS) FROM OPERATIONS	**2,258**	**2,171**	**87**	**4.0**	**8,001**
Finance costs	(603)	(422)	(181)	(42.9)	(1,817)
Interest income	83	68	15	22.1	277
Interest expense	(686)	(490)	(196)	(40.0)	(2,094)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	66	69	(3)	(4.3)	(529)
Other financial income (expense)	131	(58)	189	n.a.	(502)
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(406)**	**(411)**	**5**	**1.2**	**(2,848)**
PROFIT (LOSS) BEFORE INCOME TAXES	**1,852**	**1,760**	**92**	**5.2**	**5,153**
Income taxes	(527)	(494)	(33)	(6.7)	(1,824)
PROFIT (LOSS)	**1,325**	**1,266**	**59**	**4.7**	**3,329**
PROFIT (LOSS) ATTRIBUTABLE TO					
Owners of the parent (net profit (loss))	900	992	(92)	(9.3)	2,166
Non-controlling interests	425	274	151	55.1	1,163

The new IFRS 16 “Leases” accounting standard has been applied since January 1, 2019. Prior-year comparatives were not adjusted. For more information, please refer to the section “Accounting policies,” page 35 et seq.

[a] Q1 2018 figure adjusted.

EARNINGS PER SHARE

		Q1 2019	Q1 2018	Change	Change %	FY 2018
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	900	992	(92)	(9.3)	2,166
Adjusted weighted average number of basic/diluted ordinary shares outstanding	millions	4,742	4,742	0	0.0	4,742
EARNINGS PER SHARE BASIC/DILUTED	€	**0.19**	**0.21**	**(0.02)**	**(9.5)**	**0.46**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	Q1 2019	Q1 2018	Change	FY 2018
PROFIT (LOSS)	**1,325**	**1,266**	**59**	**3,329**
Items not subsequently reclassified to profit or loss (not recycled)				
Gains (losses) from the remeasurement of equity instruments	17	(662)	679	(619)
Gains (losses) from the remeasurement of defined benefit plans	(208)	1	(209)	127
Revaluation due to business combinations	0	0	0	0
Share of profit (loss) of investments accounted for using the equity method	0	0	0	0
Other income and expense recognized directly in equity	0	0	0	0
Income taxes relating to components of other comprehensive income	13	(6)	19	36
	(178)	**(667)**	**489**	**(456)**
Items subsequently reclassified to profit or loss (recycled), if certain reasons are given				
Exchange differences on translating foreign operations				
Recognition of other comprehensive income in income statement	0	0	0	(1)
Change in other comprehensive income (not recognized in income statement)	509	(616)	1,125	1,033
Gains (losses) from the remeasurement of debt instruments				
Recognition of other comprehensive income in income statement	(25)	(4)	(21)	(75)
Change in other comprehensive income (not recognized in income statement)	12	19	(7)	84
Gains (losses) from hedging instruments (designated risk components)				
Recognition of other comprehensive income in income statement	(100)	45	(145)	(32)
Change in other comprehensive income (not recognized in income statement)	(143)	(111)	(32)	(382)
Gains (losses) from hedging instruments (hedging costs)				
Recognition of other comprehensive income in income statement	1	0	1	3
Change in other comprehensive income (not recognized in income statement)	8	34	(26)	56
Share of profit (loss) of investments accounted for using the equity method				
Recognition of other comprehensive income in income statement	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	11	7	4	7
Income taxes relating to components of other comprehensive income	58	10	48	86
	330	**(616)**	**946**	**779**
OTHER COMPREHENSIVE INCOME	**152**	**(1,282)**	**1,434**	**323**
TOTAL COMPREHENSIVE INCOME	**1,476**	**(17)**	**1,493**	**3,652**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Owners of the parent	945	(76)	1,021	2,181
Non-controlling interests	532	60	472	1,471

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

millions of €

	Issued capital and reserves attributable to owners of the parent							
	Equity contributed			Consolidated shareholders' equity generated		Total other comprehensive income		
	Issued capital	Treasury shares	Capital reserves	Retained earnings including carryforwards	Net profit (loss)	Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets (IAS 39)
BALANCE AT JANUARY 1, 2018	**12,189**	**(49)**	**55,010**	**(38,750)**	**3,461**	**(1,729)**	**(60)**	**101**
Transfer resulting from change in accounting standards				1,452				(101)
Changes in the composition of the Group								
Transactions with owners			(295)			(12)		
Unappropriated profit (loss) carried forward				3,461	(3,461)			
Dividends								
Capital increase at Deutsche Telekom AG								
Capital increase from share-based payment			45					
Share buy-back/shares held in a trust deposit				1				
Profit (loss)					992			
Other comprehensive income				1		(396)		
TOTAL COMPREHENSIVE INCOME								
Transfer to retained earnings			0	(636)			26	
BALANCE AT MARCH 31, 2018	**12,189**	**(49)**	**54,761**	**(34,472)**	**992**	**(2,136)**	**(34)**	**n.a.**
BALANCE AT JANUARY 1, 2019	**12,189**	**(49)**	**54,646**	**(37,392)**	**2,166**	**(1,120)**	**(28)**	**n.a.**
Transfer resulting from change in accounting standards				221				
Changes in the composition of the Group								
Transactions with owners			187	0		(3)	0	
Unappropriated profit (loss) carried forward				2,166	(2,166)			
Dividends				(3,320)				
Capital increase at Deutsche Telekom AG								
Capital increase from share-based payment			61					
Share buy-back/shares held in a trust deposit		1	0	1				
Profit (loss)					900			
Other comprehensive income				(192)		331	0	
TOTAL COMPREHENSIVE INCOME								
Transfer to retained earnings				(2)			2	
BALANCE AT MARCH 31, 2019	**12,189**	**(48)**	**54,894**	**(38,518)**	**900**	**(792)**	**(26)**	**n.a.**

Issued capital and reserves attributable to owners of the parent							Total	Non-controlling interests	Total shareholders' equity
Total other comprehensive income									
Equity instruments 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.**	**789**	**n.a.**	**n.a.**	**26**	**(254)**	**30,734**	**11,737**	**42,470**
93	336	(789)	789			(93)	1,688	182	1,870
	2						(304)	(402)	(706)
							0		0
							45	28	73
							1	(1)	0
							992	274	1,266
(662)	8		(67)	34	7	9	(1,068)	(214)	(1,282)
							(76)	**60**	**(17)**
645					(35)		0	0	0
76	**346**	**n.a.**	**722**	**34**	**(3)**	**(338)**	**32,088**	**11,603**	**43,691**
84	**2**	**n.a.**	**519**	**58**	**(4)**	**(165)**	**30,907**	**12,530**	**43,437**
	0						221	125	346
							0	245	245
0	0		2			(1)	186	294	480
							0	0	0
							(3,320)	0	(3,320)
							0	0	0
							61	35	97
							2	0	2
							900	425	1,325
17	(8)		(160)	8	11	38	45	107	152
							945	**532**	**1,476**
							0	0	0
101	**(6)**	**n.a.**	**361**	**67**	**6**	**(128)**	**29,001**	**13,761**	**42,762**

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

	Q1 2019	Q1 2018	FY 2018
PROFIT (LOSS) BEFORE INCOME TAXES	**1,852**	**1,760**	**5,153**
Depreciation, amortization and impairment losses	4,204	3,097	13,836
(Profit) loss from financial activities	406	411	2,848
(Profit) loss on the disposal of fully consolidated subsidiaries	0	0	0
(Income) loss from the sale of stakes accounted for using the equity method	0	0	0
Other non-cash transactions	189	112	430
(Gains) losses from the disposal of intangible assets and property, plant and equipment	26	(65)	(126)
Change in assets carried as operating working capital	86	325	(998)
Change in other operating assets	(329)	1	(337)
Change in provisions	(99)	(282)	(100)
Change in liabilities carried as operating working capital	56	(1,039)	(515)
Change in other operating liabilities	398	445	(11)
Income taxes received (paid)	(178)	(124)	(697)
Dividends received	0	163	181
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	0	0	0
CASH GENERATED FROM OPERATIONS	**6,609**	**4,805**	**19,663**
Interest paid	(955)	(823)	(3,307)
Interest received	355	314	1,592
NET CASH FROM OPERATING ACTIVITIES	**6,009**	**4,297**	**17,948**
Cash outflows for investments in			
Intangible assets	(1,030)	(809)	(3,353)
Property, plant and equipment	(2,797)	(2,330)	(9,139)
Non-current financial assets	(26)	(108)	(639)
Payments to acquire control of subsidiaries and associates	(237)	(277)	(2,080)
Proceeds from disposal of			
Intangible assets	0	0	2
Property, plant and equipment	44	160	523
Non-current financial assets	12	24	596
Proceeds from the loss of control of subsidiaries and associates	0	(61)	(67)
Net change in short-term investments and marketable securities and receivables	439	(243)	(144)
Other	(2)	0	5
NET CASH USED IN INVESTING ACTIVITIES	**(3,597)**	**(3,643)**	**(14,297)**
Proceeds from issue of current financial liabilities	5,942	13,403	51,597
Repayment of current financial liabilities	(7,497)	(15,168)	(57,253)
Proceeds from issue of non-current financial liabilities	2,583	2,466	8,375
Repayment of non-current financial liabilities	(2)	(21)	(23)
Dividends (including to non-controlling interests)	0	0	(3,254)
Principal portion of repayments of lease liabilities	(893)	(205)	(1,174)
Cash inflows from transactions with non-controlling entities	1	1	29
Cash outflows from transactions with non-controlling entities	(107)	(770)	(1,557)
Other	0	0	0
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**27**	**(294)**	**(3,259)**
Effect of exchange rate changes on cash and cash equivalents	25	(53)	(17)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	0	0	(8)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,465**	**306**	**367**
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD	**3,679**	**3,312**	**3,312**
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	**6,144**	**3,618**	**3,679**

SIGNIFICANT EVENTS AND TRANSACTIONS

ACCOUNTING POLICIES

In accordance with § 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 the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

STATEMENT OF COMPLIANCE

The interim consolidated financial statements for the period ended March 31, 2019 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, 2018. All IFRSs applied by Deutsche Telekom have been adopted by the European Commission for use within the EU.

In the opinion of the Board of Management, the reviewed 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, 2018 for the accounting policies applied for the Group's financial reporting, 2018 Annual Report, page 153 et seq.

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

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

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

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

Deutsche Telekom has not applied the new lease standard retrospectively in full, but makes use of the exemption provisions for lessees, also known as the modified retrospective method. On the transition to IFRS 16, remaining payment obligations from existing operating leases are discounted using the relevant incremental borrowing rate and recognized as a lease liability. The right-of-use assets were carried as of January 1, 2019 in the amount of the lease liability, adjusted by the amount of the prepaid or accrued lease payments. Due to the significant amount of liabilities from straight-line leases in accordance with IAS 17, which in accordance with IFRS 16 must be deducted from the right-of-use assets, the right-of-use assets as of January 1, 2019 under IFRS 16 were carried at a significantly lower amount than the corresponding lease liability (see Note 16 "Other liabilities," 2018 Annual Report, page 211). This liability primarily relates to leases for T-Mobile US' cell sites. As of the transition date of January 1, 2019, in a first step, the lease terms underlying the liabilities were adjusted to the lease terms determined in accordance with IFRS 16. This adjustment increased shareholders' equity. The remaining accrued lease liability was deducted from the right-of-use asset as described above. In addition to existing operating leases, existing finance leases and their carrying amounts as of December 31, 2018 are recognized as right-of-use assets and lease liabilities as of January 1, 2019.

Significant policy elections and practical expedients are exercised as follows:

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

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

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

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

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

millions of €

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

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

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

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

Reclassifications relate in particular to reclassifications of carrying amounts from previous finance leases to right-of-use assets and lease liabilities and the adjustments of prepaid or accrued lease payments from operating leases under the previous accounting method, provisions for onerous contracts, or liabilities from straight-line lease against right-of-use assets, as described above. For more information, please refer to section "Selected notes to the consolidated statement of financial position," page 40 et seq.

The obligations arising from operating leases as of December 31, 2018 (see Note 37 "Leases," 2018 Annual Report, page 232 et seq.) gave rise to the following reconciliation to the opening balance of lease liabilities as of January 1, 2019:

millions of €

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

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

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

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

The right-of-use assets reported as of March 31, 2019 were as follows:

millions of €

	Mar. 31, 2019
Right-of-use assets – land and buildings	6,188
Right-of-use assets – land and buildings from sale and leaseback transactions	642
Right-of-use assets – technical equipment and machinery	9,882
Right-of-use assets – other equipment, operating and office equipment	116
	16,828

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

This gave rise to the following presentation in the income statement for the first quarter of 2019[a]:

millions of €

	Q1 2019
DEPRECIATION OF RIGHT-OF-USE ASSETS	**861**
Right-of-use assets – land and buildings	306
Right-of-use assets – land and buildings from sale and leaseback transactions	37
Right-of-use assets – technical equipment and machinery	503
Right-of-use assets – other equipment, operating and office equipment	15
INTEREST EXPENSE ON LEASE LIABILITIES	**198**

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

For more information on standards, interpretations, and amendments that have been issued but not yet applied, as well as disclosures on the recognition and measurement of items in the statement of financial position and discretionary decisions and estimation uncertainties, please refer to the section "Summary of accounting policies" in the notes to the consolidated financial statements in the 2018 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 that are effective for the first time in the financial year, Deutsche Telekom did not make any major changes in its accounting policies.

CHANGES IN THE COMPOSITION OF THE GROUP

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

Acquisition of Tele2 Netherlands Holding N.V.

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

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

The purchase price allocation and the measurement of Tele2 Netherlands' assets and liabilities at the acquisition date were nearly finalized by March 31, 2019. The fair values of Tele2 Netherlands' acquired assets and liabilities recognized at the acquisition date are presented in the following table:

Fair values at the acquisition date
millions of €

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

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

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

Fair values at the acquisition date
millions of €

Consideration transferred	734
+ non-controlling interests	245
– fair value of the acquired assets	(1,206)
+ fair value of the acquired liabilities	430
= GOODWILL	**203**

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

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

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

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

No material transaction-based costs were incurred by March 31, 2019.

Deutsche Telekom's net revenue increased by EUR 51 million in the reporting period due to the acquisition of Tele2 Netherlands. Deutsche Telekom's net profit in the reporting year includes loss before taxes of EUR 14 million from Tele2 Netherlands. Since the business combination took place before the beginning of the 2019 financial year, net revenue and net profit would not have been other than as reported.

The following transactions 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 individuals nominated by Deutsche Telekom will hold the majority of the seats on the new company's Board of Directors, T-Mobile US will continue to be included as a fully consolidated subsidiary in the consolidated financial statements. The larger T-Mobile US is expected to achieve cost and capital expenditure synergies with a net present value of around USD 43 billion (after in–tegration 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.

Agreed sale of Telekom Albania

On January 15, 2019, OTE concluded an agreement concerning the sale of its stake in Telekom Albania to the Bulgarian company Albania Telecom Invest AD for a purchase price of EUR 50 million. The transaction is subject to approval by the authorities as well as other closing conditions and is expected to be completed in the first half of 2019. The assets and liabilities of Telekom Albania, which is reported in the Europe operating segment, are consequently presented under non-current assets and disposal groups held for sale.

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

OTE share buy-back

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

Resolution on T-Mobile US' share buy-back program in the event of the termination of the agreement with Sprint

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

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TRADE AND OTHER RECEIVABLES

At EUR 10.0 billion, trade and other receivables remained at the 2018 year-end level. Higher trade receivables in our Group Development operating segment amounting to EUR 0.2 billion, mainly from the acquired Tele2 Netherlands, offset declining volumes of receivables in the Europe, Germany, and Systems Solutions operating segments. Exchange rate effects, primarily from the translation from U.S. dollars into euros, increased the carrying amount slightly.

CONTRACT ASSETS

Contract assets arise from the application of IFRS 15 since the 2018 financial year. 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. Receivables from long-term construction contracts continue to be recognized under contract assets. At EUR 1.8 billion, contract assets remained level with the December 31, 2018 figure.

INVENTORIES

Compared with December 31, 2018, inventories were EUR 0.2 billion higher at EUR 2.0 billion, due primarily to an increase in inventories of higher-priced smartphones in the United States operating segment.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets increased by EUR 1.4 billion to EUR 66.4 billion. Additions totaling EUR 1.1 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 0.7 billion. The acquisition of Tele2 Netherlands in the Group Development operating segment resulted in identifiable intangible assets totaling EUR 0.5 billion at the acquisition date (including a customer base and existing spectrum licenses) in addition to goodwill of EUR 0.2 billion. Positive exchange rate effects, primarily from the translation of U.S. dollars into euros, increased the carrying amount by EUR 0.8 billion. Depreciation charges reduced the carrying amount by EUR 1.2 billion.

Property, plant and equipment decreased by EUR 1.9 billion compared with December 31, 2018 to EUR 48.8 billion. EUR 2.5 billion of the decrease is due to the effect of the mandatory first-time application of IFRS 16 "Leases" as of January 1, 2019. Assets arising from finance leases that were reported under property, plant and equipment until December 31, 2018, for which Deutsche Telekom as the lessee bore substantially all the risks and rewards associated with the lease, are now recognized as rights to use the underlying leased assets. For more information on the application of the new accounting standard, please refer to the section "Accounting policies," page 35 et seq. Depreciation and amortization of EUR 2.2 billion and disposals of EUR 0.1 billion also reduced the carrying amount. Additions of EUR 2.4 billion – especially to upgrade and build out the network in our United States operating segment and in connection with the broadband/fiber-optic rollout, the IP transformation, and mobile infrastructure in the Germany and Europe operating segments – increased the carrying amount. Effects of changes in the composition of the Group resulting from the acquisition of Tele2 Netherlands increased the carrying amount by EUR 0.3 billion. Positive exchange rate effects, primarily from the translation of U.S. dollars into euros, increased the carrying amount by EUR 0.3 billion.

RIGHT-OF-USE ASSETS

As a consequence of the mandatory first-time application of IFRS 16 "Leases" as of January 1, 2019, the rights to use the underlying leased assets were recognized in the amount of the lease liability, adjusted by the amount of the prepaid or accrued lease payments. The remeasurement and reclassification effect reported amounted to EUR 16.2 billion as of January 1, 2019. This includes both rights to use lease assets recognized in the statement of financial position for the first time and rights to use assets arising from finance leases in the amount of EUR 2.5 billion that were previously recognized under property, plant and equipment. For more information on the application of the new accounting standard please refer to the section "Accounting policies," page 35 et seq. As of March 31, 2019, the carrying amount increased to EUR 16.8 billion. Depreciation and amortization of EUR 0.9 billion was recognized in the first quarter of 2019.

CAPITALIZED CONTRACT COSTS

Capitalized contract costs arise from the application of IFRS 15 since January 1, 2018. Capitalized contract assets increased by EUR 0.1 billion as of March 31, 2019 to EUR 1.8 billion, mainly due to a higher level of capitalized costs of obtaining a contract, in particular in the United States operating segment.

TRADE AND OTHER PAYABLES

Trade and other payables decreased by EUR 0.5 billion to EUR 10.2 billion due to the reduction in the level of liabilities, mainly in the Europe and Germany operating segments. This was contrasted by an increase in liabilities in the United States operating segment, due in part to the building up of inventories of higher-priced smartphones as well as slightly positive exchange rate effects.

OTHER LIABILITIES

Current and non-current other liabilities decreased by EUR 1.8 billion to EUR 4.2 billion. This is mainly attributable to the fact that, as a consequence of the first-time application of IFRS 16, liabilities from straight-line leases, mainly for cell sites, in the United States operating segment were no longer required to be reported. As of January 1, 2019, first of all, the lease terms underlying these liabilities were adjusted to the lease terms determined in accordance with IFRS 16, increasing shareholders' equity, and the remaining prepaid expense was offset against the right-of-use asset. This reduced other liabilities by EUR 2.2 billion as of the transition date. For more information on the application of the new accounting standard, please refer to the section "Accounting policies," page 35 et seq.

FINANCIAL LIABILITIES

Current and non-current financial liabilities increased by EUR 3.7 billion to EUR 65.9 billion compared with the end of 2018.

On March 28, 2019, the shareholders' meeting of Deutsche Telekom AG resolved in accordance with the proposal by the Board of Management on the appropriation of net income to pay a dividend of EUR 0.70 for each no par value share carrying dividend rights. This resulted in a total dividend payment of EUR 3.3 billion. As of March 31, 2019, current financial liabilities increased accordingly. The dividend was paid to shareholders at the beginning of April 2019.

In addition, the following borrowings or repayments of debt were made:

In the first quarter of 2019, Deutsche Telekom AG issued euro bonds with a total volume of EUR 1.8 billion and pound sterling bonds with a total volume of GBP 0.4 billion (EUR 0.5 billion). Scheduled repayments of promissory notes in the amount of EUR 0.2 billion in the first quarter of 2019 had an offsetting effect. The net change of EUR 0.5 billion in commercial paper and net short-term borrowings of EUR 0.6 billion also reduced the carrying amount of the financial liabilities.

An increase in the carrying amount of the financial liabilities compared with December 31, 2018 of around EUR 0.2 billion in total relates to exchange rate effects in the United States operating segment.

The mandatory first-time application of IFRS 16 as of January 1, 2019 resulted in finance lease liabilities being reclassified from financial liabilities to lease liabilities. Based on the carrying amounts as of December 31, 2018, this reclassification reduced the financial liabilities by EUR 2.5 billion. For more information on the application of the new accounting standard, please refer to the section "Accounting policies," page 35 et seq.

The following table shows the composition and maturity structure of financial liabilities as of March 31, 2019:

millions of €

	Mar. 31, 2019	Due within 1 year	Due >1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	51,835	6,249	17,102	28,483
Liabilities to banks	5,561	1,795	2,387	1,379
Liabilities to non-banks from promissory note bonds	344	0	53	291
Other interest-bearing liabilities	2,317	1,551	566	200
Other non-interest-bearing liabilities	4,720	4,616	98	5
Derivative financial liabilities	1,170	746	105	318
FINANCIAL LIABILITIES	**65,947**	**14,958**	**20,311**	**30,677**

LEASE LIABILITIES

The mandatory first-time application of IFRS 16 as of January 1, 2019 led to the recognition of current and non-current lease liabilities totaling EUR 18.1 billion. These also include the finance lease liabilities that used to be reported under financial liabilities. The carrying amount of the recognized lease liabilities increased to EUR 18.7 billion as of March 31, 2019. Overall, lease liabilities in the amount of EUR 4.1 billion are due within one year. For more information on the application of the new accounting standard, please refer to the section "Accounting policies," page 35 et seq.

CONTRACT LIABILITIES

Contract liabilities arise from the application of IFRS 15 since January 1, 2018. Compared with March 31, 2019, the carrying amount of current and non-current contract liabilities decreased by EUR 0.1 billion to EUR 2.2 billion. These mainly comprise deferred revenues.

PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

Provisions for pensions and other employee benefits increased from EUR 5.5 billion as of December 31, 2018 to EUR 5.8 billion, mainly due to interest rate adjustments which resulted in an actuarial loss of EUR 0.2 billion to be recognized directly in equity.

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

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

The Group's pension obligations are based on pension commitments mainly in Germany, Greece, and Switzerland. Without the change, the discount rate would be 0.15 percentage points lower in Germany, 0.13 percentage points lower in Greece, and 0.03 percentage points lower in Switzerland, and the defined benefit obligations would be EUR 211 million higher.

SHAREHOLDERS' EQUITY

Shareholders' equity decreased by EUR 0.7 billion as of December 31, 2018 to EUR 42.8 billion, due in particular to the resolved dividend of EUR 3.3 billion paid out by Deutsche Telekom AG. The subsequent measurement of equity instruments directly in equity and the remeasurement of defined benefit plans reduced the carrying amount by EUR 0.2 billion in each case. By contrast, the profit of EUR 1.3 billion increased shareholders' equity. The transition to the IFRS 16 accounting standard likewise increased the carrying amount. The cumulative effect of this was an increase of EUR 0.3 billion in retained earnings (including shares attributable to non-controlling interests) recognized directly in equity as of January 1, 2019. Currency translation effects of EUR 0.5 billion recognized directly in equity and capital increases from share-based payments of EUR 0.1 billion increased shareholders' equity. Shareholders' equity increased as a result of the acquisition of Tele2 Netherlands in the Group Development operating segment which led to transactions with owners totaling EUR 0.5 billion and effects of changes in the composition of the Deutsche Telekom Group of EUR 0.2 billion. For more information, please refer to the section "Changes in the composition of the Group," page 38 et seq.

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

NET REVENUE

Net revenue breaks down into the following revenue categories:

millions of €

	Q1 2019	Q1 2018 [b]
Revenue from the rendering of services	**15,849**	**14,769**
Germany	4,328	4,372
United States	7,495	6,484
Europe	2,408	2,364
Systems Solutions	1,241	1,300
Group Development	361	235
Group Headquarters & Group Services	16	15
Revenue from the sale of goods and merchandise [a]	**3,136**	**2,769**
Germany	503	498
United States	2,161	1,827
Europe	345	353
Systems Solutions	32	22
Group Development	95	69
Group Headquarters & Group Services	0	0
Revenue from the use of entity assets by others	**503**	**386**
Germany	205	117
United States	140	145
Europe	55	10
Systems Solutions	6	10
Group Development	65	72
Group Headquarters & Group Services	32	33
NET REVENUE	**19,488**	**17,924**

[a] Revenue from the sale of goods and merchandise includes interest income of EUR 0.1 billion in the reporting period, calculated using the effective interest method (Q1 2018: EUR 0.1 billion). This income is primarily attributable to accrued interest on receivables in connection with handsets sold under installment plans in the United States operating segment.

[b] Prior-year figures were adjusted on account of a change in the allocation between revenue categories. This change relates to revenue from the use of entity assets by others of EUR 72 million in the Group Development operating segment that had been reported under revenue from the rendering of services in the consolidated financial statements for January 1 to March 31, 2018.

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

OTHER OPERATING INCOME

millions of €

	Q1 2019	Q1 2018
Income from the reversal of impairment losses on non-current assets	0	2
Of which: IFRS 5	0	0
Income from the disposal of non-current assets	20	106
Income from reimbursements	39	41
Income from insurance compensation	27	91
Income from ancillary services	4	6
Miscellaneous other operating income	114	126
Of which: income from divestitures and from the sale of stakes accounted for using the equity method	1	0
	204	**373**

Miscellaneous other operating income includes a large number of individual items accounting for marginal amounts.

OTHER OPERATING EXPENSES

millions of €

	Q1 2019	Q1 2018
Impairment losses on financial assets	(78)	(106)
Gains (losses) from the write-off of financial assets measured at amortized cost	(18)	(10)
Other	(613)	(697)
Legal and audit fees	(55)	(76)
Losses from asset disposals	(46)	(42)
Income (losses) from the measurement of factoring receivables	(32)	(30)
Other taxes	(137)	(156)
Cash and guarantee transaction costs	(85)	(84)
Insurance expenses	(25)	(20)
Miscellaneous other operating expenses	(233)	(289)
	(709)	**(813)**

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

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

At EUR 4.2 billion, depreciation, amortization and impairment losses on intangible assets, property, plant and equipment, and right-of-use assets were EUR 1.1 billion higher than in the prior-year period. Of this figure, EUR 0.9 billion was attributable to the depreciation charge for right-of-use assets required to be recognized for the first time in accordance with IFRS 16. In the prior-year period, by contrast, expenses had been recognized under goods and services purchased in connection with operating leases as well as depreciation of finance lease assets recognized as property, plant and equipment. Depreciation of property, plant and equipment and amortization of intangible assets were EUR 0.2 billion higher than in the prior year, mainly due to the consistently high investment volume in past years.

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

The loss from financial activities remained stable against the first quarter of 2018 at EUR 0.4 billion. Finance costs increased by EUR 0.2 billion to EUR 0.6 billion. These result in particular from the subsequent measurement of lease liabilities recognized since the application of IFRS 16. By contrast, other financial income/expense improved by EUR 0.2 billion, mainly due to positive measurement effects from embedded derivatives at T Mobile US. In the prior-year period, these had a negative effect of EUR 0.1 billion on other financial income/expense. For more information, please refer to the disclosures on financial instruments, page 46 et seq.

INCOME TAXES

A tax expense of EUR 0.5 billion was recognized in the first quarter of 2019. The effective tax rate of 28 percent essentially reflects the shares of the different countries in the profit before income taxes and their respective national tax rates. In the prior-year period, tax expense in approximately the same amount arose with a profit before income taxes that was just marginally lower.

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

NET CASH FROM OPERATING ACTIVITIES

Net cash from operating activities increased by EUR 1.7 billion year-on-year to EUR 6.0 billion. In the first quarter of 2018, the cash outflows in connection with operating leases reduced net cash from operating activities. Due to the mandatory first-time application of the IFRS 16 accounting standard, the principal repayment portion of lease payments is presented in net cash used in/from financing activities. The strong performance of the United States operating segment significantly increased net cash from operating activities. Factoring agreements – especially in the Systems Solutions operating segment – resulted in positive effects of EUR 0.3 billion on net cash from operating activities in the reporting period. The effect from factoring agreements in the prior-year period also totaled EUR 0.3 billion. In addition, in the prior-year period, dividends received in the amount of EUR 0.2 billion had had an increasing effect. Net cash from operating activities was also reduced by EUR 0.1 billion higher net interest payments.

NET CASH USED IN INVESTING ACTIVITIES

millions of €

	Q1 2019	Q1 2018
Cash capex		
Germany operating segment	(1,216)	(1,145)
United States operating segment	(1,713)	(1,143)
Europe operating segment	(446)	(438)
Systems Solutions operating segment	(93)	(83)
Group Development operating segment	(86)	(85)
Group Headquarters & Group Services	(274)	(248)
Reconciliation	1	3
	(3,827)	**(3,139)**
Net cash flows for collateral deposited and hedging transactions	442	(267)
Cash outflows for the acquisition of shares in Tele2 Netherlands [a]	(230)	0
Cash outflows for the acquisition of shares in Layer3 TV [b]	0	(253)
Proceeds from the disposal of property, plant and equipment, and intangible assets	44	161
Cash flows from the loss of control of subsidiaries and associates [c]	0	(61)
Other	(26)	(84)
	(3,597)	**(3,643)**

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

[b] Includes, in addition to the purchase price of EUR 255 million, inflows of cash and cash equivalents in the amount of EUR 2 million.

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

Cash capex increased by EUR 0.7 billion to EUR 3.8 billion. In the reporting period, mobile spectrum licenses were acquired for total cash of EUR 0.1 billion, primarily in the United States operating segment. The prior-year figure likewise included a total of EUR 0.1 billion for the acquisition of mobile spectrum licenses, also predominantly for the United States operating segment. The increase of EUR 0.6 billion in cash capex compared with the prior-year period is attributable to the United States operating segment and is mainly due to the infrastructure build-out for the 600 MHz spectrum, laying the groundwork for 5G.

NET CASH USED IN/FROM FINANCING ACTIVITIES

millions of €

	Q1 2019	Q1 2018
Repayment of bonds	0	(1,898)
Repayment of EIB loans	(111)	(80)
Net cash flows for collateral deposited and hedging transactions	0	12
Principal portion of repayments of lease liabilities	(893)	(205)
Repayment of financial liabilities for media broadcasting rights	(116)	(80)
Cash flows from continuing involvement factoring, net	(17)	21
Loans taken out with the EIB	50	150
Promissory notes, net	144	50
Issuance of bonds	2,234	2,266
Commercial paper, net	(467)	(707)
Overnight borrowings from banks, net	(618)	1,117
Cash inflows from transactions with non-controlling entities		
T-Mobile US stock options	1	1
	1	**1**
Cash outflows from transactions with non-controlling entities		
T-Mobile US share buy-backs	(88)	(603)
OTE share buy-backs	(14)	0
Acquisition of T-Mobile US shares	0	(162)
Other	(5)	(5)
	(107)	**(770)**
Other	(73)	(171)
	27	**(294)**

NON-CASH TRANSACTIONS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

In the first quarter of 2019, Deutsche Telekom chose financing options totaling EUR 0.2 billion under which the payments for trade payables from operating and investing activities primarily become due at a later point in time by involving banks in the process (Q1 2018: EUR 0.2 billion). These payables will subsequently be recognized under financial liabilities in the statement of financial position. As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In the first quarter of 2019, Deutsche Telekom hired network equipment for a total of EUR 1.1 billion that is classified as a lease in accordance with IFRS 16 (Q1 2018: finance lease in the amount of EUR 0.2 billion). The finance lease is subsequently also presented under lease 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 0.1 billion were recognized in the first quarter of 2019 for future consideration for acquired broadcasting rights (Q1 2018: EUR 0.1 billion). As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In the United States operating segment, EUR 0.1 billion was recognized for mobile handsets under property, plant and equipment in the reporting period (Q1 2018: EUR 0.3 billion). These relate to the JUMP! On Demand business model at T-Mobile US, under which customers do not purchase the devices but lease them. The payments are presented under net cash from operating activities.

As part of the acquisition of 100 percent of the shares in Tele2 Netherlands N.V., Deutsche Telekom transferred a 25 percent share in T-Mobile Netherlands (prior to the business combination). For more information, please refer to the section “Changes in the composition of the Group,” page 38 et seq.

SEGMENT REPORTING

The following table gives an overall summary of Deutsche Telekom’s operating segments and the Group Headquarters & Group Services segment for the first quarters of 2019 and 2018.

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

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

For details on the development of operations in the operating segments and the Group Headquarters & Group Services segment, please refer to the section “Development of business in the operating segments” in the interim Group management report, page 16 et seq.

Segment information in the first quarter
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 2019	5,036	321	5,357	863	(1,083)	0	36,853	27,061	12
	Q1 2018	4,987	338	5,325	935	(980)	0	37,419	27,571	12
United States	Q1 2019	9,796	0	9,796	1,376	(1,835)	0	80,982	53,260	195
	Q1 2018	8,455	0	8,455	1,137	(1,223)	0	69,223	43,326	159
Europe	Q1 2019	2,808	83	2,891	339	(694)	(2)	28,717	11,454	60
	Q1 2018	2,727	84	2,811	345	(559)	0	27,263	10,134	60
Systems Solutions	Q1 2019	1,278	352	1,630	(49)	(128)	0	6,630	4,737	25
	Q1 2018	1,332	333	1,665	(76)	(95)	0	5,728	3,810	24
Group Development	Q1 2019	522	160	682	126	(200)	0	8,710	10,500	312
	Q1 2018	376	152	528	148	(78)	0	6,037	8,553	311
Group Headquarters & Group Services	Q1 2019	48	603	651	(393)	(260)	0	54,878	67,052	10
	Q1 2018	48	603	651	(324)	(159)	(4)	50,047	58,931	10
TOTAL	**Q1 2019**	**19,488**	**1,519**	**21,007**	**2,262**	**(4,200)**	**(2)**	**216,770**	**174,064**	**614**
	Q1 2018	**17,924**	**1,511**	**19,435**	**2,165**	**(3,094)**	**(4)**	**195,717**	**152,325**	**576**
Reconciliation	Q1 2019	0	(1,519)	(1,519)	(4)	(2)	0	(51,298)	(51,354)	0
	Q1 2018	0	(1,511)	(1,511)	6	1	0	(50,342)	(50,387)	0
GROUP	**Q1 2019**	**19,488**	**0**	**19,488**	**2,258**	**(4,202)**	**(2)**	**165,472**	**122,710**	**614**
	Q1 2018	**17,924**	**0**	**17,924**	**2,171**	**(3,093)**	**(4)**	**145,375**	**101,938**	**576**

CONTINGENT LIABILITIES

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

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

Claims for damages against Slovak Telekom following a European Commission decision to impose fines. On February 21, 2019, Slovak Telekom and Deutsche Telekom filed an appeal with the European Court of Justice against the ruling by the General Court of the European Union of December 13, 2018 in which the fines imposed by the European Commission were partially overturned and the level of the fines reduced.

OTHER FINANCIAL OBLIGATIONS

The following table provides an overview of Deutsche Telekom's other financial obligations as of March 31, 2019:

millions of €

	Mar. 31, 2019
Purchase commitments regarding property, plant and equipment	4,506
Purchase commitments regarding intangible assets	451
Firm purchase commitments for inventories	3,627
Other purchase commitments and similar obligations	17,952
Payment obligations to the Civil Service Pension Fund	2,139
Obligations from the acquisition of interests in other companies	23,595
Miscellaneous other obligations	53
	52,323

Obligations from the acquisition of interests in other companies mainly relate to the agreed business combination of T-Mobile US and Sprint at USD 26.5 billion (EUR 23.6 billion). For further information on agreed corporate transactions, please refer to the section "Changes in the composition of the Group," page 38 et seq., and to the section "Summary of accounting policies – Changes in the composition of the Group and other transactions," 2018 Annual Report, page 176 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			
	Measurement category in accordance with IFRS 9	Carrying amount Mar. 31, 2019	Amortized cost	Fair value through other com-prehensive income without recycling to profit or loss	Fair value through other com-prehensive income to be reclassified subsequently to profit or loss	Fair value through profit or loss
ASSETS						
Cash and cash equivalents	AC	6,144	6,144			
Trade receivables						
At amortized cost	AC	4,649	4,649			
At fair value through other comprehensive income	FVOCI	5,340			5,340	
At fair value through profit or loss	FVTPL	0				0
Other financial assets						
Originated loans and other receivables						
At amortized cost	AC	2,344	2,344			
Of which: collateral paid	AC	0	0			
At fair value through other comprehensive income	FVOCI	0				
At fair value through profit or loss	FVTPL	113				113
Equity instruments						
At fair value through other comprehensive income	FVOCI	341		341		
Derivative financial assets						
Derivatives without a hedging relationship	FVTPL	728				728
Of which: termination rights embedded in bonds issued	FVTPL	327				327
Of which: energy forward agreements embedded in contracts	FVTPL	8				8
Derivatives with a hedging relationship	n.a.	731			116	615
Lease assets	n.a.	162				
Cash and cash equivalents and trade receivables directly associated with non-current assets and disposal groups held for sale	AC	22	22			
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	35		35		
LIABILITIES						
Trade payables	AC	10,241	10,241			
Bonds and other securitized liabilities	AC	51,835	51,835			
Liabilities to banks	AC	5,561	5,561			
Liabilities to non-banks from promissory note bonds	AC	344	344			
Other interest-bearing liabilities	AC	2,317	2,317			
Of which: collateral received	AC	750	750			
Other non-interest-bearing liabilities	AC	4,720	4,720			
Lease liabilities	n.a.	18,728				
Finance lease liabilities	n.a.	n.a.				
Derivative financial liabilities						
Derivatives without a hedging relationship	FVTPL	286				286
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FVTPL	10				10
Of which: energy forward agreements embedded in contracts	FVTPL	92				92
Derivatives with a hedging relationship	n.a.	884			724	160
Trade payables directly associated with non-current assets and disposal groups held for sale	AC	30	30			
Of which: aggregated by measurement category in accordance with IFRS 9						
ASSETS						
Financial assets at amortized cost	AC	13,159	13,159			
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	5,340			5,340	
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	376		376		
Financial assets at fair value through profit or loss	FVTPL	841				841
LIABILITIES						
Financial liabilities at amortized cost	AC	75,048	75,048			
Financial liabilities at fair value through profit or loss	FVTPL	286				286

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

					Amounts recognized in the statement of financial position in accordance with IFRS 9					
	Amounts recognized in the statement of financial position in accordance with IFRS 16	Fair value Mar. 31, 2019 [a]	Measurement category in accordance with IFRS 9	Carrying amount Dec. 31, 2018	Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through other comprehensive income to be reclassified subsequently to profit or loss	Fair value through profit or loss	Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2018 [a]
			AC	3,679	3,679					
			AC	4,280	4,280					
		5,340	FVOCI	5,703			5,703			5,703
		0	FVTPL	5				5		5
		2,378	AC	2,982	2,982					3,013
			AC	299	299					
			FVOCI	0						0
		113	FVTPL	103				103		103
		341	FVOCI	324		324				324
		728	FVTPL	597				597		597
		327	FVTPL	99				99		99
		8	FVTPL	12				12		12
		731	n.a.	273			5	268		273
	162		n.a.	147					147	
			AC	27	27					
		35	FVOCI	34		34				34
			AC	10,735	10,735					
		55,673	AC	49,033	49,033					51,736
		5,624	AC	5,710	5,710					5,749
		429	AC	497	497					578
		2,347	AC	1,878	1,878					1,927
			AC	404	404					
			AC	1,608	1,608					
	18,728		n.a.	n.a.						
				2,472					2,472	2,695
		286	FVTPL	242				242		242
		10	FVTPL	10				10		10
		92	FVTPL	52				52		52
		884	n.a.	836			486	350		836
			AC	36	36					
		2,378	AC	10,968	10,968					3,013
		5,340	FVOCI	5,703			5,703			5,703
		376	FVOCI	358		358				358
		841	FVTPL	705				705		705
		64,073	AC	69,497	69,497					59,990
		286	FVTPL	242				242		242

Trade receivables include receivables amounting to EUR 1.9 billion (December 31, 2018: EUR 1.7 billion) due in more than one year. The fair value generally equals the carrying amount.

Financial instruments measured at fair value

When determining the fair value, it is important to maximize the use of current inputs observable in liquid markets for the financial instrument in question and minimize the use of other inputs (e.g., historical prices, prices for similar instruments, prices on illiquid markets). A three-level measurement hierarchy is defined for these purposes. If prices quoted in liquid markets are available at the reporting date for the respective financial instrument, these will be used unadjusted for the measurement (Level 1 measurement). Other input parameters are then irrelevant for the measurement. One such example is shares and bonds that are actively traded on a stock exchange. Even if quoted prices on liquid markets are not available at the reporting date for the respective financial instrument, the instrument can be measured using other inputs that are observable on the market at the reporting date (Level 2 measurement). The conditions for this are that no major adjustments have been made to the observable inputs and no unobservable inputs are used. Examples of Level 2 measurements are collateralized interest rate swaps, currency forwards, and cross-currency swaps that can be measured using current interest rates or exchange rates. If the conditions for a Level 1 or Level 2 measurement are not met, a Level 3 measurement is applied. In such cases, major adjustments must be made to observable inputs or unobservable inputs must be used.

Financial instruments measured at fair value
millions of €

	Mar. 31, 2019			
	Level 1	Level 2	Level 3	Total
ASSETS				
Trade receivables				
At fair value through other comprehensive income			5,340	**5,340**
At fair value through profit or loss			0	**0**
Other financial assets – Originated loans and other receivables				
At fair value through other comprehensive income				
At fair value through profit or loss	106		7	**113**
Equity instruments				
At fair value through other comprehensive income	3		373	**376**
Derivative financial assets				
Derivatives without a hedging relationship		393	335	**728**
Derivatives with a hedging relationship		731		**731**
LIABILITIES				
Derivative financial liabilities				
Derivatives without a hedging relationship		184	102	**286**
Derivatives with a hedging relationship		884		**884**

Financial instruments measured at fair value
millions of €

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

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

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

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

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

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

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

	Equity instruments at fair value through other comprehensive income	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial assets at fair value through profit or loss: energy forward agreements embedded in contracts	Derivative financial liabilities at fair value through profit or loss: energy forward agreements embedded in contracts
Carrying amount as of January 1, 2019	**358**	**99**	**12**	**(52)**
Additions (including first-time categorization as Level 3)	3	0	0	0
Decreases in fair value recognized in profit/loss (including losses on disposal)	0	(2)	(5)	(39)
Increases in fair value recognized in profit/loss (including gains on disposal)	0	226	1	0
Decreases in fair value recognized directly in equity	0	0	0	0
Increases in fair value recognized directly in equity	15	0	0	0
Disposals	(3)	0	0	0
Currency translation effects recognized directly in equity	0	4	0	(1)
CARRYING AMOUNT AS OF MARCH 31, 2019	**373**	**327**	**8**	**(92)**

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 369 million measured using the best information available at the reporting date. As a rule, Deutsche Telekom considers transactions involving shares in those companies to have the greatest relevance. Transactions involving shares in comparable companies are also considered. The proximity of the relevant transaction to the reporting date, and the question of whether it was conducted at arm's length, are relevant for deciding which information is used for the measurement. Furthermore, the degree of similarity between the object being measured and comparable companies must be taken into consideration. Based on Deutsche Telekom's own assessment, the fair values of the equity investments at the reporting date could be determined with sufficient reliability. Please refer to the table above for the development of the carrying amounts in the reporting period. At the reporting date, investments with a carrying amount of EUR 35 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 255 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 March 31, 2019. In the case of investments with a carrying amount of EUR 81 million, an analysis of operational indicators (especially revenue, EBIT and liquidity) revealed that the carrying amounts were equivalent to current fair values. Due to better comparability, previous arm's-length transactions involving shares in these companies are preferable to more recent transactions involving shares in similar companies. In the case of investments with a carrying amount of EUR 33 million, for which the last arm's length transactions relating to shares in these companies took place some time ago, a measurement performed more recently relating to shares in similar companies provides the most reliable representation of the fair values. Here, multiples to the reference variable of expected revenue (ranging between 3.2 and 11.2) were taken. The 25 percent quantile, the median, or the 75 percent quantile was used for the multiples depending on the specific circumstances. If other values had been used for the multiples and for the expected revenue amounts, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table on the right. In addition, non-material individual items with a carrying amount of EUR 4 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 327 million when translated into euros. The options, which can be exercised by T-Mobile US at any time, allow early redemption of the bonds at fixed exercise prices. Observable market prices are available regularly and also at the reporting date for the bonds as entire instruments, but not for the options embedded therein. The termination rights are measured using an option pricing model. Historical interest rate volatilities of bonds issued by T-Mobile US and comparable issuers are used for the measurement because these provide a more reliable estimate at the reporting date than current market interest rate volatilities. The absolute figure used for the interest rate volatility at the current reporting date was between 1.2 and 2.1 percent. The spread curve, which is also unobservable, was derived on the basis of current market prices of bonds issued by T-Mobile US and debt instruments of comparable issuers. The spreads used at the current reporting date were between 1.9 and 2.8 percent for the maturities of the bonds and between 0.4 and 1.7 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 right. In the reporting period, net income of EUR 224 million when translated into euros was recognized under Level 3 in other financial income/expense for unrealized gains for the options in the portfolio at the reporting date. For the development of the carrying amounts in the reporting period, please refer to the table above. The changes in value recognized in profit or loss in the reporting period were mainly attributable to fluctuations in the interest rates and historical interest rate volatilities in absolute terms that are relevant for measurement. Due to their distinctiveness, these instruments constitute a separate class of financial instruments.

Sensitivities [a] of the carrying amounts of the financial assets and financial liabilities assigned to Level 3 depending on unobservable inputs
millions of €

	Equity instruments at fair value through other comprehensive income	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial assets at fair value through profit or loss: energy forward agreements embedded in contracts	Derivative financial liabilities at fair value through profit or loss: energy forward agreements embedded in contracts
Multiple next-level-up quantile	5			
Multiple next-level-down quantile	(5)			
Expected revenues +10%	2			
Expected revenues –10%	(2)			
Interest rate volatility [b] +10 %		21		
Interest rate volatility [b] –10 %		(24)		
Spread curve [c] +100 basis points		(140)		
Spread curve [c] –100 basis points		213		
Mean reversion [d] +100 basis points		(5)		
Mean reversion [d] –100 basis points		6		
Future energy prices +10 %			15	36
Future energy prices –10 %			(15)	(36)
Future energy output +5 %			5	5
Future energy output –5 %			(5)	(5)
Future prices for renewable energy credits [e] +100 %			2	9
Future prices for renewable energy credits [e] from zero			(2)	(9)

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

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

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

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

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

With a carrying amount of EUR 92 million when translated into euros, the derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial liabilities relate to energy forward agreements embedded in contracts entered into by T-Mobile US. The same applies to derivative financial assets with a carrying amount of EUR 8 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 derivatives is materially influenced by the facility's future energy output, for which T-Mobile US estimated a value of 2,207 gigawatt hours per year at the reporting date. The value of the derivatives is also significantly influenced by future energy prices, which are not observable for the period beyond five years. Further, the value of the derivatives is materially influenced by the future prices for renewable energy credits, which are also not observable. For the unobservable portion of the term, T-Mobile US used on-peak energy prices of between EUR 22.46/MWh and EUR 69.88/MWh when translated into euros and off-peak prices of between EUR 14.10/MWh and EUR 45.29/MWh when translated into euros. An average on-peak/off-peak ratio of 52 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 43 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 the left. The market-price changes in the reporting period were largely attributable to changes in observable and unobservable energy prices and to interest rate effects. Due to their distinctiveness, these instruments constitute a separate class of financial instruments. In the view of T-Mobile US, the contracts were entered into at current market conditions, and the most appropriate parameters for the unobservable inputs were used for measurement purposes. The transaction price at inception was zero in each case. Since the unobservable inputs have a material influence on the measurement of the derivatives, the respective amount resulting from initial measurement was not carried on initial recognition. Instead, these amounts are amortized in profit or loss on a straight-line basis over the period of commercial energy generation (for a total amount of EUR 11 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 €

Measurement amounts on initial recognition	**151**
Measurement amounts on initial recognition (additions during the reporting period)	0
Measurement amounts amortized in profit or loss in prior periods	(3)
Measurement amounts amortized in profit or loss in the current reporting period	(1)
Currency translation adjustments	3
MEASUREMENT AMOUNTS NOT AMORTIZED AS OF MARCH 31, 2019	**150**

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 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 750 million (December 31, 2018: EUR 404 million). The credit risk was thus reduced by EUR 674 million (December 31, 2018: EUR 400 million) because, on the reporting date, the collateral received was offset by corresponding net derivative positions in the same amount. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 1,124 million as of the reporting date (December 31, 2018: EUR 756 million) had a maximum credit risk of EUR 7 million as of March 31, 2019 (December 31, 2018: EUR 24 million).

When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom did not provide any cash collateral to counterparties pursuant to collateral agreements as of the reporting date (December 31, 2018: EUR 299 million).

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

According to agreement, no cash collateral was provided for interest rate swaps concluded by T-Mobile US with a nominal value of EUR 8.5 billion (when translated into euros). The fair values at the reporting date were negative in each case from the perspective of T-Mobile US and amounted to EUR -626 million when translated into euros (December 31, 2018: EUR -391 million).

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

RELATED-PARTY DISCLOSURES

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

EXECUTIVE BODIES

Changes in the composition of the Board of Management

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

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

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

Changes in the composition of the Supervisory Board

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

EVENTS AFTER THE REPORTING PERIOD (MARCH 31, 2019)

Sale of Telekom Albania. On May 7, 2019, after the transaction was approved by the relevant authorities, OTE announced the completion of its previously announced sale of its entire stake in Telekom Albania to the Bulgarian company Albania Telecom Invest AD.

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 performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Bonn, May 9, 2019

Deutsche Telekom AG
Board of Management

Timotheus Höttges

Adel Al-Saleh	Birgit Bohle	Srini Gopalan	Dr. Christian P. Illek
Dr. Thomas Kremer	Thorsten Langheim	Claudia Nemat	Dr. Dirk Wössner

REVIEW REPORT

To Deutsche Telekom AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to March 31, 2019, 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, May 9, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels	Thomas Tandetzki
Wirtschaftsprüfer	Wirtschaftsprüfer

ADDITIONAL INFORMATION

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

SPECIAL FACTORS

The following table presents a reconciliation of EBITDA AL, EBIT, and net profit/loss to the respective figures adjusted for special factors. Reconciliations are presented for the reporting period, the prior-year period, and the full 2018 financial year:

millions of €

	EBITDA AL Q1 2019	EBIT Q1 2019	EBITDA AL Q1 2018	EBIT Q1 2018	EBITDA AL FY 2018	EBIT FY 2018
EBITDA AL/EBIT	**5,500**	**2,258**	**5,206**	**2,171**	**21,577**	**8,001**
GERMANY	**(168)**	**(168)**	**(167)**	**(167)**	**(598)**	**(598)**
Staff-related measures	(163)	(163)	(160)	(160)	(565)	(565)
Non-staff-related restructuring	(5)	(5)	(6)	(6)	(46)	(46)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Other	0	0	(1)	(1)	13	13
UNITED STATES	**(99)**	**(99)**	**28**	**28**	**(160)**	**(160)**
Staff-related measures	(2)	(2)	(2)	(2)	(15)	(15)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(97)	(97)	30	30	(145)	(145)
Impairment losses	0	0	0	0	0	0
Other	0	0	0	0	0	0
EUROPE	**(24)**	**(24)**	**(7)**	**(7)**	**(122)**	**(797)**
Staff-related measures	(16)	(16)	(5)	(5)	(90)	(90)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(6)	(6)	0	0	(14)	(14)
Impairment losses	0	0	0	0	0	(674)
Other	(2)	(2)	(1)	(1)	(19)	(19)
SYSTEMS SOLUTIONS	**(46)**	**(46)**	**(38)**	**(38)**	**(266)**	**(322)**
Staff-related measures	(34)	(34)	(24)	(24)	(194)	(194)
Non-staff-related restructuring	(1)	(1)	0	0	(4)	(4)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	(56)
Other	(11)	(11)	(14)	(14)	(68)	(68)
GROUP DEVELOPMENT	**(6)**	**(6)**	**(5)**	**(5)**	**(27)**	**(27)**
Staff-related measures	(3)	(3)	(2)	(2)	(6)	(6)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(3)	(3)	(3)	(3)	(21)	(21)
Impairment losses	0	0	0	0	0	0
Other	0	0	(1)	(1)	(1)	(1)
GROUP HEADQUARTERS & GROUP SERVICES	**(97)**	**(97)**	**(92)**	**(92)**	**(322)**	**(322)**
Staff-related measures	(72)	(72)	(76)	(76)	(288)	(288)
Non-staff-related restructuring	(13)	(13)	(15)	(15)	(59)	(59)
Effects of deconsolidations, disposals and acquisitions	(5)	(5)	0	0	(44)	(44)
Impairment losses	0	0	0	0	0	0
Other	(7)	(7)	(1)	(1)	69	69
GROUP	**(440)**	**(440)**	**(281)**	**(281)**	**(1,497)**	**(2,204)**
Staff-related measures	(290)	(290)	(270)	(270)	(1,159)	(1,159)
Non-staff-related restructuring	(19)	(19)	(21)	(21)	(109)	(109)
Effects of deconsolidations, disposals and acquisitions	(111)	(111)	28	28	(223)	(223)
Impairment losses	0	0	0	0	0	(707)
Other	(20)	(20)	(17)	(17)	(6)	(6)
EBITDA AL/EBIT (ADJUSTED FOR SPECIAL FACTORS)	**5,940**	**2,698**	**5,487**	**2,452**	**23,074**	**10,204**
Profit (loss) from financial activities (adjusted for special factors)		(406)		(413)		(2,091)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		**2,292**		**2,038**		**8,114**
Income taxes (adjusted for special factors)		(649)		(584)		(2,225)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		**1,643**		**1,455**		**5,889**
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		1,183		1,190		4,545
Non-controlling interests (adjusted for special factors)		460		265		1,344

GROSS AND NET DEBT

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

millions of €

	Mar. 31, 2019	Dec. 31, 2018	Change	Change %	Mar. 31, 2018
Financial liabilities (current)[a]	14,958	10,527	n.a.	n.a.	8,905
Financial liabilities (non-current)[a]	50,988	51,748	n.a.	n.a.	48,799
Lease liabilities	18,728	n.a.	n.a.	n.a.	n.a.
FINANCIAL LIABILITIES	**84,675**	**62,275**	**n.a.**	**n.a.**	**57,704**
Accrued interest	(670)	(719)	49	6.8	(574)
Other	(4,086)	(928)	(3,158)	n.a.	(793)
GROSS DEBT	**79,919**	**60,628**	**n.a.**	**n.a.**	**56,337**
Cash and cash equivalents	6,144	3,679	2,465	67.0	3,618
Derivative financial assets	1,459	870	589	67.7	1,271
Other financial assets	440	654	(214)	(32.7)	993
NET DEBT	**71,876**	**55,425**	**n.a.**	**n.a.**	**50,455**

[a] Financial liabilities included finance lease liabilities in accordance with IAS 17 for the last time as of December 31, 2018 (EUR 2.5 billion).

The new IFRS 16 “Leases” accounting standard has been applied since January 1, 2019. Prior-year comparatives were not adjusted. For more information, please refer to section “Accounting policies” in the interim consolidated financial statements, page 35 et seq.

GLOSSARY

For definitions, please refer to the 2018 Annual Report and the glossary therein, page 276 et seq.

DISCLAIMER

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

Forward-looking statements are based on current plans, estimates, and projections. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom's control. They include, for instance, the progress of Deutsche Telekom's staff-related restructuring measures and the impact of other significant strategic or business initiatives, including acquisitions, dispositions, and business combinations.

In addition, movements in exchange rates and interest rates, regulatory rulings, stronger than expected competition, technological change, litigation, and regulatory developments, among other factors, may have a material adverse effect on costs and revenue development.

If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, Deutsche Telekom's actual results may be materially different from those expressed or implied by such statements. Deutsche Telekom can offer no assurance that its expectations or targets will be achieved.

Without prejudice to existing obligations under capital market law, Deutsche Telekom does not assume any obligation to update forward-looking statements to account for new information or future events or anything else. In addition to figures prepared in accordance with IFRSs, Deutsche Telekom presents alternative performance measures, e.g., EBITDA, EBITDA AL, EBITDA AL margin, adjusted EBITDA, adjusted EBITDA AL, adjusted EBITDA AL margin, adjusted EBIT, adjusted EBIT margin, adjusted net profit/loss, free cash flow, free cash flow AL, gross debt, and net debt.

These measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRSs. Alternative performance measures are not subject to IFRSs or any other generally accepted accounting principles. Other companies may define these terms in different ways. For further information relevant to alternative performance measures, please refer to the 2018 Annual Report, section "Management of the Group," page 38 et seq., or to Deutsche Telekom's Investor Relations website at www.telekom.com/alternative-performance-measures.

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

Our Interim Group Report (PDF and online) includes references and links to websites with additional information not contained in the Interim Group Report. These references and links are purely of a supplementary nature and are only intended to simplify access to this information. Please note that this information is not part of the Interim Group Report.

FINANCIAL CALENDAR

May 9, 2019	August 8, 2019	November 7, 2019
Publication of the Interim Group Report as of March 31, 2019	Publication of the Interim Group Report as of June 30, 2019	Publication of the Interim Group Report as of September 30, 2019
February 20, 2020	**March 26, 2020**	**May 14, 2020**
Press conference on the 2019 financial statements and publication of the 2019 Annual Report	2020 shareholders' meeting	Publication of the Interim Group Report as of March 31, 2020

All dates are subject to change.
For more dates, an updated schedule, and information on webcasts, please go to www.telekom.com/financial-calendar.

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This Interim Group Report can be downloaded from our Investor Relations website at:
www.telekom.com/investor-relations

Our Annual Report is available online at:
www.telekom.com/geschaeftsbericht
www.telekom.com/annualreport

The English version of the Interim Group Report for January 1 to March 31, 2019 is a translation of the German version of the Interim Group Report. The German version is legally binding.

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

You can access our Investor Relations website directly by scanning this QR code.