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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

millions of €

	Note	Dec. 31, 2018	Dec. 31, 2017
ASSETS			
CURRENT ASSETS		**21,870**	**20,392**
Cash and cash equivalents	1	3,679	3,312
Trade and other receivables	2	9,988	9,723
Contract assets	3	1,765	n. a.
Current recoverable income taxes	30	492	236
Other financial assets	10	2,847	3,329
Inventories	4	1,790	1,985
Other assets	11	1,164	1,646
Non-current assets and disposal groups held for sale	5	145	161
NON-CURRENT ASSETS		**123,505**	**120,943**
Intangible assets	6	64,950	62,865
Property, plant and equipment	7	50,631	46,878
Capitalized contract costs	8	1,744	n. a.
Investments accounted for using the equity method	9	576	651
Other financial assets	10	1,585	5,716
Deferred tax assets	30	2,949	4,013
Other assets	11	1,070	819
TOTAL ASSETS		**145,375**	**141,334**

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millions of €

	Note	Dec. 31, 2018	Dec. 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES		**29,144**	**27,366**
Financial liabilities	12	10,527	8,358
Trade and other payables	13	10,735	10,971
Income tax liabilities	30	328	224
Other provisions	15	3,144	3,372
Other liabilities	16	2,654	4,440
Contract liabilities	17	1,720	n. a.
Liabilities directly associated with non-current assets and disposal groups held for sale	5	36	0
NON-CURRENT LIABILITIES		**72,794**	**71,498**
Financial liabilities	12	51,748	49,171
Provisions for pensions and other employee benefits	14	5,502	8,375
Other provisions	15	3,291	3,155
Deferred tax liabilities	30	8,240	6,967
Other liabilities	16	3,427	3,831
Contract liabilities	17	585	n. a.
LIABILITIES		**101,938**	**98,864**
SHAREHOLDERS' EQUITY	18	**43,437**	**42,470**
Issued capital		12,189	12,189
Treasury shares		(49)	(49)
		12,141	**12,140**
Capital reserves		54,646	55,010
Retained earnings including carryforwards		(37,392)	(38,750)
Total other comprehensive income		(653)	(1,127)
Net profit (loss)		2,166	3,461
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT		**30,907**	**30,734**
Non-controlling interests		12,530	11,737
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**145,375**	**141,334**

The new accounting standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" took effect as of January 1, 2018. Prior-year comparatives were not adjusted.
For further information, please refer to the section "Initial application of standards, interpretations, and amendments in the financial year" in the notes to the consolidated financial statements, page 154 et seq.

CONSOLIDATED INCOME STATEMENT

millions of €

	Note	2018	2017	2016
NET REVENUE	19	**75,656**	**74,947**	**73,095**
Of which: interest income calculated using the effective interest method		305	n. a.	n. a.
Other operating income	20	1,491	3,819	4,180
Changes in inventories		(14)	21	(12)
Own capitalized costs	22	2,433	2,292	2,112
Goods and services purchased	23	(38,160)	(38,161)	(37,084)
Personnel costs	24	(16,436)	(15,504)	(16,463)
Other operating expenses	25	(3,134)	(3,444)	(3,284)
Impairment losses on financial assets		(394)	n. a.	n. a.
Gains (losses) from the write-off of financial assets measured at amortized cost		(120)	n. a.	n. a.
Other		(2,620)	(3,444)	(3,284)
EBITDA		**21,836**	**23,969**	**22,544**
Depreciation, amortization and impairment losses	26	(13,836)	(14,586)	(13,380)
PROFIT FROM OPERATIONS (EBIT)		**8,001**	**9,383**	**9,164**
Finance costs	27	(1,817)	(2,197)	(2,492)
Interest income		277	320	223
Interest expense		(2,094)	(2,517)	(2,715)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	28	(529)	76	(53)
Other financial income (expense)	29	(502)	(2,269)	(2,072)
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES		**(2,848)**	**(4,390)**	**(4,617)**
PROFIT BEFORE INCOME TAXES		**5,153**	**4,994**	**4,547**
Income taxes	30	(1,824)	558	(1,443)
PROFIT (LOSS)		**3,329**	**5,551**	**3,104**
PROFIT (LOSS) ATTRIBUTABLE TO				
Owners of the parent (net profit (loss))		2,166	3,461	2,675
Non-controlling interests	31	1,163	2,090	429
EARNINGS PER SHARE	32			
Basic €		0.46	0.74	0.58
Diluted €		0.46	0.74	0.58

The new accounting standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" took effect as of January 1, 2018. Prior-year comparatives were not adjusted.
For further information, please refer to the section "Initial application of standards, interpretations, and amendments in the financial year" in the notes to the consolidated financial statements, page 154 et seq.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	2018	2017	2016
PROFIT (LOSS)	**3,329**	**5,551**	**3,104**
Items not subsequently reclassified to profit or loss (not recycled)			
Gains (losses) from the remeasurement of equity instruments [a]	(619)	n. a.	n. a.
Gains (losses) from the remeasurement of defined benefit plans	127	116	(660)
Revaluation due to business combinations	0	0	0
Share of profit (loss) of investments accounted for using the equity method	0	0	0
Income taxes relating to components of other comprehensive income	36	(19)	205
	(456)	**97**	**(455)**
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	(1)	0	(948)
Change in other comprehensive income (not recognized in income statement)	1,033	(2,196)	395
Gains (losses) from the remeasurement of available-for-sale financial assets [a, b]			
Recognition of other comprehensive income in income statement	n. a.	7	2,282
Change in other comprehensive income (not recognized in income statement)	n. a.	27	(2,323)
Gains (losses) from the remeasurement of debt instruments [a]			
Recognition of other comprehensive income in income statement	(75)	n. a.	n. a.
Change in other comprehensive income (not recognized in income statement)	84	n. a.	n. a.
Gains (losses) from hedging instruments [a, c]			
Recognition of other comprehensive income in income statement	n. a.	450	328
Change in other comprehensive income (not recognized in income statement)	n. a.	(270)	(457)
Gains (losses) from hedging instruments (designated risk components) [a]			
Recognition of other comprehensive income in income statement	(32)	n. a.	n. a.
Change in other comprehensive income (not recognized in income statement)	(382)	n. a.	n. a.
Gains (losses) from hedging instruments (hedging costs) [a, d]			
Recognition of other comprehensive income in income statement	3	n. a.	n. a.
Change in other comprehensive income (not recognized in income statement)	56	n. a.	n. a.
Share of profit (loss) of investments accounted for using the equity method			
Recognition of other comprehensive income in income statement	0	0	7
Change in other comprehensive income (not recognized in income statement)	7	0	1
Income taxes relating to components of other comprehensive income	86	(58)	39
	779	**(2,040)**	**(676)**
OTHER COMPREHENSIVE INCOME	**323**	**(1,943)**	**(1,131)**
TOTAL COMPREHENSIVE INCOME	**3,652**	**3,608**	**1,973**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent	2,181	2,340	1,306
Non-controlling interests	1,471	1,268	667

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

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

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

[d] In the 2018 financial year, hedging costs relate entirely to cross currency basis spreads. For further information, please also refer to Note 40 "Financial instruments and risk management," page 236 et seq.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

millions of €

	Number of shares	Issued capital and reserves attributable to owners of the parent						
		Equity contributed			Consolidated shareholders' equity generated		Total other comprehensive income	
	thousands	Issued capital	Treasury shares	Capital reserves	Retained earnings including carryforwards	Net profit (loss)	Translation of foreign operations	Revaluation surplus
BALANCE AT JANUARY 1, 2016	**4,606,652**	**11,793**	**(51)**	**52,412**	**(38,969)**	**3,254**	**427**	**(62)**
Changes in the composition of the Group								
Transactions with owners				(87)			(6)	
Unappropriated profit (loss) carried forward					3,254	(3,254)		
Dividends					(2,523)			
Capital increase at Deutsche Telekom AG	70,250	180		839				
Capital increase from share-based payment				192				
Share buy-back/shares held in a trust deposit			1		3			
Profit (loss)						2,675		
Other comprehensive income					(454)		(792)	
TOTAL COMPREHENSIVE INCOME								
Transfer to retained earnings					(38)			2
BALANCE AT DECEMBER 31, 2016	**4,676,902**	**11,973**	**(50)**	**53,356**	**(38,727)**	**2,675**	**(371)**	**(60)**
BALANCE AT JANUARY 1, 2017	**4,676,902**	**11,973**	**(50)**	**53,356**	**(38,727)**	**2,675**	**(371)**	**(60)**
Changes in the composition of the Group								
Transactions with owners				355			9	
Unappropriated profit (loss) carried forward					2,675	(2,675)		
Dividends					(2,794)			
Capital increase at Deutsche Telekom AG	84,557	216		1,175				
Capital increase from share-based payment				124				
Share buy-back/shares held in a trust deposit			1		3			
Profit (loss)						3,461		
Other comprehensive income					93		(1,367)	
TOTAL COMPREHENSIVE INCOME								
Transfer to retained earnings								
BALANCE AT DECEMBER 31, 2017	**4,761,459**	**12,189**	**(49)**	**55,010**	**(38,750)**	**3,461**	**(1,729)**	**(60)**
BALANCE AT JANUARY 1, 2018	**4,761,459**	**12,189**	**(49)**	**55,010**	**(38,750)**	**3,461**	**(1,729)**	**(60)**
Transfer resulting from change in accounting standards					1,414			
Changes in the composition of the Group								
Transactions with owners				(614)	1		(13)	0
Unappropriated profit (loss) carried forward					3,461	(3,461)		
Dividends					(3,083)			
Capital increase at Deutsche Telekom AG								
Capital increase from share-based payment				250				
Share buy-back/shares held in a trust deposit			1	0	3			
Profit (loss)						2,166		
Other comprehensive income					163		621	
TOTAL COMPREHENSIVE INCOME								
Transfer to retained earnings					(602)			32
BALANCE AT DECEMBER 31, 2018	**4,761,459**	**12,189**	**(49)**	**54,646**	**(37,392)**	**2,166**	**(1,120)**	**(28)**

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Issued capital and reserves attributable to owners of the parent									Total	Non-controlling interests	Total shareholders' equity
	Total other comprehensive income										
	Available-for-sale financial assets (IAS 39)	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			
	110	**n. a.**	**n. a.**	**738**	**n. a.**	**n. a.**	**(17)**	**(235)**	**29,400**	**8,750**	**38,150**
									(93)	117	24
									(2,523)	(97)	(2,620)
									1,019		1,019
									192	103	295
									4		4
									2,675	429	3,104
	(41)			(129)			8	39	(1,369)	238	(1,131)
									1,306	**667**	**1,973**
							36				
	69	**n. a.**	**n. a.**	**609**	**n. a.**	**n. a.**	**27**	**(196)**	**29,305**	**9,540**	**38,845**
	69	**n. a.**	**n. a.**	**609**	**n. a.**	**n. a.**	**27**	**(196)**	**29,305**	**9,540**	**38,845**
										6	6
									364	977	1,341
									(2,794)	(122)	(2,916)
									1,391		1,391
									124	68	192
									4		4
									3,461	2,090	5,551
	32			180			(1)	(58)	(1,121)	(823)	(1,944)
									2,340	**1,268**	**3,608**
	101	**n. a.**	**n. a.**	**789**	**n. a.**	**n. a.**	**26**	**(254)**	**30,734**	**11,737**	**42,470**
	101	**n. a.**	**n. a.**	**789**	**n. a.**	**n. a.**	**26**	**(254)**	**30,734**	**11,737**	**42,470**
	(99)	93	0	(789)	789			38	1,446	103	1,549
									0	11	11
		0	2		1			(1)	(625)	(764)	(1,389)
									0	0	0
									(3,083)	(172)	(3,255)
									0	0	0
									250	144	394
									4	0	4
									2,166	1,163	3,329
		(620)	6		(271)	58	7	50	15	308	323
									2,181	**1,471**	**3,652**
		611	(6)				(36)	1	0	0	0
	n. a.	**84**	**2**	**n. a.**	**519**	**58**	**(4)**	**(165)**	**30,907**	**12,530**	**43,437**

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

	Note	2018	2017	2016
PROFIT BEFORE INCOME TAXES	34	**5,153**	**4,994**	**4,547**
Depreciation, amortization and impairment losses		13,836	14,586	13,380
(Profit) loss from financial activities		2,848	4,390	4,617
(Profit) loss on the disposal of fully consolidated subsidiaries		0	(537)	(7)
(Income) loss from the sale of stakes accounted for using the equity method		0	(226)	(2,591)
Other non-cash transactions		430	(1,447)	316
(Gains) losses from the disposal of intangible assets and property, plant and equipment		(126)	(103)	(495)
Change in assets carried as working capital		(1,335)	(1,874)	(1,000)
Change in provisions		(100)	265	(234)
Change in other liabilities carried as working capital		(526)	51	(510)
Income taxes received (paid)		(697)	(634)	(527)
Dividends received		181	241	331
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives		0	0	289
CASH GENERATED FROM OPERATIONS		**19,663**	**19,706**	**18,116**
Interest paid		(3,307)	(3,783)	(3,488)
Interest received		1,592	1,274	905
NET CASH FROM OPERATING ACTIVITIES		**17,948**	**17,196**	**15,533**
Cash outflows for investments in				
Intangible assets		(3,353)	(10,345)	(5,603)
Property, plant and equipment		(9,139)	(9,149)	(8,037)
Non-current financial assets		(639)	(361)	(483)
Payments to acquire control of subsidiaries and associates		(2,080)	(15)	(2)
Proceeds from disposal of				
Intangible assets		2	21	1
Property, plant and equipment		523	379	363
Non-current financial assets		596	612	335
Proceeds from the loss of control of subsidiaries and associates		(67)	528	4
Net change in short-term investments and marketable securities and receivables		(144)	1,514	(186)
Other		5	2	
NET CASH USED IN INVESTING ACTIVITIES		**(14,297)**	**(16,814)**	**(13,608)**
Proceeds from issue of current financial liabilities		51,597	13,516	26,187
Repayment of current financial liabilities		(57,253)	(26,537)	(34,951)
Proceeds from issue of non-current financial liabilities		8,375	11,215	9,520
Repayment of non-current financial liabilities		(23)	(10)	(20)
Dividends (including to non-controlling interests)		(3,254)	(1,559)	(1,596)
Repayment of lease liabilities		(1,174)	(715)	(374)
Cash inflows from transactions with non-controlling entities		29	18	26
Cash outflows from transactions with non-controlling entities		(1,557)	(522)	(114)
Other		0	0	0
NET CASH USED IN FINANCING ACTIVITIES		**(3,259)**	**(4,594)**	**(1,322)**
Effect of exchange rate changes on cash and cash equivalents		(17)	(226)	250
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale		(8)	3	(3)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**367**	**(4,435)**	**850**
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE YEAR		**3,312**	**7,747**	**6,897**
CASH AND CASH EQUIVALENTS, AT THE END OF THE YEAR		**3,679**	**3,312**	**7,747**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF ACCOUNTING POLICIES

GENERAL INFORMATION

The Deutsche Telekom Group (hereinafter referred to as "Deutsche Telekom" or the "Group") is one of the world's leading service providers in the telecommunications and information technology sector. Deutsche Telekom offers its customers all kinds of products and services for connected life and work. The Group reports on the operating segments Germany, United States, Europe, Systems Solutions, and Group Development, as well as on the Group Headquarters & Group Services segment.

The Company was entered into the commercial register of the Bonn District Court (Amtsgericht – HRB 6794) under the name Deutsche Telekom AG on January 2, 1995.

The Company has its registered office in Bonn, Germany. Its address is Deutsche Telekom AG, Friedrich-Ebert-Allee 140, 53113 Bonn.

The declaration of conformity with the German Corporate Governance Code required pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz – AktG) has been released and made available to shareholders. The Declaration of Conformity can be found on the Deutsche Telekom website (www.telekom.com) via the following path: Investor Relations/Management & Corporate Governance/Reports and declarations/Declaration of Conformity according to § 161 AktG.

The shares of Deutsche Telekom AG are traded on the Frankfurt/Main Stock Exchange as well as on other stock exchanges.

The annual financial statements of Deutsche Telekom as well as the consolidated financial statements of Deutsche Telekom AG, which have an unqualified audit opinion from PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, are published in the Federal Gazette (Bundesanzeiger). The Annual Report is available upon request from Deutsche Telekom AG, Bonn, Investor Relations, and on Deutsche Telekom's website (www.telekom.com) under the following path: Investor Relations/Publications/Financial results.

The consolidated financial statements of Deutsche Telekom AG for the 2018 financial year were released for publication by the Board of Management on February 12, 2019.

BASIS OF PREPARATION

The consolidated financial statements of Deutsche Telekom have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as well as with the regulations under commercial law as set forth in § 315e (1) of the German Commercial Code (Handelsgesetzbuch – HGB). The term IFRS is consistently used in the following.

The financial year corresponds to the calendar year. The consolidated statement of financial position includes comparative amounts for one reporting date. The consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows include two comparative years.

Presentation in the statement of financial position differentiates between current and non-current assets and liabilities, which – where required – are broken down further by their respective maturities in the notes to the consolidated financial statements. The consolidated income statement is presented using the total cost method. Here, the costs incurred in the financial year are broken down by cost type and the costs capitalized under inventories as well as under intangible assets and property, plant and equipment are presented separately as changes in inventories or own capitalized costs. The consolidated financial statements are prepared in euros.

The financial statements of Deutsche Telekom AG and its subsidiaries included in the consolidated financial statements were prepared using uniform group accounting policies.

INITIAL APPLICATION OF STANDARDS, INTERPRETATIONS, AND AMENDMENTS IN THE FINANCIAL YEAR

In the 2018 financial year, Deutsche Telekom applied the following IASB pronouncements and/or amendments to such pronouncements for the first time:

Pronouncement	Title	To be applied by Deutsche Telekom from	Changes	Impact on the presentation of Deutsche Telekom's results of operations and financial position
IFRS 9	Financial Instruments	January 1, 2018	IFRS 9 introduces new classification and measurement requirements for financial instruments and replaces, in particular, IAS 39. The new regulations cover the classification of financial assets on the basis of the underlying business models and the cash flow characteristics of the instruments. Under the new provisions on the accounting of impairment losses, expected losses have to be recognized on initial recognition. In addition, the requirements apply not only to debt instruments, but also to contract assets pursuant to IFRS 15. Among other things, the new rules for reporting hedge relationships provide the option of recognizing hedging costs separately in other comprehensive income.	The effects of IFRS 9 are detailed in the explanations following this table.
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaces in particular IAS 18 and IAS 11. When applying IFRS 15 for the first time, an entity shall apply the standard in full for the current period. In respect of prior periods, the transition guidance grants entities an option to either apply IFRS 15 in full to prior periods (with certain limited practical expedients being available) or to retain prior-period figures as reported under the previous standards, recognizing the cumulative effect of applying IFRS 15 to all contracts that had not yet been completed at the beginning of the reporting period as an adjustment to the opening balance of equity at the date of first-time adoption (beginning of current reporting period).	The standard has a material effect on the presentation of Deutsche Telekom's results of operations and financial position. The effects of IFRS 15 are detailed in the explanations following this table.
Amendments to IFRS 15	Effective Date of IFRS 15	January 1, 2018	Mandatory adoption of IFRS 15 for reporting periods beginning on or after January 1, 2018.	The effects of IFRS 15 are detailed in the explanations following this table.
Amendments to IFRS 15	Clarifications to IFRS 15	January 1, 2018	The clarifications address the following topics relating to IFRS 15: ▪ Identification of performance obligations (when a promised good or service is distinct from other promises in the contract). ▪ Differentiation of principal-agent relationships, application guidance on the concept of the transfer of control in the case of services provided by third parties. ▪ Clarification of the conditions for the timing of recognition of revenue arising from the licensing of intellectual property. Further exemption options for the transition to IFRS 15 were also added.	The effects of IFRS 15 are detailed in the explanations following this table.
Amendments to IAS 40	Transfers of Investment Property	January 1, 2018	Clarification of transfers into or out of investment property.	No material impact.
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	January 1, 2018	Clarifications of classification and measurement of share-based payment transactions.	No material impact.
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018	Entities falling within the scope of IFRS 4 and whose predominant activity is issuing insurance contracts may, by way of temporary exemption, defer application of IFRS 9 until such time as the new standard for insurance contracts has come into force. In the interim, such entities are thus subject to the provisions of IAS 39. In the case of designated financial assets, other entities falling within the scope of IFRS 4 may incur differences in values depending on whether these assets are to be accounted for in accordance with IFRS 9 or IAS 39; these differences must be presented in other comprehensive income instead of in profit or loss.	No material impact.
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	IFRIC 22 clarifies what exchange rate is to be applied on initial recognition of a foreign-currency transaction in an entity's functional currency in cases where the entity receives or pays advance consideration before the related asset, expense or income is recognized. The exchange rate for the underlying asset, expense or income is taken as that prevailing on the date of initial recognition of the non-monetary prepayment asset or deferred income liability.	No material impact.
Annual Improvements Project	Annual Improvements to IFRSs 2014–2016 Cycle	January 1, 2018 (IFRS 1 and IAS 28)	Clarification of many published standards.	No material impact.

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

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

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

- The new provisions on the accounting of impairment losses will lead to expected losses having to be recognized earlier than under IAS 39 in some cases. There will be a minor increase in impairment losses due to application of the simplified approach for trade receivables with a significant financing component and for lease assets, and to impairment losses on contract assets recognized for the first time as of January 1, 2018 in accordance with IFRS 15. Effects may arise in ongoing application from a change in business development (for example, changes in volumes or prices) or from changes to business models where these are reflected in the amounts reported for long-term trade receivables and contract assets.

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

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

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

millions of €	
Increase in impairment losses on trade receivables	144
Impairment losses on contract assets recognized for the first time in accordance with IFRS 15	28
	172

For further information on the first-time application of IFRS 9, please refer to Note 40 "Financial instruments and risk management," page 236 et seq.

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

- In the case of multiple-element arrangements (e.g., mobile contract plus handset), the total transaction price of the bundled contract is allocated among the individual, separate performance obligations based on their relative standalone selling prices, i.e., based on a ratio of the standalone selling price of each element to the aggregated standalone selling prices of the contractual performance obligations. In contrast to the previous accounting treatment, the relative standalone selling price of an individual element and thus the revenue recognized for this unit of accounting is no longer limited to that proportion of the total arrangement consideration to be provided by the customer, the payment of which does not depend on the delivery of additional elements (contingent revenue cap). As a result, the revenue to be recognized for products delivered in advance (e.g., mobile handsets) that are sold at a subsidized price in combination with a long-term service contract was limited by this subsidized price. Under IFRS 15, this limitation no longer applies, i.e., in the case of subsidized products delivered in advance, a larger portion of the total remuneration is attributable to the element delivered in advance (mobile handset), requiring earlier recognition of revenue under the new regulations. This leads to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the statement of financial position. The contract asset is reduced over the remaining contract period, lowering revenue from the other performance obligations (in this case: mobile service revenues) compared with the amounts billed.

- At the same time, it results in higher revenue from the sale of goods and merchandise and in lower revenue from the provision of services.
- The extent of the changes resulting from the initial application of IFRS 15 that are described above therefore largely depends on the business models used by the subsidiary in question. Whereas the sale of subsidized handsets in connection with the conclusion of service contracts in the consumer business is still common in the Germany operating segment, handsets are not sold at a discount at all or only to a limited extent in the United States and to some extent in the Europe operating segments; payment-by-installment models or lease models are offered to customers instead.
- Customer activation fees and other advance one-time payments by the customer that do not constitute consideration for a separate performance obligation are classed as contract liabilities, and are deferred and recognized as revenue over the (remaining) contract period.
- Expenses for sales commissions (costs of obtaining a customer contract (contract costs)) must be capitalized and recognized over the estimated customer retention period. The expenses are disclosed in Deutsche Telekom's income statement, not under depreciation and amortization but – depending on the sales channel – as goods and services purchased or personnel costs.
- In the indirect sales channel, reimbursements explicitly or implicitly included in commissions paid to third-party retailers for handset subsidies granted by those retailers are recognized as a reduction of the service revenues over the contract term rather than as an expense. This ensures that the amount of the service revenues generated with retail customers for identical rate plans does not depend on the type of sales channel.
- On first-time application of the standard, both total assets and shareholders' equity increased due to the capitalization of contract assets and contract costs for contracts not yet fully completed.
- In cases where "material rights" are granted – such as offering additional discounts for future purchases of further products – a portion of the transaction price must be deferred as a contract liability and is not recognized as revenue until this additional performance obligation has been satisfied or has lapsed.
- Contract liabilities (which, as deferred revenue, were already recognized as liabilities in the past) must be netted against the contract assets for each customer contract.
- For the purposes of determining whether Deutsche Telekom sells products for its own account (principal = gross revenue) or for the account of others (agent = net revenue), there are no material changes for the existing agreements.

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

- Deutsche Telekom applies the option for simplified initial application, limiting the retroactive application of IFRS 15 to contracts that have not yet been completely fulfilled at the date of initial application. The contracts that have not yet been completely fulfilled as of January 1, 2018 are accounted for as if they had been recognized in accordance with IFRS 15 from the very beginning. The cumulative effect arising from the transition is recognized as an adjustment to the opening balance of equity in the year of initial application. Prior-year comparatives are not adjusted; instead, Deutsche Telekom provides an explanation of the reasons for the changes in items in the statement of financial position and the income statement for the current period as a result of applying IFRS 15 for the first time.
- A significant financing component is not considered for the amount and timing of revenue recognition if the period between when a promised good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.
- In general, contract costs whose amortization period would not be more than one year are immediately recognized as an expense.

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

millions of €

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

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

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

[c] For reasons of simplification, the figure is combined to show the cumulative effect of the transition to IFRS 15 to be recognized directly in equity.

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

- contract assets in the amount of EUR 1.6 billion that, under IFRS 15, would have resulted in the earlier recognition of revenue, in particular from the sale of goods and merchandise;
- capitalized contract costs of EUR 1.1 billion that, under IFRS 15, would have resulted in the later recognition of selling expenses; and
- contract liabilities totaling EUR 0.6 billion that, under IFRS 15, would have resulted in the later recognition of revenue.

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

The reclassifications mainly concern the following items:

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

Due to the remeasurements described above, the carrying amounts of the cash-generating units that must be tested for impairment in accordance with IAS 36 increased when IFRS 15 was applied for the first time on January 1, 2018. As a result, the carrying amounts of the Romania cash-generating unit in the Europe operating segment and of the Netherlands cash-generating unit in the Group Development operating segment exceeded in each case the recoverable amounts for these units. Consequently, in each case a goodwill impairment had to be recognized directly in equity as of January 1, 2018 for an aggregate amount of EUR 0.1 billion. For further information, please refer to Note 6 “Intangible assets,” page 184 et seq., and Note 7 “Property, plant and equipment,” pages 191 and 192.

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

The following tables contain relevant items from the financial statements as of December 31, 2018 in accordance with IFRS 15 as well as the previous accounting treatment in accordance with IAS 18/IAS 11 and related interpretations:

millions of €

	IFRS 15 Dec. 31, 2018	IAS 18/IAS 11 Dec. 31, 2018	Change
ASSETS			
CURRENT ASSETS			
Trade and other receivables	9,988	10,352	(365)
Contract assets	1,765	0	1,765
Current recoverable income taxes	492	493	(1)
Other assets	1,164	1,243	(80)
NON-CURRENT ASSETS			
Capitalized contract costs	1,744	0	1,744
Other financial assets	1,585	1,582	4
Deferred tax assets	2,949	3,509	(560)
Other assets	1,070	1,198	(128)
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Financial liabilities	10,527	10,520	7
Trade and other payables	10,735	10,737	(2)
Income tax liabilities	328	320	9
Other provisions	3,144	3,212	(69)
Other liabilities	2,654	4,368	(1,714)
Contract liabilities	1,720	0	1,720
NON-CURRENT LIABILITIES			
Other provisions	3,291	3,292	(1)
Deferred tax liabilities	8,240	8,036	204
Other liabilities	3,427	4,020	(593)
Contract liabilities	585	0	585
SHAREHOLDERS' EQUITY			
Retained earnings including carryforwards and net profit plus non-controlling interests	(22,696)	(24,817)	2,121

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

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

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

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

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millions of €

	IFRS 15 2018	IAS 18/IAS 11 2018	Change
NET REVENUE	**75,656**	**75,553**	**103**
Other operating income	1,491	1,491	0
Changes in inventories	(14)	(14)	0
Own capitalized costs	2,433	2,433	0
Goods and services purchased	(38,160)	(38,450)	290
Personnel costs	(16,436)	(16,525)	89
Other operating expenses	(3,134)	(3,136)	3
Depreciation, amortization and impairment losses	(13,836)	(13,836)	0
PROFIT (LOSS) FROM OPERATIONS	**8,001**	**7,516**	**484**
Finance costs	(1,817)	(1,801)	(16)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(529)	(529)	0
Other financial income (expense)	(502)	(502)	0
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(2,848)**	**(2,832)**	**(16)**
PROFIT (LOSS) BEFORE INCOME TAXES	**5,153**	**4,684**	**469**
Income taxes	(1,824)	(1,698)	(126)
PROFIT (LOSS)	**3,329**	**2,986**	**343**

Without the effect of IFRS 15, revenue would have amounted to EUR 75.6 billion, EUR 0.1 billion lower than reported. Effects on revenue development are attributable mainly to amortization of the contract assets/liabilities recognized in the statement of financial position over the (remaining) contract period in the 2018 financial year. This amortization is recognized as a reduction or an increase in revenue. These items also include reimbursements for handset subsidies granted by third-party retailers in the indirect sales channel. These reimbursements are a component of the commissions paid to those retailers. The subsidies are now no longer recognized as an expense, but as a reduction of the service revenues over the contract term. Under other business models, revenue was increased due to the capitalization and subsequent amortization of expenses for sales commissions (contract costs) under goods and services purchased; these expenses were previously recognized as revenue-reducing effects.

Adjusted for the effects of IFRS 15, goods and services purchased and personnel costs would have come in at EUR 38.5 billion and EUR 16.5 billion, respectively, and would thus have been a total of EUR 0.4 billion higher. This effect is attributable to the capitalization of expenses for sales commissions, which, under IAS 18/IAS 11, would have been recognized immediately in profit or loss either under goods and services purchased (dealer commissions) or personnel costs (employee commissions). It was only partially offset by the amortization of capitalized expenses for sales commissions.

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

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
IFRSs ENDORSED BY THE EU				
IFRS 16	Leases	January 1, 2019	IFRS 16 principally requires lessees to recognize assets and liabilities for all leases and the rights and obligations associated with these leases in the statement of financial position. Going forward, lessees will therefore no longer be 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 will recognize a lease liability in its statement of financial position for the obligation to make future lease payments. At the same time, the lessee will capitalize a right of use to the underlying 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, as well as less incentive payments received. Similar to the guidance on finance leases in IAS 17, the lease liability will be adjusted over the lease term for any remeasurement, while the right-of-use asset will be depreciated, which in contrast to the current lease expense normally leads to higher expenses at the inception date 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 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 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.
IFRSs NOT YET ENDORSED BY THE EU [a]				
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. Clarification 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.
Annual Improvements Project	Annual Improvements to IFRSs 2015–2017 Cycle	January 1, 2019	Clarification of many published standards.	No material impact.
Amendments to References to the Conceptual Framework	References to the Conceptual Framework	January 1, 2020	Updating of the cross references to the revised conceptual framework in the corresponding standards and interpretations.	No material impact.
Amendments to IFRS 3	Business Combinations	January 1, 2020	Changes in the definition of a business for clarifying how a company determines whether it has acquired a business or a group of assets.	No material impact.
Amendments to IAS 1 and IAS 8	Definition of Material	January 1, 2020	Clarification of the definition of materiality.	No material impact.
IFRS 17	Insurance Contracts	January 1, 2021	IFRS 17 governs the accounting for insurance contracts and replaces IFRS 4.	No material impact.

[a] For standards not yet endorsed by the EU, the date of first-time adoption scheduled by the IASB is assumed for the time being as the likely date of first-time adoption.

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In January 2016, the IASB issued **IFRS 16 "Leases."** The standard will be effective for the first time for financial years beginning on or after January 1, 2019. 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, 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 will not apply the new lease standard retrospectively in full, but will make use of the exemption provisions for lessees, also known as the modified retrospective method. On the transition to IFRS 16, payment obligations from existing operating leases will be discounted using the relevant incremental borrowing rate and recognized as a lease liability. The right-of-use assets will be 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 will be carried at a significantly lower amount than the corresponding lease liability (see Note 16 "Other liabilities," page 211). This liability primarily relates to leases for T-Mobile US' cell sites. As of the transition date of January 1, 2019, first of all, the lease terms underlying the liabilities will be adjusted to the terms determined in accordance with IFRS 16, increasing shareholders' equity. The remaining prepaid expense will be offset against the right-of-use asset as described above.

In the statement of cash flows, the repayment portion of the lease payments from existing operating leases will reduce net cash from/used in financing activities and no longer affect net cash from operating activities. Only the interest payments will remain in net cash from operating activities, the total of which will rise.

The full effects of IFRS 16 were determined as part of a Group-wide project for implementing the new standard. On the basis of management's current estimate, Deutsche Telekom expects the transition to the new standard to have the following material effects as of January 1, 2019. It should be noted that the expectations stated regarding the items of the statement of financial position may be subject to deviations of +/-5 percentage points:

- The increase in total assets/total liabilities and shareholders' equity as of January 1, 2019 as a consequence of the recognition of right-of-use assets in the amount of EUR 13,8 billion, the recognition of lease liabilities in the amount of EUR 15.4 billion, and a reduction in retained earnings, due in particular to the reversal of accrued lease payments (liabilities from straight-line leases) of EUR 0.5 billion (before deferred taxes). The increase in lease liabilities will lead to a corresponding increase in net debt.

- Depreciation charges that are around EUR 2.8 billion higher and interest expense that is around EUR 0.7 billion higher will be reported in the income statement in place of lease expense; this is expected to give rise to a significant improvement in EBITDA of around EUR 3.4 billion. The expected effects will be exclusively attributable to the balance as of January 1, 2019.

Significant options and expedients will be exercised as follows:

- Right-of-use assets and lease liabilities will be reported separately in the statement of financial position.

- The recognition, measurement, and disclosure requirements of IFRS 16 also apply to short-term leases and leases of low-value assets.

- A distinction will not be made in leases that contain both lease components and non-lease components. Each lease component will be accounted for together with other related performance components as a single lease component.

- Leases for intangible assets fall under IAS 38 rather than under IFRS 16.

In addition, on the date of first-time adoption of IFRS 16, use will be made of the main options and expedients as follows:

- Provisions for onerous contracts recognized in connection with leases will be derecognized on January 1, 2019 against the right-of-use asset.
- In determining the lease term, hindsight may be used where this provides a better estimate for the exercise of options to extend or terminate the lease.
- Use will not be made of grandfathering. On January 1, 2019, the lease standard will therefore be applied to all existing leases falling within its scope. It will apply to leases in which Deutsche Telekom is a lessee and to leases in which the Group is a lessor

Overall, the new definition of a lease will not have a material impact for Deutsche Telekom as a lessor. However, the number of identified leases will change. 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 expected to decrease. In relation to services provided in data centers, the leasing of space, for example separate rooms for setting up the customer's own hardware, will be 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) will also be classified as a lease.

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

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.

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

ACCOUNTING POLICIES

Key assets and liabilities shown in the consolidated statement of financial position are measured as follows:

Items in the statement of financial position	Measurement principle
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	Amortized cost
Trade and other receivables	Depending on the underlying business model in each individual case: at amortized cost, at fair value through other comprehensive income with recycling to profit or loss, or at fair value through profit or loss
Contract assets	Amortized cost
Current recoverable income taxes	Amount expected to be recovered from the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period
Other financial assets	
Originated loans and other receivables	Depending on the underlying business model in each individual case: at amortized cost, at fair value through other comprehensive income with recycling to profit or loss, or at fair value through profit or loss
Equity instruments	Fair value through other comprehensive income without recycling to profit or loss
Derivative financial assets	At fair value through profit or loss or, in the case of certain hedging relationships, at fair value through other comprehensive income with recycling to profit or loss
Inventories	Lower of net realizable value and cost
Non-current assets and disposal groups held for sale	Lower of carrying amount or fair value less costs of disposal (including allocable liabilities)
NON-CURRENT ASSETS	
Intangible assets	
Of which: with finite useful lives	Amortized cost or lower recoverable amount
Of which: with indefinite useful lives (including goodwill)	Cost or lower recoverable amount (impairment-only approach)
Property, plant and equipment	Amortized cost or lower recoverable amount
Capitalized contract costs	Amortized cost or lower recoverable amount
Investments accounted for using the equity method	Pro-rata value of the investment's equity carried forward or lower recoverable amount
Other financial assets	
Originated loans and other receivables	Depending on the underlying business model in each individual case: at amortized cost, at fair value through other comprehensive income with recycling to profit or loss, or at fair value through profit or loss
Equity instruments	Fair value through other comprehensive income without recycling to profit or loss
Derivative financial assets	At fair value through profit or loss or, in the case of specific hedge accounting, at fair value through other comprehensive income with recycling to profit or loss
Deferred tax assets	Non-discounted amount measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled

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Items in the statement of financial position	Measurement principle
LIABILITIES	
CURRENT LIABILITIES	
Financial liabilities	
Non-derivative interest-bearing and non-interest-bearing liabilities	Amortized cost
Derivative financial liabilities	At fair value through profit or loss or, in the case of certain hedging relationships, at fair value through other comprehensive income with recycling to profit or loss
Trade payables	Amortized cost
Income tax liabilities	Amount expected to be paid to the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period
Other provisions	Present value of the settlement amount
Contract liabilities	Amortized cost
NON-CURRENT LIABILITIES	
Financial liabilities	
Non-derivative interest-bearing and non-interest-bearing liabilities	Amortized cost
Derivative financial liabilities	At fair value through profit or loss or, in the case of certain hedging relationships, at fair value through other comprehensive income with recycling to profit or loss
Provisions for pensions and other employee benefits	Actuarial projected unit credit method
Other provisions	Present value of the settlement amount
Contract liabilities	Amortized cost
Deferred tax liabilities	Non-discounted amount measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled

The material principles on recognition and measurement outlined below were applied uniformly to all accounting periods presented in these consolidated financial statements.

INTANGIBLE ASSETS (EXCLUDING GOODWILL)

Intangible assets with finite useful lives, including UMTS and LTE licenses, are measured at cost and generally amortized on a straight-line basis over their useful lives. Such assets are impaired if their recoverable amount, which is measured at the higher of fair value less costs of disposal and value in use, is lower than the carrying amount. Indefinite-lived intangible assets (mobile communications licenses granted by the Federal Communications Commission in the United States (FCC licenses)) are carried at cost. While FCC licenses are issued for a fixed time, renewals of FCC licenses have occurred routinely and at negligible costs. Moreover, Deutsche Telekom has determined that there are currently no legal, regulatory, contractual, competitive, economic, or other factors that limit the useful lives of the FCC licenses, and therefore treats the FCC licenses as an indefinite-lived intangible asset. They are not amortized, but tested for impairment annually or whenever there are indications of impairment and, if necessary, written down to the recoverable amount. If the reasons for recognizing the original impairment loss no longer apply, impairment losses are reversed taking amortization into account, i. e., not exceeding the value that would have been applied if no impairment losses had been recognized in prior periods.

Intangible assets may also be acquired in connection with a frequency or spectrum exchange. The costs of intangible assets acquired in such an exchange are measured at fair value if the swap has commercial substance and the fair value of the asset received and the asset given up is reliably measurable. If the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable, the carrying amount of the asset given up is used as the fair value of the asset received.

The useful lives and the amortization methods of the assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8.

Amortization of mobile communications licenses begins as soon as the related network is ready for use. The useful lives of mobile communications licenses are determined based on several factors, including the term of the licenses granted by the respective regulatory body in each country, the availability and expected cost of renewing the licenses, as well as the development of future technologies.

The useful lives of Deutsche Telekom's most important mobile communications licenses are as follows:

Mobile communications licenses	Years
FCC licenses	Indefinite
LTE licenses	6 to 25
UMTS licenses	17 to 19
GSM licenses	7 to 27

Expenditures for internally generated intangible assets incurred during the development phase are capitalized if they meet the criteria for recognition as assets, and are amortized over their useful lives. Research expenditures are expensed as incurred. Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems, or services prior to the commencement of commercial production or use. Examples of activities typically included in development are the design, construction, and testing of pre-production or pre-use prototypes and models involving new technology. The development phase is deemed complete when the IT department has formally documented that the capitalized asset is ready for its intended use. Expenditure on research and development recognized as an expense by Deutsche Telekom amounted to EUR 57.7 million (2017: EUR 57.7 million).

GOODWILL

Goodwill is not amortized, but is tested for impairment based on the recoverable amount of the cash-generating unit to which the goodwill is allocated (impairment-only approach). The impairment test is carried out on a regular basis at the end of each financial year, as well as whenever there are indications that the carrying amount of the cash-generating unit is impaired.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost less straight-line depreciation, and impairment losses, if applicable. The depreciation period is based on the expected useful life of the assets. Items of property, plant and equipment are depreciated pro rata temporis in the year of acquisition. The residual values, useful lives, and the depreciation methods of the assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8. In addition to directly attributable costs, the costs of internally developed assets include proportionate indirect material and labor costs, as well as administrative expenses relating to production or the provision of services. In addition to the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, costs also include the estimated costs for dismantling and removing the asset, and restoring the site on which it is located. If an item of property, plant and equipment consists of several components with different estimated useful lives, those components that are significant are depreciated over their individual useful lives. Maintenance and repair costs are expensed as incurred. Public investment grants reduce the cost of the assets for which the grants were made.

On disposal of an item of property, plant and equipment or when no future economic benefits are expected from its use or disposal, the carrying amount of the item is derecognized. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognized as other operating income or other operating expenses when the item is derecognized. The useful lives of material asset categories are presented in the following table:

	Years
Buildings	25 to 50
Telephone facilities and other telecommunications equipment	3 to 15
Switching, transmission, IP, and radio transmission equipment	2 to 12
Outside plant networks	8 to 35
Other equipment, operating and office equipment	2 to 23

Leasehold improvements are depreciated over the shorter of their useful lives or applicable lease terms.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of that asset. Deutsche Telekom defines qualifying assets as construction projects or other assets for which a period of at least twelve months is necessary in order to get them ready for their intended use or sale. Borrowing costs relating to assets measured at fair value and to inventories that are manufactured or produced in large quantities on a repetitive basis are not capitalized.

IMPAIRMENTS OF INTANGIBLE ASSETS (INCLUDING GOODWILL) AND ITEMS OF PROPERTY, PLANT AND EQUIPMENT

Impairments are identified by comparing the carrying amount with the recoverable amount. If individual assets do not generate future cash flows independently of other assets, recoverability is assessed on the basis of the cash-generating unit to which the assets can be allocated. At each reporting date, Deutsche Telekom assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or cash-generating unit must be determined. In addition, annual impairment tests are carried out for intangible assets with indefinite useful lives (goodwill and FCC licenses) at regular intervals. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination. If the carrying amount of the cash-generating unit to which goodwill is allocated exceeds its recoverable amount, goodwill allocated to this cash-generating unit must be reduced in the amount of the difference. Impairment losses for goodwill must not be reversed. If the impairment loss recognized for the cash-generating unit exceeds the carrying amount of the allocated goodwill, the additional amount of the impairment loss is to be distributed on a pro-rata basis to the assets allocated to the cash-generating unit. The fair values or values in use (if measurable) of the individual assets shall be considered to be the minimum values. If the reasons for previously recognized impairments no longer exist, the impairment losses on the assets concerned (with the exception of goodwill) must be reversed.

The recoverable amount of a cash-generating unit is measured at the higher of fair value less costs of disposal and the value in use. The recoverable amount is generally determined by means of a discounted cash flow (DCF) calculation, unless it can be determined on the basis of a market price. These DCF calculations use projections that are based on financial budgets approved by management covering a ten-year period and are also used for internal purposes. The planning horizon reflects the assumptions for short- to mid-term market developments. Cash flows beyond the ten-year period are extrapolated using appropriate growth rates. For the key assumptions on which management has based its calculation of the recoverable amount, please refer to the explanations provided under “Judgments and estimates,” further on in this section.

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INVENTORIES

Inventories are carried at cost on initial recognition and are subsequently measured at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using the weighted average cost method. Net realizable value is the estimated standalone selling price in the ordinary course of business less the estimated costs of completion and the necessary estimated selling expenses.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets and disposal groups held for sale are classified as such if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of the carrying amount and fair value less costs of disposal and classified as non-current assets and disposal groups held for sale. Such assets are no longer depreciated. Impairment of such assets is recognized if fair value less costs of disposal is lower than the carrying amount. If fair value less costs of disposal subsequently increases, the impairment loss previously recognized must be reversed. The reversal of impairment losses is limited to the impairment losses previously recognized for the assets concerned. If the requirements for the classification of assets as held for sale are no longer met, the assets may no longer be shown as held for sale. The assets are to be measured at the lower of the carrying amount that would have applied if the asset had not been classified as held for sale, and the recoverable amount at the date at which the requirements for the classification as held for sale are no longer met.

EMPLOYEE BENEFITS

Deutsche Telekom maintains **defined benefit pension** plans in various countries on the basis of the pensionable compensation of its employees and their length of service. Some of these pension plans are financed through external pension funds and some through incorporation in a contractual trust agreement (CTA). Provisions for pensions are actuarially measured using the projected unit credit method for defined benefit pension plans, taking into account not only the pension obligations and vested pension rights known at the reporting date, but also expected future salary and benefit increases. The interest rate used to determine the present value of the obligations is generally set on the basis of the yields on high-quality corporate bonds in the respective currency area. The return on plan assets and interest expenses resulting from the unwinding of the discount are reported in (net) finance costs. Service cost is classified as operating expenses. Past service cost resulting from a change in the pension plan shall immediately be recognized in the period in which the change took effect. Gains and losses arising from adjustments and changes in actuarial assumptions are recognized immediately and in full in the period in which they occur outside profit or loss within equity. Some Group entities grant defined contribution plans to their employees in accordance with statutory or contractual requirements, with the payments being made to state or private pension insurance funds. Under defined contribution plans, the employer does not assume any other obligations above and beyond the payment of contributions to an external fund. The amount of the future pension payments will exclusively depend on the contribution made by the employer (and their employees, if applicable) to the external fund, including income from the investment of such contributions. The amounts payable are expensed when the obligation to pay the amounts is established, and classified as expenses.

Up until December 31, 2012, Deutsche Telekom maintained a joint pension fund, **Bundes-Pensions-Service für Post und Telekommunikation e.V., Bonn (Federal Pension Service for Post and Telecommunications – BPS-PT),** together with Deutsche Post AG and Deutsche Postbank AG for civil-servant pension plans. BPS-PT made pension and allowance payments to retired employees and their surviving dependents who are entitled to pension payments as a result of civil-servant status. The German Act on the Reorganization of the Civil Service Pension Fund (Gesetz zur Neuordnung der Postbeamtenversorgungskasse – PVKNeuG) transferred the functions of BPS-PT relating to civil-servant pensions (organized within the Civil Service Pension Fund) to the German Federal Posts and Telecommunications Agency effective January 1, 2013. The level of Deutsche Telekom AG's payment obligations to the Civil Service Pension Fund is defined under § 16 of the German Act on the Legal Provisions for the Former Deutsche Bundespost Staff (Postpersonalrechtsgesetz). Deutsche Telekom AG has been legally obliged since 2000 to make an annual contribution to the special pension fund amounting to 33 percent of the pensionable gross emoluments of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence. Deutsche Telekom is not required to fulfill any other obligations in respect of pensions for civil servants. The payment obligations can therefore be considered defined contribution plans.

In the past, Deutsche Telekom AG and its domestic subsidiaries agreed on **phased retirement arrangements** with varying terms and conditions, predominantly based on what is known as the block model. Two types of obligations, both measured at their present value in accordance with actuarial principles, arise and are accounted for separately. The first type of obligation relates to the cumulative outstanding settlement amount, which is recorded on a pro-rata basis during the active or working phase. The cumulative outstanding settlement amount is based on the difference between the employee's remuneration before entering phased retirement (including the employer's social security contributions) and the remuneration for the part-time service (including the employer's social security contributions, but excluding top-up payments). The second type of obligation relates to the employer's obligation to make top-up payments plus an additional contribution to the statutory pension scheme. Top-up payments are often hybrid in nature, i.e.,

although the agreement is often considered a form of compensation for terminating the employment relationship at an earlier date, payments to be made at a later date are subject to the performance of work in the future. Despite having the characteristics of severance payments, the top-up payments must be recognized ratably over the vesting period due to their dependency on the performance of work in the future. If the block model is used, the vesting period for top-up payments starts when the employee is granted the entitlement to participate in the phased retirement program and ends upon entry into the passive phase (leave from work).

Obligations arising from the granting of termination benefits are recognized when Deutsche Telekom does not have a realistic possibility of withdrawal from the granting of the corresponding benefits. Severance payments for employees and obligations arising in connection with early retirement arrangements in Germany are mainly granted in the form of offers to the employees to leave the Company voluntarily. As a rule, such obligations are not recognized before the employees have accepted an offer from the Company, unless the Company is prevented by legal or other restrictions from withdrawing its offer at an earlier date. Obligations arising from the sole decision by the Company to shed jobs are recognized when the Company has announced a detailed formal plan to terminate employment relationships. If termination benefits are granted in connection with restructuring measures within the meaning of IAS 37, a liability under IAS 19 is recognized at the same time as a restructuring provision. Where termination benefits fall due more than twelve months after the reporting date, the expected amount to be paid is discounted to the reporting date. If the timing or the amount of the payment is still uncertain at the reporting date, the obligations are reported under other provisions.

OTHER PROVISIONS

Other provisions are recognized for current legal or constructive obligations to third parties that are uncertain with regard to their timing or their amount. Provisions are recognized for these obligations provided they relate to past transactions or events, will probably require an outflow of resources to settle, and this outflow can be reliably measured. Provisions are carried at their expected settlement amount, taking into account all identifiable risks and uncertainties. The settlement amount is calculated on the basis of a best estimate; suitable estimation methods and sources of information are used depending on the characteristics of the obligation. In case of a number of similar obligations, the group of obligations is treated as one single obligation. The expected value method is used as the estimation method. If there is a range of potential events with the same probability of occurrence, the average value is taken. Individual obligations (e.g., legal and litigation risks) are regularly evaluated based on the most probable outcome, provided an exceptional probability distribution does not mean that other estimates would lead to a more appropriate evaluation. The measurement of provisions is based on past experience, current costing and price information, as well as estimates and reports from experts. If experience or current costing or price information is used to determine the settlement amount, these values are extrapolated to the expected settlement date. Suitable price trend indicators (e.g., construction price indexes or inflation rates) are used for this purpose. Provisions are discounted when the effect of the time value of money is material. Provisions are discounted using pre-tax market interest rates that reflect the term of the obligation and the risk associated with it (insofar as not already taken into consideration in the calculation of the settlement amount). Reimbursement claims are not netted against provisions; they are recognized separately as soon as their realization is virtually certain.

Provisions for decommissioning, restoration, and similar obligations arising from the acquisition of property, plant and equipment are offset by a corresponding increase in the capitalized cost of the relevant asset. Changes at a later date in estimates of the amount or timing of payments or changes to the interest rate applied in measuring such obligations also result in retrospective increases or decreases in the carrying amount of the relevant item of property, plant and equipment. These in turn change the depreciation of the asset to be recognized in the future, which leads to the changes in estimates being recognized in profit or loss over the remaining useful life. Where the decrease in the amount of a provision exceeds the carrying amount of the related asset, the excess is recognized immediately in profit or loss.

FINANCIAL INSTRUMENTS

Financial instruments are recognized as soon as Deutsche Telekom becomes a party to the contractual regulations of the financial instrument. However, in the case of regular way purchase or sale, the settlement date is relevant for the initial recognition and derecognition. This is the day on which the asset is delivered to or by Deutsche Telekom. In general, financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity currently has a right to offset the recognized amounts and intends to settle on a net basis. Transferred financial assets are derecognized in full if substantially all the risks and rewards of ownership are transferred or if some of the risks and rewards of ownership are transferred (risk sharing) and the acquirer has both the legal and the practical ability to sell the assets to a third party. If, in cases where risk is shared, the acquirer is unable to sell the assets to a third party, the assets will continue to be recognized to the extent of the maximum risk retained. Financial liabilities are derecognized when the obligation specified in the contract expires or if there is a substantial modification of the terms of the contract.

Financial assets include cash and cash equivalents, trade receivables, originated loans and other receivables, investments in equity instruments, and derivative financial assets. They are measured at fair value upon initial recognition. For all financial assets not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are taken into account plus, in the case of debt instruments, a loss account for expected credit losses. The fair values recognized in the statement of financial position are generally

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based on market prices of the financial assets. If these are not available, the fair value is determined using standard valuation models on the basis of current market parameters. For the classification and measurement of debt instruments held, the respective business model for managing the debt instruments and whether the instruments have the characteristics of a standard loan, i.e., whether the cash flows are solely payments of principal and interest, is relevant. Assuming the assets have these characteristics and if the business model is to hold to collect the asset's contractual cash flows, they are measured at amortized cost. If the objective of the business model is to hold to collect and sell the contractual cash flows, they are measured at fair value through other comprehensive income with recycling to profit or loss. In all other cases, financial assets are measured at fair value through profit or loss. There may be different business models for separate portfolios of the same types of debt instruments, for example if factoring transactions exist for certain trade receivables.

Cash and cash equivalents include cash accounts and short-term cash deposits at banks; they have maturities of up to three months at initial recognition.

Trade receivables and originated loans and other receivables are measured at their transaction price at initial recognition if they do not contain a significant financing component. Instruments with a significant financing component are initially measured at fair value.

Investments in equity instruments represent strategic investments. Deutsche Telekom has exercised the option of generally measuring these through other comprehensive income without recycling to profit or loss. This is due to the fact that Deutsche Telekom's primary goal for strategic investments is not a short-term maximization of profit (trading). The acquisition and disposal of strategic investments is based on business policy considerations.

Dividends are recognized immediately in profit or loss unless they constitute a repayment of capital.

Derivative financial assets that are not part of an effective hedging relationship are measured at fair value through profit or loss.

In the consolidated statement of cash flows, Deutsche Telekom reports cash flows from interest and dividends received as cash inflows or outflows in net cash from operating activities.

Financial liabilities are measured at fair value on initial recognition. For all financial liabilities not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are also a component of the carrying amount.

If the contractual payment term for liabilities to suppliers is longer than the normal credit period in the relevant procurement market at this point in time, this liability is reported under other interest-bearing liabilities in financial liabilities instead of under trade payables. A financing agreement of this nature is shown as a non-cash transaction in the statement of cash flows and the relevant repayment of the financial liability reported under net cash from/used in financing activities. This applies regardless of whether the supplier sells its receivable or not. For further information on the effects on the consolidated statement of cash flows, please refer to Note 34 "Notes to the consolidated statement of cash flows," page 223 et seq.

Derivative financial liabilities that are not part of an effective hedging relationship are measured at fair value through profit or loss.

Deutsche Telekom has not yet made use of the option to designate financial instruments upon initial recognition as at fair value through profit or loss.

At initial recognition, debt instruments that are not measured at fair value through profit or loss are measured including a loss allowance account for expected credit losses. For trade receivables with and without a significant financing component, contract assets and lease assets, the loss allowance is calculated at an amount equal to the lifetime expected credit losses. For all other instruments, the loss allowance is determined at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Otherwise, the loss allowance is calculated at an amount equal to twelve-month expected credit losses. In this case, losses incurred later than twelve months after the reporting date would therefore not be considered.

When a loss allowance for expected credit losses is being determined, the historical probability of default supplemented by the relevant future parameters for the credit risk is used as the basis for the calculation. For debt instruments traded in an active market, publicly available market data is used to determine the loss allowance for expected credit losses.

The loss allowance takes adequate account of the future expected credit risk; write-offs lead to the derecognition of the respective receivables. For allowances, financial assets are grouped together on the basis of similar credit risk characteristics, tested collectively for impairment, and written off, if necessary. The cash flows are discounted on the basis of the weighted average of the original effective interest rates of the financial assets in the relevant portfolio. Impairments of trade receivables are recognized in some cases using allowance accounts. The decision to account for credit risks using an allowance account or by directly reducing the receivable will depend on the reliability of the risk assessment. As there are a variety of operating segments and regional circumstances, this decision is the responsibility of the respective portfolio managers.

Deutsche Telekom uses derivatives to hedge the interest rate and currency risks resulting from its operating, financing, and investing activities. The Company does not hold or issue derivatives for speculative

trading purposes. Derivatives are carried at their fair value upon initial recognition and also for subsequent measurement. The fair value of traded derivatives is equal to their market price, which can be positive or negative. If there is no market price available, the fair value is determined using standard financial valuation models.

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. This is calculated on the basis of the counterparties' relevant exchange rates and interest rates at the reporting date. Calculations are made using average rates. In the case of interest-bearing derivatives, a distinction is made between the clean price and the dirty price (full fair value). In contrast to the clean price, the dirty price also includes the interest accrued. The fair values carried correspond to the dirty price.

Embedded derivatives must be separated from financial liabilities and other non-financial contracts that are not measured at fair value through profit or loss if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. These derivatives must then be recognized separately and measured at fair value through profit or loss. Derivatives embedded in financial assets do not need to be separated, however. In such cases, the entire instrument must be measured at fair value through profit or loss.

Recording the changes in the fair values – either in profit or loss or directly in equity – depends on whether or not the derivative is part of an effective hedging relationship as set out in IFRS 9. If hedge accounting is not applied, the changes in the fair values of the derivatives must be recognized immediately in profit or loss. If, on the other hand, effective hedge accounting exists, the hedge will be recognized as such.

Deutsche Telekom applies hedge accounting to hedged items in the statement of financial position and future cash flows, thus reducing income statement volatility. A distinction is made between fair value hedges, cash flow hedges, and hedges of a net investment in a foreign operation depending on the nature of the hedged item. Hedging relationships are exclusively accounted for in accordance with the requirements of IFRS 9. Deutsche Telekom has exercised the option of designating cross-currency basis spreads as hedging costs rather than as part of the hedging relationship and presenting them separately in equity. To hedge the currency risk of an unrecognized firm commitment, Deutsche Telekom makes use of the option to recognize it as a cash flow hedge rather than a fair value hedge. In the case of fair value hedges, the cumulative adjustments to the carrying amount of the hedged item are amortized when the hedging relationship has been de-designated.

IFRS 9 sets out strict requirements on the use of hedge accounting. Deutsche Telekom complies with these requirements by documenting, at the inception of a hedge, both the relationship between the financial instrument used as the hedging instrument and the hedged item, as well as the risk management objective and the risk strategy of the hedge. This involves concretely assigning the hedging instruments to the corresponding assets or liabilities or (firmly committed/highly probable) future transactions and also assessing the effectiveness of the hedging instruments designated. The effectiveness of existing hedging relationships is monitored on an ongoing basis. If the criteria for applying hedge accounting are no longer met, the hedging relationship will be de-designated immediately.

Deutsche Telekom does not use hedge accounting in accordance with IFRS 9 to hedge the foreign-currency exposure of recognized monetary assets and liabilities, because the gains and losses on the hedged item from currency translation that are recognized in profit or loss in accordance with IAS 21 are shown in the income statement together with the gains and losses on the derivatives used as hedging instruments.

CONTINGENCIES (CONTINGENT LIABILITIES AND ASSETS)

Contingencies (contingent liabilities and assets) are potential liabilities or assets arising from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of Deutsche Telekom. Contingent liabilities are also present obligations that arise from past events for which an outflow of resources embodying economic benefits is not probable or for which the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are only recognized at their fair value if they were assumed in the course of a business combination. Contingent liabilities not assumed in the course of a business combination are not recognized. Contingent assets are not recognized. However, when the realization of income is virtually certain, then the related asset is no longer a contingent asset, but it is recognized as an asset. Information on contingent liabilities is disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. The same applies to contingent assets where an inflow of economic benefits is probable.

LEASES

Beneficial ownership of leased assets is attributed to the contracting party in the lease to which the substantial risks and rewards incidental to ownership of the asset are transferred.

If substantially all risks and rewards are attributable to the lessor (operating lease), the leased asset is recognized in the statement of financial position by the lessor. Measurement of the leased asset is then based on the accounting policies applicable to that asset. The lease payments are recognized in profit or loss by the lessor. The lessee in an operating lease recognizes the lease payments made during the term of the lease in profit or loss. Contractually defined future changes in the lease payments during the term of the lease are recognized on a straight-line basis over the entire lease term, which is defined only once at the inception date of the contract. Where extension options exist, the exercise of those extension options that are reasonably certain is initially taken into account at the time the lease is concluded. If the original assessment of the exercise of extension options changes in the course

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of the lease, the estimated future obligations arising from operating leases will be changed accordingly.

If substantially all risks and rewards incidental to ownership of the leased asset are attributable to the lessee **(finance lease)**, the lessee must recognize the leased asset in the statement of financial position. At the commencement of the lease term, the leased asset is measured at the lower of fair value or present value of the future minimum lease payments and is depreciated over the shorter of the estimated useful life or the lease term. Depreciation is recognized as expense. The lessee recognizes a lease liability equal to the carrying amount of the leased asset at the commencement of the lease term. In subsequent periods, the lease liability is reduced using the effective interest method and the carrying amount is adjusted accordingly. The lessor in a finance lease recognizes a receivable in the amount of the net investment in the lease. Lease income is broken down into repayments of the lease receivable and finance income. The lease receivable is reduced using the effective interest method and the carrying amount is adjusted accordingly.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term.

SHARE-BASED PAYMENT PROGRAMS

Equity-settled share-based payment transactions are measured at fair value on the grant date. The fair value of the obligation is recognized as personnel costs over the vesting period and offset against capital reserves. For equity-settled share-based payment transactions, the fair value is determined using internationally accepted valuation techniques, such as the Black-Scholes model or the Monte Carlo model. For cash-settled share-based payment transactions, the goods and services acquired and the liability incurred have to be recognized at the fair value of the liability. The fair value of the liability has to be newly determined at each reporting date and at the settlement date, and the changes in the fair value have to be recognized in profit and loss, until the liability is settled.

NET REVENUE, CONTRACT ASSETS AND LIABILITIES/CONTRACT COSTS

Revenues include all revenues from the ordinary business activities of Deutsche Telekom. Ordinary activities do not only refer to the core business but also to other recurring sales of goods or rendering of services. However, gains from sales of items of property, plant and equipment or intangible assets are not classified as revenue but as other operating income. All ancillary income in connection with the delivery of goods and rendering of services in the course of an entity's ordinary activities is also presented as revenue. Examples include dunning fees, contractual penalties, and default interest. Income from interest added back from long-term customer receivables and contract assets is also considered ancillary income in the course of an entity's ordinary activities where the underlying receivables or contract assets have resulted in the recognition of revenue. Revenues are recorded net of value-added tax and other taxes collected from customers that are remitted to governmental authorities. They are recognized in accordance with the provision of goods or services, provided that collectability of the consideration is probable. For service contracts with a continuous service provision, the contractually agreed total consideration is recognized as revenue on a straight-line basis over the minimum contract term, regardless of the payment pattern.

A contract asset must be recognized if Deutsche Telekom recorded revenue for fulfillment of a contractual performance obligation before the customer paid consideration or before – irrespective of when payment is due – the requirements for billing and thus the recognition of a receivable exist.

A contract liability must be recognized when the customer paid consideration or a receivable from the customer is due before Deutsche Telekom fulfilled a contractual performance obligation and thus recognized revenue. In a customer contract, contract liabilities must be set off against contract assets.

Multiple-element arrangements involving the delivery or provision of multiple products or services must be separated into distinct performance obligations, each with its own separate revenue contribution that is recognized as revenue on fulfillment of the obligation to the customer. At Deutsche Telekom, this especially concerns the sale or lease of a mobile handset or other telecommunications equipment combined with the conclusion of a mobile or fixed-network telecommunications contract. The total transaction price of the bundled contract is allocated among the individual performance obligations based on their relative – possibly estimated – standalone selling prices, i.e., based on a ratio of the standalone selling price of each separate element to the aggregated standalone selling prices of the contractual performance obligations. As a result, the revenue to be recognized for products (often delivered in advance) such as mobile handsets that are sold at a subsidized price in combination with a long-term service contract is higher than the amount billed or collected. This leads to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the statement of financial position. The contract asset is reversed and reduced over the remaining minimum contract period, lowering revenue from the other performance obligations (in this case: mobile service revenues) compared with the amounts billed. In contrast to the amounts billed, this results in higher revenue from the sale of goods and merchandise and lower revenue from the provision of services.

Customer activation fees and other advance one-time payments by the customer that do not constitute consideration for a separate performance obligation are classed as contract liabilities and are deferred and recognized as revenue over the minimum contract term or, in exceptional cases (e.g., in the case of contracts that can be terminated at any time) over the expected contract period. The same applies to fees for installation and set-up activities that do not have an independent value for the customer.

As distinct from promotional offers, options to purchase additional goods or services free of charge or at a discount are separate performance obligations (material rights) for which part of the revenue is deferred as a contract liability until the option is exercised or expires, providing the discount on future purchases is an implicit component of the consideration for the current contract and is also significant. The measure of significance is whether the decision by the (average) customer to enter into the current contract is likely to have been significantly influenced by their right to the future discount. Offers for volume discounts for the purchase of additional core products of an entity (e.g., a discount offered on an additional fixed-network contract for mobile customers) are classed by Deutsche Telekom as promotional offers to be excluded from consideration.

Long-term customer receivables (e.g., arising from sales of handsets in installments), contract assets (e.g., arising from the subsidized sale of a handset in connection with the conclusion of a long-term customer contract) or contract liabilities (e.g., arising from a prepayment by the customer) are recognized at present value if the financing component is significant in relation to the total contract value (i.e., including those performance obligations that do not contain a financing component). The discount rate also reflects the customer credit risk. Deutsche Telekom makes use of the option not to recognize a significant financing component if the period between when a good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.

Payments to customers including credits or subsequent discounts are recognized as a reduction in revenue unless the payment constitutes consideration for a distinct good or service from the customer, for which the fair value can be reasonably estimated.

Gross vs. net presentation: In cases where a company is in an intermediary position between another supplier/vendor (e.g., manufacturer, wholesaler) and a retail customer, it must be assessed whether the company itself supplies the relevant product or provides the service requested by the customer as the principal or whether the company merely acts as the agent for the supplier. The outcome determines whether the entity can recognize revenue on a gross basis (as the principal) or on a net basis after deducting the costs to the supplier (as the agent). For Deutsche Telekom, the question arises particularly in the case of digital services (e.g., streaming services, cloud-based software as a service) purchased from third parties and sold to retail customers as part of Deutsche Telekom's product portfolio. In summary, in case of rights to another party's goods or services, Deutsche Telekom considers itself to be the principal vis-à-vis the retail customer if all of the following conditions are met and thus reports gross revenues:

- Deutsche Telekom either has a contractual enforceable right to receive the predefined services "on demand" at predefined (fixed or variable) prices, and accordingly the other party has entered into an enforceable ongoing commitment to provide them, or Deutsche Telekom has entered into a material minimum purchase commitment.
- Deutsche Telekom sells access to the other party's services in its own name and for its own account under a contract between Deutsche Telekom and the retail customer.
- Deutsche Telekom has discretion in setting the price for the other party's services sold for its own account.

Contract costs comprise the incremental costs of obtaining a contract (mainly sales commission paid to employees and third-party retailers in the direct and indirect sales channel) and the costs to fulfill a contract. These must be capitalized if it can be assumed that the costs will be compensated by future revenue from the contract. Incremental costs of obtaining a contract are additional costs that would have not been incurred had the contract not been concluded. Costs to fulfill a contract are costs relating directly to a contract that are incurred after contract inception and serve the purpose of fulfilling the contract but are incurred prior to fulfillment and cannot be capitalized under any other standard. Deutsche Telekom makes use of the option to immediately recognize contract costs whose amortization period would not be more than one year as an expense.

The capitalized contract costs are generally recognized on a straight-line basis over the estimated customer retention period. The expenses are disclosed in Deutsche Telekom's income statement, not under depreciation and amortization but – depending on the sales channel – as goods and services purchased or personnel costs.

In the indirect sales channel, third-party retailers often arrange service contracts on behalf of and for the account of Deutsche Telekom (as the agent) in connection with the sale of subsidized handsets in their own name and for their own account (as the principal). In such cases, the retailers receive commission in an amount that explicitly or implicitly compensates them for the handset subsidy granted. As in the case of multiple-element arrangements in the direct sales channel, the customer ultimately covers the handset subsidy by paying a price above the standalone selling price for the service contract. Deutsche Telekom considers this an implicit promise to the customer that on conclusion of this service contract they will be able to purchase a handset at a discounted price. The only difference between this promise and the purchase of a service in the direct sales channel is that it is not Deutsche Telekom that is granting the discount as part of a multiple-element arrangement but a

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third-party retailer that is compensated for it by Deutsche Telekom through the commission it receives for arranging the service contract. As, from an economic substance perspective, these payments constitute indirect payments by Deutsche Telekom to customers, the portion of the commission payments attributable to the (implicit) cost reimbursements to the retailer is not capitalized as contract costs but as a contract asset and is therefore recognized as a reduction of the service revenues over the contract term rather than as an expense. This ensures that the amount of the service revenues generated with retail customers for identical rate plans does not depend on the type of sales channel.

Depending on the business model, **revenue recognition** at Deutsche Telekom is as follows:

The **mobile and fixed-network business** of the Germany, United States, Europe, and Group Development operating segments includes mobile services, narrow- and broadband access to the fixed network and the internet, television via internet, connection and roaming fees billed to other mobile operators (wholesale business), and sales or lease of mobile handsets, other telecommunications equipment, and accessories. Revenue generated from the use of voice and data communications as well as television via internet is recognized upon rendering of the agreed service. The services rendered relate to use by customers (e.g., call minutes), availability over time (e.g., monthly flat rates), or other agreed rate plans. Revenue and expenses associated with the sale of telecommunications equipment and accessories are recognized when the products are delivered, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. Revenue from the lease of mobile handsets and telecommunications equipment that is not considered a sale in economic terms is recognized monthly as the entitlement to the fees accrued. Advertising revenues are recognized in the period in which the advertisements are exhibited.

Trade-in rights for used handsets which are granted to customers upon contract conclusion under the condition of a new purchase transaction (including renewal of an existing service contract) do not constitute repurchase arrangements; however, if the repurchase prices exceed the fair value of the handsets these rights must be recognized as separate performance obligations for which part of the contractual revenue is deferred until they are exercised or expire.

Particularly in the mobile communications business, the timing of payments for mobile handsets purchased in connection with the conclusion of a service contract differs from the timing of the delivery and hence from revenue recognition. Where a significant financing component exists, revenue is measured at the present value. Whereas the sale of subsidized handsets in connection with the conclusion of service contracts in the consumer business is still common in the Germany operating segment and also to some extent in the Europe operating segment, handsets are not sold at a discount at all, or only to a limited extent, in the United States and to some extent in the Europe operating segments; payment-by-installment models or lease models are offered to customers instead. In both the subsidy model and the payment-by-installment model, an asset must thus be carried at the date of revenue recognition which is generally settled over a 24-month service contract term through payments made by the customer. The only difference is that with the subsidy model it is a contract asset that is repaid through the portion of the monthly bill that exceeds the allocated monthly service revenues.

By contrast, the payment-by-installment model involves an existing legal customer receivable that is settled based on an installment plan – separately from the monthly billing for telecommunications services.

The **Systems Solutions** operating segment provides, among other things, IT services and network services for corporate customers including IT outsourcing services and the sale of hardware including desktop services. Revenue from service contracts is recognized as the service is performed, i.e., normally on a pro-rata basis over the contract term. Revenue from service contracts billed on the basis of time and material used is recognized at the contractual hourly rates as labor hours are delivered and direct expenses are incurred.

Revenue from hardware sales or sales-type leases is recognized when the product is shipped to the customer, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. Any costs of these obligations are recognized when the corresponding revenue is recognized.

Revenue from construction contracts and construction-type service contracts (or elements of service contracts), for which a defined output is promised (e.g., IT developments), is recognized using the percentage of completion method. The measure of progress or stage of completion of a contract is generally determined as the percentage of cost incurred up until the reporting date relative to the total estimated cost at the reporting date (cost-to-cost method). In particular for complex outsourcing contracts with corporate customers, a reliable estimate of the total cost and therefore of the stage of completion is not possible in many cases, so revenue is only recognized in the amount of the contract costs expensed. This means that a proportionate profit is not realized until the contract has been completed (zero-profit method).

Revenue from non-sales-type rentals and leases is recognized on a straight-line basis over the lease term.

INCOME TAXES

Income taxes include current income taxes as well as deferred taxes. Current and deferred tax assets and liabilities must be recognized where they are probable. They are measured in accordance with the tax laws applicable or already announced as of the reporting date, provided said announcement has the effect of actual enactment. Where current and deferred tax is recognized, it must be reported as income or expense except to the extent that the tax arises from a transaction which is recognized outside profit and loss, either in other comprehensive income or directly in equity, or in connection with a business combination. Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset in the statement of financial position if Deutsche Telekom has a legally enforceable right to set off current tax assets against current tax liabilities, has an intention to settle net, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Current tax assets and current tax liabilities must be recognized in the amount that Deutsche Telekom expects to settle with or recover from the tax authorities. They include liabilities/receivables for the current period as well as for prior periods.

Deferred taxes are recognized for temporary differences between the carrying amounts in the consolidated statement of financial position and the tax base, as well as for tax loss carryforwards and tax credits. By way of derogation from this principle, a deferred tax liability is not recognized for temporary differences if the deferred tax liability arises from the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit/tax loss. Nor is a deferred tax liability recognized for temporary differences arising from the initial recognition of goodwill. A deferred tax liability is generally recognized for temporary differences associated with investments in subsidiaries, joint arrangements, and associates, unless Deutsche Telekom is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

JUDGMENTS AND ESTIMATES

The presentation of the results of operations or financial position in the consolidated financial statements is dependent upon and sensitive to the accounting policies, assumptions, and estimates. The actual amounts may differ from those estimates. The following critical accounting estimates and related assumptions and uncertainties inherent in accounting policies applied are essential to understand the underlying financial reporting risks and the effects that these accounting estimates, assumptions and uncertainties may have on the consolidated financial statements.

Measurement of property, plant and equipment, and intangible assets involves the use of estimates for determining the fair value at the acquisition date, provided they were acquired in a business combination. Furthermore, the expected useful lives of these assets must be estimated. The determination of the fair values of assets and liabilities, as well as of the useful lives of the assets is based on management's judgment. The measurement of intangible assets acquired in exchange transactions is based on management's judgment as to whether an exchange transaction has commercial substance. For this, an analysis is performed to determine to what extent the future cash flows (risk, timing, and amount) are expected to change as a consequence of the transaction. Information from external experts is obtained for this analysis and for the determination of the fair values of assets.

The determination of impairments of property, plant and equipment, and intangible assets involves the use of estimates that include, but are not limited to, the cause, timing, and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the telecommunications industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions, and other changes in circumstances that indicate an impairment exists. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives, and residual values. Specifically, the estimation of cash flows underlying the fair values from the mobile business considers the continued investment in network infrastructure required to generate future revenue growth through the offering of new data products and services, for which only limited historical information on customer demand is available. If the demand for these products and services does not materialize as expected, this would result in less revenue, less cash flow, and potential impairment. When determining the fair values, additional planning uncertainties are factored in that reflect the risks of macroeconomic development, which could adversely affect future results of operations.

The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to calculate the recoverable amount include discounted cash flow-based methods and methods that use market prices as a basis. The measurements on the basis of discounted cash flows are founded on projections that are based on financial plans that have been approved by management and are also used for internal purposes. The planning horizon selected reflects the assumptions for short- to medium-term market development and is selected to achieve a steady state in the business outlook that is

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necessary for calculating the perpetual annuity. This steady state is only reached based on the planning horizon selected, in particular due to the sometimes long investment cycles in the telecommunications industry and the investments planned and expected in the long run to acquire and extend the rights of spectrum use. Cash flows beyond the internal mid-term planning are extrapolated using appropriate growth rates. The key assumptions on which management has based its calculation of the recoverable amount include the following assumptions that were primarily derived from internal sources and are based on past experience and extended to include internal expectations, and that are underscored by external market data and estimates: development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, and growth rates. Discount rates are determined on the basis of external figures derived from the market, taking account of the risks associated with the cash-generating unit. Any future changes in the aforementioned assumptions could have a significant impact on the fair values of the cash-generating units.

Management maintains an **allowance for doubtful accounts** to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer creditworthiness, and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

In each tax jurisdiction in which Deutsche Telekom operates, management must make judgments for the calculation of **current and deferred taxes.** This is relevant, for example, when it comes to a decision on the recognition of deferred tax assets because it must be probable that a taxable profit will be available against which the deductible temporary differences, loss carryforwards, and tax credits can be utilized. In addition to the estimate of future earnings, various factors are used to assess the probability of the future utilization of deferred tax assets, including past results of operations, the reliability of planning, and tax planning strategies. The period used for the assessment of the recoverability depends on the circumstances at the respective Group company and typically is in a range of five to ten years.

Pension obligations for benefits to non-civil servants are generally satisfied by defined benefit plans. Pension benefit costs for non-civil servants are determined in accordance with actuarial valuations, which rely on assumptions regarding the discount rate, the expected salary increase rate, the expected pension trend, and life expectancy. In the event that changes in the assumptions regarding these parameters are required, the future amounts of the pension benefit costs may be affected materially.

Deutsche Telekom is obligated, under the German Federal Posts and Telecommunications Agency Reorganization Act (Gesetz zur Reorganisation der Bundesanstalt für Post und Telekommunikation Deutsche Bundespost), to pay for its share of any operating cost shortfalls between the income of the **Civil Service Health Insurance Fund** (Postbeamtenkrankenkasse) and benefits paid. The Civil Service Health Insurance Fund provides services mainly in cases of illness, birth, or death for its members, who are civil servants employed by or retired from Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG, and their relatives. When Postreform II came into effect, participation in the Civil Service Health Insurance Fund was closed to new members. The insurance premiums collected by the Civil Service Health Insurance Fund must not exceed the insurance premiums imposed by alternative private health insurance enterprises for comparable insurance benefits, and, therefore, do not reflect the changing age distribution of the participants in the fund. Deutsche Telekom recognizes provisions in the amount of the actuarially determined present value of Deutsche Telekom's share in the fund's future deficit, using a discount rate and making assumptions about life expectancies and projections for contributions and future increases in general health care costs in Germany. Since the calculation of these provisions involves long-term projections over periods of more than 50 years, the present value of the liability may be highly sensitive even to small variations in the underlying assumptions.

Deutsche Telekom exercises considerable judgment in measuring and recognizing **provisions** and **contingent liabilities** related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration, or government regulation. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Provisions are recognized for losses from executory contracts, provided a loss is considered probable and can be reasonably estimated. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. In addition, significant estimates are involved in the determination of provisions related to taxes and litigation risks. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as actuaries or legal counsel. Revisions to the estimates of these losses from executory contracts may significantly affect future results of operations.

SIGNIFICANT JUDGMENTS: REVENUE RECOGNITION, CONTRACT ASSETS AND LIABILITIES/CONTRACT COSTS

The standalone selling prices of individual products or services that are part of multiple-element arrangements are complex to determine, because some of the elements are price-sensitive and, thus, volatile in a competitive marketplace. In many cases, standalone selling prices can also not be observed for the company's own products. Due to the fact that comparability is generally not completely assured, the use of market prices for similar products is subject to an element of uncertainty, as is an estimate using a cost-plus-margin approach. Changes in estimates of standalone selling prices can significantly influence the allocation of the transaction price for the entire multiple-element arrangement among the individual performance obligations and therefore affect both the financial position, i.e., the carrying amount of contract assets and contract liabilities, and the current and future results of operations.

One-time payments by the customer for contracts that can be terminated at any time are recognized over an expected contract period, the length of which depends on the period over which the customer is likely from a commercial perspective to renew or not terminate the contract on a monthly basis.

Contract costs are deferred and generally recognized as revenue over the expected duration of the customer relationship. The estimate of the expected average duration of customer retention is based on historical customer turnover. However, this is subject to fluctuations and has only limited informative value with regard to future customer behavior, particularly if new products are rolled out. If management's estimates are revised, material differences may result in the amount and timing of expenses for subsequent periods.

The significance of material rights is an estimate that is based on both quantitative and qualitative factors. This is ultimately a matter of judgment, even though it is supported by quantitative facts. Depending on the decision as to whether or not the customer has a material right to be deferred, there may be material differences in the amount and timing of revenues for the current and subsequent periods.

Gross vs. net presentation: The assessment of whether Deutsche Telekom presents revenue gross as the principal or net after deduction of costs as the agent, i.e., only in the amount of the remaining margin, requires an analysis of both the legal form and the substance of contracts. After all of the relevant facts and circumstances of the individual case have been weighed up, in many cases the decision also involves a degree of discretion, even if a uniform Group method of assessment is applied. Depending on the conclusion reached, there may be material differences in the amounts of revenues and expenses for the current and subsequent periods. This has no bearing on profit/loss from operations, however.

CONSOLIDATION METHODS

SUBSIDIARIES

Subsidiaries are companies that are directly or indirectly controlled by Deutsche Telekom. Control only exists if an investor has the power over the investee, is exposed to variable returns, and is able to use power to affect its amount of variable returns. The existence and effect of substantive potential voting rights that are currently exercisable or convertible, including potential voting rights held by other Group companies, are considered when assessing whether an entity is controlled.

All subsidiaries are included in the consolidated financial statements, unless the costs of preparing the reporting required for inclusion by means of full consolidation would outweigh the benefits of such reporting, which is primarily the case for subsidiaries which an operating segment or the Group considers to be insignificant based on the following criterion: The sum of all unconsolidated subsidiaries must not account for more than 1 percent of the Group's total assets, revenue, profit/loss for the year, contingent assets/liabilities, and other financial obligations. If the 1-percent limit is exceeded, Deutsche Telekom determines which companies are to be included in the consolidated financial statements, taking the long-term development of the investment and consolidation effects into account. Aside from the quantitative criteria, qualitative criteria will also be used to assess the materiality of an entity for the consolidated group. Excluding a subsidiary must not significantly change the segment result or the Group's profit/loss for the year, nor may other significant trends be ignored. Subsidiaries that are not included in the consolidated financial statements due to their subordinate significance, and which were previously recognized under IAS 39 at amortized cost as available-for-sale financial assets, are recognized under other assets as of the 2018 financial year and were reclassified as of January 1, 2018 with a carrying amount of EUR 177 million.

Income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date and remain included in the consolidated financial statements until the date on which the parent company ceases to control the subsidiary. If necessary, the subsidiaries' accounting principles are aligned with the uniform accounting principles applied by the Deutsche Telekom Group. Intercompany income and expenses, receivables and liabilities, and profits or losses are eliminated.

Upon loss of control, a gain or loss from the disposal of the subsidiary is recognized in the consolidated income statement in the amount of the difference between (i) the proceeds from the disposal of the subsidiary, the fair value of the remaining shares, the carrying amount of the non-controlling interests, and the cumulative amounts of other comprehensive income attributable to the subsidiary, and (ii) the carrying amount of the subsidiary's net assets to be disposed of.

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JOINT OPERATIONS, JOINT VENTURES, AND ASSOCIATES

Joint arrangements, in which two or more parties have joint control over an activity, must be classified as either joint operations or joint ventures.

A **joint operation** is characterized by the fact that the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in the joint operation as well as its share of the joint assets, liabilities, revenues and expenses.

In a **joint venture,** on the other hand, the parties that have joint control of the arrangement (partners) have rights to the net assets of the entity. **Associates** are companies on which Deutsche Telekom has a significant influence, and that are neither subsidiaries nor joint ventures. As with joint ventures, associates are accounted for using the **equity method.**

Investments in joint ventures and associates that are included in the consolidated financial statements using the equity method are recognized at cost at the time of acquisition. The carrying amount of the investment may include goodwill as the positive difference between the cost of the investment and Deutsche Telekom's proportionate share in the fair values of the entity's identifiable net assets. If necessary, the accounting principles of joint ventures and associates are aligned with the uniform accounting principles applied by the Deutsche Telekom Group. The carrying amount of the investment accounted for using the equity method is tested for impairment provided there are indications of impairment. If the carrying amount of the investment exceeds its recoverable amount, an impairment loss must be recognized in the amount of the difference. The recoverable amount is measured at the higher of fair value less costs of disposal and value in use.

Upon loss of significant influence, a gain or loss from the disposal of the joint venture/associate is recognized in the amount of the difference between (i) the proceeds from the disposal of the shares, the fair value of the remaining shares, and the cumulative amounts of other comprehensive income attributable to the joint venture or associate, and (ii) the carrying amount of the investment to be disposed of.

The materiality assessment for jointly controlled entities and associates is generally performed using the same methods as for subsidiaries, but is limited to the criteria of profit/loss for the year, contingent assets and liabilities, and other financial obligations.

BUSINESS COMBINATIONS

A business combination exists when Deutsche Telekom obtains control of another entity. All business combinations must be accounted for using the acquisition method. The cost of an acquired subsidiary is measured at the fair value of the consideration transferred, i.e., the sum of the assets transferred, liabilities assumed, and equity instruments issued. Transaction costs are generally recognized as expense. The acquisition cost is allocated to the acquired assets, liabilities, and contingent liabilities. The identifiable assets acquired and the liabilities and contingent liabilities assumed are recognized in full at their fair values at the acquisition date, regardless of the level of the investment held by Deutsche Telekom.

Goodwill arising in a business combination is measured as the excess of the aggregate of the cost of acquisition, the amount of any non-controlling interest in the acquiree, and, in a business combination achieved in stages, the fair value of the equity interest held by Deutsche Telekom in the acquiree prior to the acquisition date over the fair value of the net assets acquired. Any difference arising on the revaluation of equity interests previously held by Deutsche Telekom is recognized in profit or loss.

For all business combinations there is an option in relation to the measurement of the non-controlling interests. These can be recognized either directly at their fair value (i.e., the non-controlling interest in the enterprise value of the acquiree) or at the non-controlling interest in the fair value of the net assets acquired. As a result, in the first case, the non-controlling interests also have a share in the goodwill arising from the business combination, while in the second case the non-controlling interest is limited to the revalued assets and liabilities and the goodwill is therefore recognized only as the amount attributable to Deutsche Telekom.

Transactions relating to the further acquisition or sale of equity interests with other shareholders that do not affect Deutsche Telekom's controlling interest do not lead to any change in goodwill. The difference between the fair value of the consideration transferred or received (i.e., the purchase price of the interests) and the carrying amount of the equity attributable to the non-controlling interests must be offset directly against consolidated shareholders' equity in capital reserves or increases the capital reserves.

CHANGES IN THE COMPOSITION OF THE GROUP AND OTHER TRANSACTIONS

In the 2018 financial year, Deutsche Telekom conducted the following transactions, which had or 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 consolidated financial statements.

Acquisition of Layer3 TV, Inc.

The agreement signed by T-Mobile US on November 9, 2017 to acquire 100 percent of the shares in online TV provider Layer3 TV, Inc. was consummated on January 22, 2018. T-Mobile US expects the acquisition to further strengthen its TV and video portfolio. Layer3 TV has been included in the consolidated financial statements as a fully consolidated subsidiary since the acquisition date. The consideration paid at the acquisition date amounts to EUR 0.3 billion in cash.

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

Acquisition of UPC Austria GmbH

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

With more than 1,000 employees, UPC Austria is a leading provider of communication and entertainment services in Austria's telecommunications sector. Through its high-performance coaxial and fiber-optic cable infrastructure, the company provides more than half a million consumers and business customers with fast, easy access to the digital world. By acquiring UPC Austria, T-Mobile Austria is set to become a leading broadband provider in the Austrian market.

Since the acquisition date of July 31, 2018, UPC Austria has been included in the consolidated financial statements as a fully consolidated subsidiary. The purchase price allocation and the measurement of the UPC Austria group's assets and liabilities as of July 31, 2018 were finalized by December 31, 2018.

The cash consideration transferred at the date of acquisition was EUR 1.8 billion and took into account a negative amount of EUR 0.1 billion in adjustments to net working capital and net debt in accordance with corresponding provisions in the purchase agreement.

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

Fair values at the acquisition date
millions of €

ASSETS	
CURRENT ASSETS	**31**
Cash and cash equivalents	1
Trade and other receivables	6
Contract assets	4
Current recoverable income taxes	17
Other assets	2
Inventories	1
NON-CURRENT ASSETS	**2,298**
Goodwill	553
Other intangible assets	532
Of which: customer base	474
Of which: other	58
Property, plant and equipment	1,207
Capitalized contract costs	6
ASSETS	**2,329**
LIABILITIES	
CURRENT LIABILITIES	**(76)**
Financial liabilities	(30)
Trade and other payables	(28)
Other provisions	(5)
Income tax liabilities	(1)
Other liabilities	(10)
Contract liabilities	(2)
NON-CURRENT LIABILITIES	**(461)**
Financial liabilities	(96)
Provisions	(12)
Deferred tax liabilities	(352)
Other liabilities	(1)
LIABILITIES	**(537)**

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The acquired goodwill of EUR 553 million to be recognized in Deutsche Telekom's consolidated statement of financial position is calculated as follows:

Fair values at the acquisition date
millions of €

Consideration transferred	1,792
– fair value of the acquired assets	(1,776)
+ fair value of acquired liabilities	537
= GOODWILL	**553**

The purchase option for the non-controlling interests in UPC Telekabel Wien represents in substance present access to the benefits of the shares. As such, following the business combination, the non-controlling interests are presented as if they had already been purchased. Accordingly, the acquired liabilities also include the liabilities to the minority shareholder measured at fair value.

Goodwill is influenced by synergy effects that arise from the future business potential attributable to the company's position as an integrated provider of telecommunications services in Austria after the acquisition. Under local tax law, it is not recognized and is thus not tax-deductible. The purchase price allocation did not result in any deferred taxes on goodwill, nor will it in the future.

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 12 years.

The carrying amounts of the acquired receivables are based on the fair values. The gross amounts of the trade receivables amount to EUR 14 million. No material contingent liabilities have been identified.

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

No material transaction-based costs were incurred by December 31, 2018.

Deutsche Telekom's net revenue increased by EUR 149 million in the reporting period due to the acquisition of UPC Austria. If the business combination had already taken place on January 1, 2018, net revenue of the Group would have been EUR 360 million higher. Deutsche Telekom's net profit in the reporting year includes profit/loss before taxes of EUR 37 million from the UPC Austria group. If the business combination had already taken place on January 1, 2018, the Group's profit before taxes would have been EUR 72 million higher. The above information reflects the situation prior to any effects of the purchase price allocation.

Toll Collect

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

As it had announced in advance, the Federal Republic of Germany exercised its option as of September 1, 2018 to purchase 100 percent of the shares in the operating company, Toll Collect GmbH, when the operating agreement expired on August 31, 2018. Even after the acquisition of Toll Collect GmbH by the Federal Republic of Germany, the consortium Toll Collect GbR – comprising Deutsche Telekom AG, Daimler Financial Services AG, and Compagnie Financière et Industrielle des Autoroutes S.A. (Cofiroute) – continues to exist with an unchanged ownership structure.

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

CHANGES IN THE COMPOSITION OF THE GROUP

The composition of the Deutsche Telekom Group changed as follows in the 2018 financial year:

	Domestic	International	Total
CONSOLIDATED SUBSIDIARIES			
January 1, 2018	60	186	246
Additions	3	38	41
Disposals (including mergers)	2	11	13
DECEMBER 31, 2018	**61**	**213**	**274**
ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD			
January 1, 2018	2	7	9
Additions	0	1	1
Disposals	0	1	1
DECEMBER 31, 2018	**2**	**7**	**9**
JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD			
January 1, 2018	3	4	7
Additions	0	1	1
Disposals	1	1	2
DECEMBER 31, 2018	**2**	**4**	**6**
TOTAL			
January 1, 2018	65	197	262
Additions	3	40	43
Disposals (including mergers)	3	13	16
DECEMBER 31, 2018	**65**	**224**	**289**

The following transactions will change the composition of the Deutsche Telekom Group in future.

Acquisition of Tele2 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 N.V. by T-Mobile Netherlands Holding B.V.. This transaction will establish a stronger, more sustainable provider of convergent fixed-network and mobile services on the Dutch market. Tele2 Group receives a purchase price in the form of a 25.0 percent stake in T-Mobile Netherlands and a cash component of EUR 190 million taking any retrospective adjustments to the purchase price into account. 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 this date. Since the transaction was consummated so close to the date of preparing the consolidated financial statements, it is not yet possible to disclose information on the assets acquired and liabilities assumed from Tele2 Netherlands Holding N.V. or the goodwill resulting from the transaction.

Agreed business combination of T-Mobile US and Sprint

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

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

T-Mobile US share buy-back program

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

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

Acquisition of OTE shares

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

PRINCIPAL SUBSIDIARIES

The Group's principal subsidiaries are presented in the following table:

Name and registered office		Deutsche Telekom share %	Net revenue[c] millions of €	Profit (loss) from operations[c] millions of €	Shareholders' equity[c] millions of €	Average number of employees	Segment allocation
Telekom Deutschland GmbH, Bonn, Germany	**Dec. 31, 2018/2018**	100.00	21,342	4,692	6,423	4,121	Germany
	Dec. 31, 2017/2017	100.00	21,577	4,787	4,714	7,396	
T-Mobile US, Inc., Bellevue, Washington, United States[a, b]	**Dec. 31, 2018/2018**	63.34	36,522	4,634	25,897	45,729	United States
	Dec. 31, 2017/2017	62.29	35,736	5,930	22,927	43,935	
T-Systems International GmbH, Frankfurt/Main, Germany	**Dec. 31, 2018/2018**	100.00	5,086	(454)	1,109	12,481	Systems Solutions
	Dec. 31, 2017/2017	100.00	5,010	(1,536)	1,225	12,608	
Hellenic Telecommunications Organization S.A. (OTE), Athens, Greece[a]	**Dec. 31, 2018/2018**	45.00	3,861	429	3,239	19,507	Europe
	Dec. 31, 2017/2017	40.00	3,857	353	3,238	20,259	
Magyar Telekom Telecommunications Public Limited Company, Budapest, Hungary[a, b]	**Dec. 31, 2018/2018**	59.72	2,060	241	2,326	9,166	Europe
	Dec. 31, 2017/2017	59.44	1,975	248	2,295	9,094	
T-Mobile Netherlands Holding B.V., The Hague, Netherlands[a, b]	**Dec. 31, 2018/2018**	100.00	1,322	192	1,467	1,211	Group Development
	Dec. 31, 2017/2017	100.00	1,355	201	2,520	1,262	
T-Mobile Polska S.A., Warsaw, Poland[a, b]	**Dec. 31, 2018/2018**	100.00	1,525	(552)	1,462	4,816	Europe
	Dec. 31, 2017/2017	100.00	1,509	(684)	2,119	4,379	
T-Mobile Czech Republic a.s., Prague, Czech Republic[a, b]	**Dec. 31, 2018/2018**	100.00	1,047	274	1,924	3,516	Europe
	Dec. 31, 2017/2017	100.00	1,011	211	1,846	3,437	
Hrvatski Telekom d.d., Zagreb, Croatia[a, b]	**Dec. 31, 2018/2018**	51.14	1,049	185	2,303	5,424	Europe
	Dec. 31, 2017/2017	51.00	1,039	144	2,208	5,032	
T-Mobile Austria Holding GmbH, Vienna, Austria[a, b]	**Dec. 31, 2018/2018**	100.00	1,055	41	3,474	1,548	Europe
	Dec. 31, 2017/2017	100.00	900	109	1,546	1,204	
Slovak Telekom a.s., Bratislava, Slovakia[a, b]	**Dec. 31, 2018/2018**	100.00	761	149	1,532	3,568	Europe
	Dec. 31, 2017/2017	100.00	748	108	1,434	3,499	

[a] Consolidated subgroup.

[b] Indirect shareholding of Deutsche Telekom AG.

[c] IFRS figures of the respective subgroup.

In accordance with § 313 HGB, the full statement of investment holdings, which forms part of the notes to the consolidated financial statements, is published in the Federal Gazette (Bundesanzeiger) together with the consolidated financial statements. It is available upon request from Deutsche Telekom AG, Bonn, Investor Relations, and on Deutsche Telekom's website (www.telekom.com) under Investor Relations. Furthermore, the statement of investment holdings includes a full list of all subsidiaries that exercise simplification options in accordance with § 264 (3) HGB or disclosure simplification options in accordance with § 264 b HGB.

The following table shows the non-controlling interests for principal subsidiaries:

Name and registered office		Percentage of shareholding for non-controlling interests %	Percentage of voting rights for non-controlling interests %	Cumulative non-controlling interests [c] millions of €	Dividends paid out to non-controlling interests millions of €
T-Mobile US, Inc., Bellevue, Washington, United States [a, b]	**Dec. 31, 2018/2018**	36.66	36.66	9,255	0
	Dec. 31, 2017/2017	37.71	37.71	8,424	0
Hellenic Telecommunications Organization S.A. (OTE), Athens, Greece [a]	**Dec. 31, 2018/2018**	55.00	50.00	1,607	93
	Dec. 31, 2017/2017	60.00	50.00	1,743	47
Magyar Telekom Telecommunications Public Limited Company, Budapest, Hungary [a, b]	**Dec. 31, 2018/2018**	40.28	40.28	696	44
	Dec. 31, 2017/2017	40.56	40.56	670	34
Hrvatski Telekom d.d., Zagreb, Croatia [a, b]	**Dec. 31, 2018/2018**	48.86	48.86	917	33
	Dec. 31, 2017/2017	49.00	49.00	875	32

[a] Consolidated subgroup.
[b] Indirect shareholding of Deutsche Telekom AG.
[c] IFRS figures at the level of the consolidated financial statements of Deutsche Telekom.

Deutsche Telekom held 45 percent plus one vote of the shares in the OTE group as of the reporting date (please also refer to the information provided in the section "Summary of accounting policies" under "Other transactions that had no effect on the composition of the Group," page 179). In accordance with shareholder agreements between Deutsche Telekom and the Hellenic Republic, Deutsche Telekom controls 50 percent plus two voting shares and therefore the OTE group's financial and operating policy. Consequently, the OTE group companies are fully consolidated subsidiaries.

Summarized financial information for subsidiaries with significant non-controlling interests:

millions of €

Name and registered office		Current assets [c]	Non-current assets [c]	Current liabilities [c]	Non-current liabilities [c]	Profit (loss) [c]	Total comprehensive income [c]
T-Mobile US, Inc., Bellevue, Washington, United States [a, b]	**Dec. 31, 2018/2018**	9,171	60,052	16,688	26,638	2,481	3,377
	Dec. 31, 2017/2017	9,045	55,886	10,168	31,835	5,271	2,825
Hellenic Telecommunications Organization S.A. (OTE), Athens, Greece [a]	**Dec. 31, 2018/2018**	2,161	5,353	2,386	1,888	194	233
	Dec. 31, 2017/2017	2,393	5,514	2,723	1,946	54	62
Magyar Telekom Telecommunications Public Limited Company, Budapest, Hungary [a, b]	**Dec. 31, 2018/2018**	800	3,230	1,069	636	145	79
	Dec. 31, 2017/2017	663	3,349	730	987	123	121
Hrvatski Telekom d.d., Zagreb, Croatia [a, b]	**Dec. 31, 2018/2018**	757	1,941	325	70	141	149
	Dec. 31, 2017/2017	747	1,898	336	101	103	133

[a] Consolidated subgroup.
[b] Indirect shareholding of Deutsche Telekom AG.
[c] IFRS figures of the respective subgroup.

millions of €

Name and registered office		Net cash from operating activities [c]	Net cash (used in) from investing activities [c]	Net cash (used in) from financing activities [c]
T-Mobile US, Inc., Bellevue, Washington, United States [a, b]	**2018**	7,567	(4,936)	(2,606)
	2017	6,847	(9,948)	(966)
Hellenic Telecommunications Organization S.A. (OTE), Athens, Greece [a]	**2018**	949	(558)	(597)
	2017	782	(732)	(334)
Magyar Telekom Telecommunications Public Limited Company, Budapest, Hungary [a, b]	**2018**	500	(266)	(167)
	2017	507	(181)	(243)
Hrvatski Telekom d.d., Zagreb, Croatia [a, b]	**2018**	321	(190)	(134)
	2017	362	(185)	(125)

[a] Consolidated subgroup.
[b] Indirect shareholding of Deutsche Telekom AG.
[c] IFRS figures of the respective subgroup.

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STRUCTURED ENTITIES

Deutsche Telekom processes factoring transactions by means of structured entities (see Note 40 “Financial instruments and risk management,” page 236 et seq.).

Since 2014, Deutsche Telekom has consolidated four structured leasing SPEs, and since 2018 two more such SPEs, for real estate as well as operating and office equipment at two sites for the operation of data centers in Germany. The data centers were built under the management of an external leasing company and are operated by T-Systems International GmbH. Apart from the contractual obligations to make lease payments to the leasing SPEs, Deutsche Telekom has no obligation to give them further financial support.

T-Mobile USA Tower LLC and T-Mobile West Tower LLC, which are included in the consolidated financial statements as investments accounted for using the equity method, are also structured entities (see Note 9 “Investments accounted for using the equity method,” page 193 et seq.).

JOINT OPERATIONS

On the basis of a contractual arrangement concluded by T-Mobile Polska S.A., Poland, Deutsche Telekom combined the activities for the planning, building, and operation of the Polish mobile communications network with a partner in 2011 to generate savings. Deutsche Telekom recognizes its share (50 percent) of the corresponding assets in line with the economic substance in the consolidated statement of financial position.

CURRENCY TRANSLATION

Foreign-currency transactions are translated into the functional currency at the exchange rate at the date of transaction. At the reporting date, monetary items are translated at the closing rate, and non-monetary items are translated at the exchange rate at the date of transaction. Exchange rate differences are recognized in profit or loss.

The assets and liabilities of Group entities whose functional currency is not the euro are translated into euros from the local currency using the middle rates at the reporting date. The income statements and corresponding profit or loss of foreign-currency denominated Group entities are translated at monthly average exchange rates for the period. The differences that arise from the use of both rates are recognized directly in equity.

The exchange rates of certain significant currencies changed as follows:

€

	Annual average rate			Rate at the reporting date	
	2018	2017	2016	Dec. 31, 2018	Dec. 31, 2017
100 Czech korunas (CZK)	3.87824	3.79799	3.69912	3.88538	3.90961
1 pound sterling (GBP)	1.13049	1.14063	1.22003	1.11769	1.12664
100 Croatian kuna (HRK)	13.48050	13.39790	13.27380	13.48890	13.43590
1,000 Hungarian forints (HUF)	3.13607	3.23421	3.21138	3.11347	3.22290
100 Macedonian denars (MKD)	1.62440	1.62388	1.62360	1.62445	1.62592
100 Polish zlotys (PLN)	23.46130	23.48500	22.91960	23.24910	23.93060
1 U.S. dollar (USD)	0.82946	0.88549	0.90365	0.87321	0.83340

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents have an original maturity of less than three months and mainly comprise fixed-term bank deposits. They also include small amounts of cash-in-hand and checks. Deutsche Telekom obtained cash collateral of EUR 404 million (December 31, 2017: EUR 569 million) on the basis of collateral contracts as surety for potential credit risks arising from derivative transactions.

Cash and cash equivalents increased by EUR 0.4 billion to EUR 3.7 billion. For further information, please refer to Note 34 "Notes to the consolidated statement of cash flows," page 223 et seq.

As of December 31, 2018, Deutsche Telekom reported cash and cash equivalents of EUR 12.3 million held by subsidiaries in Macedonia (December 31, 2017: EUR 16 million). These subsidiaries are subject to foreign exchange controls or other legal restrictions. As a result, the cash balances are not fully available for use by the parent or other Group companies.

2 TRADE AND OTHER RECEIVABLES

millions of €

	Dec. 31, 2018	Dec. 31, 2017
Trade receivables	9,988	9,553
Other receivables	0	169
	9,988	**9,723**

Of the total of trade and other receivables, EUR 8,300 million (December 31, 2017: EUR 8,125 million) is due within one year.

The increase in trade receivables is primarily due to the increase in receivables in both the United States and Germany operating segments. In the United States operating segment, this increase was the result of the higher volume of receivables for handsets sold under installment plans and the larger customer base. Exchange rate effects from the translation of U.S. dollars into euros also contributed to the increase. Offsetting effects resulted in particular from reclassification and remeasurement effects from the mandatory first-time application of the accounting standards IFRS 9 and IFRS 15. For example, receivables from long-term construction contracts in the amount of EUR 0.2 billion which until 2017 were accounted for in accordance with IAS 11 were reclassified as contract assets as of January 1, 2018.

For more information on allowances, credit ratings, and write-offs of receivables as well as on factoring agreements newly concluded or extended, please refer to Note 40 "Financial instruments and risk management," page 236 et seq.

3 CONTRACT ASSETS

Following the transition to IFRS 15, a remeasurement effect of EUR 1.6 billion was recognized directly in equity as of January 1, 2018 in relation to the initial recognition of contract assets. Under IFRS 15, these would have led to the earlier recognition of revenue, in particular from the sale of goods and merchandise. Further, as a result of the transition, receivables from long-term construction contracts in the amount of EUR 0.2 billion, which were previously recognized as trade and other receivables, were reclassified as contract assets. For further information on the new accounting standards, please refer to the section "Initial application of standards, interpretations, and amendments in the financial year," page 154 et seq.

Of the total contract assets as of December 31, 2018 of EUR 1.8 billion, EUR 0.2 billion related to contract assets in connection with long-term construction contracts.

The contract assets increased by EUR 44 million in the reporting year, due to a change in the business model in Poland in September 2018. Whereas the previous business model did not provide for handsets to be sold at a discount, the terminal equipment business is now subsidized.

For information on allowances on contract assets, please refer to Note 40 "Financial instruments and risk management," page 236 et seq.

4 INVENTORIES

millions of €

	Dec. 31, 2018	Dec. 31, 2017
Raw materials and supplies	56	54
Work in process	20	13
Finished goods and merchandise	1,714	1,918
	1,790	**1,985**

The carrying amount of inventories decreased by EUR 0.2 billion to EUR 1.8 billion compared with December 31, 2017, mainly due to the reduction in the stock levels of terminal equipment (in particular higher-priced smartphone models) in the United States operating segment; exchange rate effects, mainly from the translation of U.S. dollars into euros, had an offsetting effect.

Write-downs of EUR 42 million (2017: EUR 27 million, 2016: EUR 46 million) on the net realizable value were recognized in 2018 and are shown in profit or loss.

The carrying amount of inventories expensed during the reporting period was EUR 14,373 million (2017: EUR 13,358 million; 2016: EUR 13,295 million).

The finished goods and merchandise primarily comprise retail products (e.g., terminal equipment and accessories) not manufactured by Deutsche Telekom and services rendered but not yet invoiced, primarily to business customers.

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5 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

As of December 31, 2018, current assets recognized in the consolidated statement of financial position included EUR 0.1 billion (December 31, 2017: EUR 0.2 billion) in non-current assets and disposal groups held for sale. Current liabilities in the consolidated statement of financial position did not include any material liabilities directly associated with non-current assets and disposal groups held for sale (December 31, 2017: EUR 0.0 billion).

millions of €

	Dec. 31, 2018				Dec. 31, 2017		
	Deutsche Telekom AG	Telekom Albania	Other	Total	Deutsche Telekom AG	Other	Total
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE							
Cash and cash equivalents	0	7	0	**7**	0	0	**0**
Trade and other receivables	0	12	0	**12**	0	0	**0**
Inventories	0	2	0	**2**	0	0	**0**
Other current assets	0	7	34	**41**	0	0	**0**
Intangible assets	0	13	0	**13**	0	0	**0**
Property, plant and equipment	42	21	0	**63**	160	1	**161**
Deferred tax assets	0	6	0	**6**	0	0	**0**
TOTAL	**42**	**68**	**34**	**145**	**160**	**1**	**161**
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE							
Trade and other payables	0	34	0	**34**	0	0	**0**
Other non-current provisions	0	2	0	**2**	0	0	**0**
TOTAL	**0**	**36**	**0**	**36**	**0**	**0**	**0**

Real estate in the Group Headquarters & Group Services segment was sold in the reporting period. In addition, 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 relevant bodies of Deutsche Telekom granted the required approval for this agreement in November 2018. The assets and liabilities of Telekom Albania, which is recorded in the Europe operating segment, are reported as of December 31, 2018 under non-current assets and disposal groups held for sale and liabilities directly associated with non-current assets and disposal groups held for sale. This made it necessary to remeasure these assets at the lower of carrying amount and fair value – which was based on the Level 3 measurement pursuant to the purchase agreement – less costs of disposal, which resulted in an impairment loss of EUR 35 million as of the date of the reclassification on some of the intangible assets and property, plant and equipment assigned to the Albania cash-generating unit. This impairment was recognized under depreciation, amortization and impairment losses.

In addition, Deutsche Telekom AG's real estate held for sale of EUR 21 million as of December 31, 2018 (December 31, 2017: EUR 48 million) was no longer recognized at its carrying amounts in accordance with IFRS 5, but at its fair value less costs of disposal. This real estate relates to sites that are no longer considered necessary for operations or that will, in the foreseeable future, no longer be considered necessary for operations on account of technological advances. The fair values are determined by external experts. The fair value is measured on a regular basis using the earnings value method, taking into account local market estimates and specific characteristics of the property, including input parameters that cannot be observed in the market (Level 3). The expected costs of disposal (currently usually around 10 percent of the fair value) are subtracted. The real estate was written down by EUR 10.7 million (2017: EUR 27.7 million) to the fair value less costs of disposal. The expense was recognized under depreciation, amortization and impairment losses.

No reversals of impairments of the carrying amounts of the non-current assets and disposal groups held for sale were recognized in the reporting year; the reversals recognized in the prior year were not material.

6 INTANGIBLE ASSETS

millions of €

	Internally generated intangible assets	Acquired intangible assets		
		Total	Acquired concessions, industrial and similar rights and assets	LTE licenses
COST				
AT DECEMBER 31, 2016	**5,934**	**71,344**	**1,071**	**6,103**
Currency translation	(450)	(5,441)	(36)	60
Changes in the composition of the Group	0	(32)	3	0
Additions	236	8,841	245	0
Disposals	560	1,242	3	5
Change from non-current assets and disposal groups held for sale	0	(393)	0	0
Reclassifications	1,554	1,304	2	9
AT DECEMBER 31, 2017	**6,714**	**74,381**	**1,282**	**6,167**
Currency translation	206	2,001	12	(50)
Changes in the composition of the Group	0	724	36	0
Additions	284	1,236	235	49
Disposals	674	1,182	144	9
Change from non-current assets and disposal groups held for sale	0	(264)	0	(14)
Reclassifications	840	1,378	5	89
AT DECEMBER 31, 2018	**7,371**	**78,275**	**1,427**	**6,232**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES				
AT DECEMBER 31, 2016	**4,215**	**29,302**	**639**	**1,112**
Currency translation	(345)	(1,172)	(21)	5
Changes in the composition of the Group	0	(46)	0	0
Additions (amortization)	938	3,178	150	384
Additions (impairment)	0	6	2	0
Disposals	554	1,235	2	5
Change from non-current assets and disposal groups held for sale	0	(82)	0	0
Reclassifications	9	3	(1)	0
Reversal of impairment losses	0	(1,651)	0	0
AT DECEMBER 31, 2017	**4,263**	**28,303**	**767**	**1,496**
Adjustment resulting from the change in accounting standards	0	0	0	0
Currency translation	143	337	9	(11)
Changes in the composition of the Group	0	0	0	0
Additions (amortization)	1,017	3,320	221	398
Additions (impairment)	5	40	0	6
Disposals	(659)	(1,173)	(141)	(9)
Change from non-current assets and disposal groups held for sale	0	(250)	0	(9)
Reclassifications	(6)	8	1	(1)
Reversal of impairment losses	0	0	0	0
AT DECEMBER 31, 2018	**4,762**	**30,585**	**857**	**1,870**
NET CARRYING AMOUNTS				
At December 31, 2017	2,451	46,078	515	4,671
AT DECEMBER 31, 2018	**2,609**	**47,690**	**569**	**4,363**

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	Acquired intangible assets						
	UMTS licenses	GSM licenses	FCC licenses (T-Mobile US)	Other acquired intangible assets	Goodwill	Advance payments and intangible assets under development	Total
9,950	**1,544**	**35,772**	**16,904**	**30,687**	**2,528**	**110,493**
19	13	(4,931)	(566)	(1,466)	(111)	(7,468)
0	0	0	(35)	21	0	(11)
0	0	7,819	777	0	2,543	11,620
0	163	0	1,071	0	57	1,859
0	0	(392)	(1)	0	(5)	(398)
0	0	0	1,293	0	(2,812)	46
9,969	**1,394**	**38,268**	**17,301**	**29,242**	**2,086**	**112,423**
(6)	(5)	1,841	209	469	18	2,695
0	0	71	618	736	1	1,462
0	3	264	685	0	2,469	3,989
6	0	0	1,023	0	14	1,869
(23)	(15)	(1)	(212)	(37)	0	(302)
0	0	0	1,284	0	(2,177)	41
9,935	**1,377**	**40,443**	**18,862**	**30,410**	**2,383**	**118,439**
7,506	**734**	**6,443**	**12,868**	**16,377**	**0**	**49,894**
12	9	(755)	(422)	(1,456)	0	(2,973)
0	0	0	(46)	0	0	(46)
584	70	0	1,990	0	0	4,116
0	0	4	0	2,071	0	2,077
0	163	0	1,065	0	0	1,789
0	0	(81)	(1)	0	0	(82)
1	0	0	3	0	0	12
0	0	(1,651)	0	0	0	(1,651)
8,103	**650**	**3,960**	**13,327**	**16,992**	**0**	**49,558**
0	0	0	0	78	0	78
(4)	(4)	189	159	471	0	950
0	0	0	0	0	0	0
583	68	0	2,049	0	0	4,337
6	7	0	22	639	0	685
(6)	0	0	(1,018)	0	0	(1,832)
(19)	(10)	0	(211)	(37)	0	(288)
0	0	0	9	0	0	2
0	0	0	0	0	0	0
8,663	**711**	**4,149**	**14,335**	**18,143**	**0**	**53,489**
1,866	744	34,308	3,974	12,250	2,086	62,865
1,272	**666**	**36,293**	**4,526**	**12,267**	**2,383**	**64,950**

Intangible assets increased by EUR 2.1 billion in the 2018 financial year to EUR 65.0 billion. Additions totaling EUR 4.0 billion increased the carrying amount. They mainly comprised capital expenditures in the United States, Europe, and Germany operating segments, and in the Group Headquarters & Group Services segment. Changes in the composition of the Group increased the carrying amount by a further EUR 1.5 billion. As of the date of acquisition of UPC Austria, an identifiable intangible asset of EUR 0.5 billion was recognized in connection with the latter's customer base, along with goodwill of EUR 0.6 billion. Further, as of the acquisition date of Layer3 TV, an identifiable intangible asset of EUR 0.1 billion was recognized in connection with technology developed by the latter as well as goodwill of EUR 0.2 billion. For further information on transactions, please refer to the section "Changes in the composition of the Group and other transactions," page 176 et seq. Positive exchange rate effects of EUR 1.7 billion, particularly from the translation of U.S. dollars into euros, increased the carrying amount. Depreciation and amortization of EUR 4.3 billion and impairment losses of EUR 0.7 billion reduced the carrying amount.

In the 2017 financial year, the partial reversal of impairment losses on FCC licenses previously acquired by T-Mobile US increased the carrying amount by EUR 1.7 billion before deferred taxes. These FCC licenses were impaired as of September 30, 2012 following ad hoc impairment testing of the United States cash-generating unit. Because all of the FCC license impairment was allocated to the portfolio of PCS licenses, based on a determination that AWS licenses were carried at less than fair value, the PCS license portfolio is the only FCC license asset subject to an impairment reversal. Regular tests had to be performed in subsequent periods to determine whether the reasons for impairment still existed – in full or in part. The value of the United States cash-generating unit, which has been listed on the stock exchange since May 2013, increased substantially in recent years on the back of the increase in the share price of T-Mobile US, Inc. and exceeded its carrying amount. However, the maximum possible reversal is limited to the lower of the recoverable amount of the impaired spectrum licenses determined from the fair value less costs of disposal on the one hand and the cost of these licenses on the other. As the recoverable amount of the impaired FCC licenses in the past financial years was lower than their carrying amount, the requirements for a reversal were not met.

In the third quarter of 2017, the results of the 600 MHz spectrum auction by the Federal Communications Commission (FCC), which was completed in 2017, indicated an increase in value of the previously impaired licenses. A remeasurement was then performed using a discounted cash flow method (greenfield method). The value was calculated in accordance with Level 3 of the fair value hierarchy pursuant to IFRS 13. The greenfield method uses a hypothetical cash flow scenario of developing an operating business for an entity that owns a single asset, in this case FCC licenses, at inception. The greenfield method requires an understanding of how much time and investment it would take to grow the business considering the current market conditions. Cash flows are forecasted to reflect required resources and eventual returns from the build-out of the operations and the acquisition of customers. The underlying theory of that approach is that by incurring theoretical start-up costs and capital expenditures that reflect the creation of all other assets, the value of the FCC licenses becomes isolated. The expenses and capital expenditures required to recreate the business would be higher than the expense and capital expenditure level of an established business. In addition, the time to recreate (ramp-up period) also determines the required level of investments (e.g., to shorten the ramp-up period more investment would be required). In summary, the key inputs of the greenfield method are:

- The time and required expenses of the ramp-up period. The build-out was staged over a period of time to reflect a plan to migrate from a start-up to a fully capable national wireless network. The estimated timeline to build the existing network that most closely meets the current business plan's long-term projected level of subscribers is approximately eight years.
- Long-term projected revenue and operating cash flows are based on a market participant or normalized level of operation of the business. Given the long-term nature of the investment, the initial planning period of ten years was extended by an additional ten years to allow for profit margins, capital expenditures and related depreciation to reach normalized levels.
- A long-term growth rate was applied for the ten additional years to the forecasted revenues that matches the selected long-term growth rate of 2 percent for the derivation of the terminal value. The long-term growth rate was determined by considering industry and economic research.
- The rate of return required by a market participant for investing in such a business (discount rate). A discount rate of 7.5 percent was used.

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The total value of the license portfolio calculated in this way of USD 53 billion was then allocated to the spectrum types (PCS, AWS, 700 MHz and 600 MHz) according to a relative market price model based on auction data. In 2017, a recoverable amount of EUR 13.6 billion was calculated for the FCC licenses previously impaired. Taking the carrying amount at that time of EUR 11.9 billion into account, a partial reversal of EUR 1.7 billion arose for the United States operating segment in the third quarter of 2017 that was recorded under other operating income. There were no indications for a further reversal of impairment losses on the licenses in the 2018 financial year.

In the 2018 financial year, there were a number of factors affecting changes in the carrying amounts of goodwill at cash-generating units:

First-time application of IFRS 15 "Revenue from Contracts with Customers." The first-time application of IFRS 15 as of January 1, 2018 reduced the carrying amount of goodwill recognized under intangible assets by EUR 0.1 billion. Under the new accounting standard, contract assets must be capitalized for the first time. For further information on the requirements and effects of the first-time application, please refer to the section "Initial application of standards, interpretations, and amendments in the financial year," page 154 et seq. An initial consequence was that the carrying amounts of the cash-generating units that must be tested for impairment in accordance with IAS 36 increased when IFRS 15 was applied for the first time. As a result, the carrying amounts of the Romania cash-generating unit in the Europe operating segment and of the Netherlands cash-generating unit in the Group Development operating segment exceeded in each case the recoverable amounts for these units. Consequently, the goodwill recognized for these units then had to be impaired as of January 1, 2018. The recoverable amounts for the Romania cash-generating unit stood at EUR 701 million and for the Netherlands cash-generating unit at EUR 2,482 million. Hence the recoverable amounts for the Romania cash-generating unit were EUR 10 million, and for the Netherlands, EUR 68 million below the carrying amount. The corresponding goodwill impairments for these units were recognized directly in equity by reducing retained earnings as of January 1, 2018.

Corporate transactions UPC Austria and Layer3 TV. Goodwill of EUR 0.6 billion was recognized from the acquisition of UPC Austria and of EUR 0.2 billion from the acquisition of Layer3 TV as of the respective acquisition date. For further information, please refer to the section "Summary of accounting policies" under "Changes in the composition of the Group and other transactions," page 176 et seq.

United States. The increase in goodwill of EUR 240 million compared with December 31, 2017 primarily relates to the goodwill recognized in connection with the acquisition of Layer3 TV and to exchange rate effects from the translation of U.S. dollars into euros.

Systems Solutions. In the Systems Solutions operating segment, since January 1, 2018, the two cash-generating units Market Unit and Telekom Security and their respective goodwill have been combined in a single cash-generating unit following a change in the control logic in the Systems Solutions cash-generating unit.

Europe. Under the agreement concluded on January 15, 2019 by OTE 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 carrying amounts of the assets and liabilities assigned to the Albania cash-generating unit were reclassified to non-current assets and disposal groups held for sale and liabilities directly associated with non-current assets and disposal groups held for sale, respectively. This process required a remeasurement of these assets at the lower of carrying amount and fair value less costs of disposal, which resulted in an impairment loss of EUR 35 million in the 2018 financial year as of the date of the reclassification on some of the intangible assets and property, plant and equipment assigned to the Albania cash-generating unit.

Disclosures on annual impairment tests. As of December 31, 2018, Deutsche Telekom carried out its annual impairment tests on the goodwill and intangible assets with an indefinite useful life (in particular, FCC licenses in the United States) assigned to the cash-generating units. A need for impairment of goodwill totaling EUR 639 million on a pro rata basis was identified in the Europe operating segment at the cash-generating units Poland and Romania as of December 31, 2018 on the basis of information available at the reporting date and expectations with respect to the future development of the market and competitive environment. The impairment of goodwill at these cash-generating units was attributable in particular to intensified competition and a difficult overall market situation. For Poland, this results in the expectation of reduced revenue and earnings, in particular from the sale of terminal equipment and in the fixed-network business, and a need for increased capital expenditure due to technological development and requirements. In Romania, the measures taken to restructure the company and adapt the business to changing customer needs have not yet had the desired effect, as reflected by lower-than-expected revenue and reduced earnings, especially in the fixed-network business. The impairment test as of December 31, 2017 resulted in a need for impairment totaling

EUR 829 million at the cash-generating units Poland, Romania, and Albania in the Europe operating segment. In addition, an impairment test was performed as of September 30, 2017 for the Market Unit cash-generating unit in the Systems Solutions operating segment; this was triggered by an unexpected decrease in order entry and resulted in the recognition of impairment losses of EUR 1,242 million.

The recoverable amounts to be identified for the impairment test were largely determined on the basis of the fair values less costs of disposal. With the exception of the United States cash-generating unit, these figures were calculated using a net present value approach. The main parameters are shown in the table on page 190.

The recoverable amounts (prior to the deduction of net debt) for the cash-generating units were EUR 2,294 million (December 31, 2017: EUR 2,932) for Poland, and EUR 744 million (December 31, 2017: EUR 701 million) for Romania as of December 31, 2018. The values were calculated in accordance with IFRS 13 using Level 3 input parameters (i.e., unobservable input parameters).

The recoverable amounts at the cash-generating units Netherlands, Croatia, Montenegro, and Macedonia were determined using the value in use. The market price of an active and liquid market (share price) of T-Mobile US was used to determine the fair value less costs of disposal in the case of the United States cash-generating unit. The measurements of all other cash-generating units are founded on projections for a ten-year projection period that are based on financial plans that have been approved by management and are also used for internal purposes. The planning horizon selected reflects the assumptions for short- to medium-term market developments and is selected to achieve a steady state in the business outlook that is necessary for calculating the perpetual annuity. This steady state can only be established based on this planning horizon, in particular due to the sometimes long investment cycles in the telecommunications industry and the investments planned and expected in the long run to acquire and extend the rights of spectrum use. Cash flows beyond the internal mid-term planning are extrapolated using appropriate growth rates defined separately for each cash-generating unit. These growth rates are based on real growth and inflation expected in the long term for the countries in which the respective unit operates. To achieve the sustainable growth rates set for the period of the perpetual annuity, additional sustainable investments derived specifically for each cash-generating unit are taken into account. The key assumptions on which management has based its determination of the recoverable amount include the following assumptions that were primarily derived from internal sources and are based on past experience and extended to include internal expectations, and that are underscored by external market data and estimates: development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, and growth rates. Discount rates are determined on the basis of external figures derived from the market, taking account of the market and country risks associated with the cash-generating unit. Any significant future changes in the aforementioned assumptions would have an impact on the fair values of the cash-generating units. Changes in the assumptions may have a negative impact, as a result of future macroeconomic trends, continued intense competition, further possible legislation changes (e.g., as part of national austerity programs), and regulatory intervention.

The following tables provide an overview of the main factors affecting the measurement, the classification of the input parameters (levels) used to determine the recoverable amounts in accordance with IFRS 13, as well as the sensitivity calculations for the need for impairment resulting from a change in the main parameters discount rate, net cash flow, and growth rate. They show the most significant cash-generating units to which goodwill has been allocated.

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		Goodwill carrying amount millions of €	Impairment millions of €	Detailed planning period years	Discount rates[a] %	Sustainable growth rate p.a. Ø in %	Level allocation of input parameters[b]
GERMANY	**2018**	3,719	0	10	4.84	0.0	Level 3
	2017	3,719	0	10	4.93	0.0	Level 3
UNITED STATES	**2018**	1,281	0	n. a.	n. a.	n. a.	Level 1
	2017	1,041	0	n. a.	n. a.	n. a.	Level 1
EUROPE							
Poland	**2018**	202	608	10	7.94	2.0	Level 3
	2017	835	787	10	6.85	2.0	Level 3
Hungary	**2018**	1,036	0	10	8.33	2.0	Level 3
	2017	1,070	0	10	7.47	2.0	Level 3
Czech Republic	**2018**	778	0	10	6.11	2.0	Level 3
	2017	781	0	10	6.37	2.0	Level 3
Croatia	**2018**	521	0	10	7.08	2.0	Value in use
	2017	519	0	10	7.13	2.0	Value in use
Slovakia	**2018**	428	0	10	5.64	2.0	Level 3
	2017	428	0	10	5.79	2.0	Level 3
Greece	**2018**	422	0	10	7.94	2.0	Level 3
	2017	422	0	10	7.93	2.0	Level 3
Austria	**2018**	877	0	10	5.43	2.0	Level 3
	2017	324	0	10	5.47	2.0	Level 3
Romania[c]	**2018**	0	31	10	7.69	2.0	Level 3
	2017	41	34	10	7.67	2.0	Level 3
Deutsche Telekom Global Carrier (formerly International Carrier Sales & Solutions)	**2018**	102	0	10	4.88	2.0	Level 3
	2017	102	0	10	5.05	2.0	Level 3
Other[d]	**2018**	78	0	10	8.36–8.38	2.0	Value in use
	2017	79	8	10	8.39–10.29	2.0	Levels 3 and values in use
SYSTEMS SOLUTIONS[e]							
Systems Solutions	**2018**	1,143	0	10	6.43	1.5	Level 3
	2017						
Market Unit	**2018**						
	2017	1,063	1,242	10	6.60	1.5	Level 3
Telekom Security	**2018**						
	2017	80	0	10	6.50	1.5	Level 3
GROUP DEVELOPMENT							
Netherlands[c]	**2018**	830	0	10	5.14	0.5	Value in use
	2017	897	0	10	5.29	0.5	Level 3
Deutsche Funkturm	**2018**	259	0	10	4.61	1.0	Level 3
	2017	259	0	10	5.35	1.0	Level 3
GROUP HEADQUARTERS & GROUP SERVICES							
Deutsche Telekom IT	**2018**	590	0	10	7.13	1.5	Level 3
	2017	590	0	10	8.00	1.5	Level 3
DEUTSCHE TELEKOM IN TOTAL	**2018**	**12,267**	**639**				
	2017	**12,250**	**2,071**				

[a] Discount rate consistently after taxes. The discount rate before taxes for the calculation of the value in use amounts to 8.49 percent (2017: 8.59 percent) for Croatia, and 9.25 to 9.36 percent (2017: 9.27 to 9.34 percent) for "Other," and 5.96 percent for the Netherlands.

[b] Level of input parameters in the case of fair value less costs of disposal.

[c] Impairment losses recognized directly in equity on the goodwill of the Romania cash-generating unit of EUR 10 million and of the Netherlands cash-generating unit of EUR 68 million as of January 1, 2018 due to the first-time application of IFRS 15.

[d] The range of discount rates for "Other" shrank in 2018, due in particular to the reclassification of the Albania cash-generating unit to non-current assets and disposal groups held for sale. In 2017, the impairments under „Other" exclusively relate to the Albania cash-generating unit.

[e] In 2017, there were still two cash-generating units (Market Unit and Telekom Security).

Sensitivity analysis of the impairment losses
millions of € [a]

	Increase (decrease) in pro rata impairment losses in 2018					
	Decrease of discount rate by 50 basis points	Decrease of net cash flows by 5.0 %	Decrease of sustainable growth rate by 50 basis points	Increase of discount rate by 50 basis points	Increase of net cash flows by 5.0 %	Increase of sustainable growth rate by 50 basis points
EUROPE						
Poland	-180 (-608 / 7.94 % / 6.49 %)	115 (-608 / 100 % / 126.52 %)	14 (-608 / 2.0 % / 3.88 %)	157 (-608 / 7.94 % / 6.49 %)	-115 (-608 / 100 % / 126.52 %)	-15 (-608 / 2.0 % / 3.88 %)
Romania	-31 (-90 / 7.69 % / 7.19 %)	13 (-90 / 100 % / 112.12 %)	16 (-90 / 2.0 % / 2.76 %)	26 (-90 / 7.69 % / 7.19 %)	-13 (-90 / 100 % / 112.12 %)	-19 (-90 / 2.0 % / 2.76 %)
Montenegro		0 (8 / 100 % / 95.72 %)		1 (8 / 8.38 % / 8.72 %)		

[a] Where a change in the parameters results in an impairment loss, the following information is indicated in parentheses: the current amount by which the unit's recoverable amount exceeds its carrying amount, the current value of the parameter, and the value of the parameter that makes the recoverable amount of the cash-generating unit equal to the unit's carrying amount.

The sensitivity analysis of the impairment losses lists all those cash-generating units where the sensitivity analysis resulted in an impairment loss or a change in the impairment loss. The sensitivity analysis was performed separately for each parameter, i.e., a change in the impairment charge on a cash-generating unit is only determined by reducing or increasing the parameter under consideration.

Deutsche Telekom had commitments for the acquisition of intangible assets in the amount of EUR 0.5 billion (December 31, 2017: EUR 0.5 billion) as of the reporting date. The majority of this related to commitments entered into by T-Mobile US.

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7 PROPERTY, PLANT AND EQUIPMENT

millions of €

	Land and equivalent rights, and buildings including buildings on land owned by third parties	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and construction in progress	Total
COST					
AT DECEMBER 31, 2016	**18,540**	**121,714**	**8,414**	**3,765**	**152,433**
Currency translation	(294)	(3,342)	(209)	(165)	(4,010)
Changes in the composition of the Group	23	7	2	9	41
Additions	104	4,954	469	5,994	11,521
Disposals	206	5,053	596	57	5,912
Change from non-current assets and disposal groups held for sale	(526)	(32)	0	(1)	(559)
Reclassifications	246	4,874	761	(5,927)	(46)
AT DECEMBER 31, 2017	**17,887**	**123,122**	**8,841**	**3,618**	**153,468**
Currency translation	104	1,165	76	44	1,389
Changes in the composition of the Group	65	1,198	137	8	1,408
Additions	88	4,947	431	5,800	11,266
Disposals	382	3,975	591	66	5,014
Change from non-current assets and disposal groups held for sale	(184)	(163)	(41)	(5)	(393)
Reclassifications	387	4,226	583	(5,238)	(41)
AT DECEMBER 31, 2018	**17,963**	**130,520**	**9,437**	**4,162**	**162,082**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
AT DECEMBER 31, 2016	**11,529**	**88,336**	**5,809**	**1**	**105,675**
Currency translation	(200)	(1,809)	(115)	(1)	(2,125)
Changes in the composition of the Group	9	0	1	0	10
Additions (depreciation)	635	6,905	772	0	8,312
Additions (impairment)	35	42	3	0	80
Disposals	173	4,234	532	0	4,939
Change from non-current assets and disposal groups held for sale	(369)	(31)	0	0	(400)
Reclassifications	(84)	(11)	83	0	(12)
Reversal of impairment losses	(11)	0	0	0	(11)
AT DECEMBER 31, 2017	**11,371**	**89,198**	**6,021**	**0**	**106,590**
Currency translation	72	647	38	0	757
Changes in the composition of the Group	0	0	1	0	1
Additions (depreciation)	647	7,324	806	0	8,777
Additions (impairment)	13	20	3	3	38
Disposals	292	3,544	534	0	4,371
Change from non-current assets and disposal groups held for sale	(134)	(154)	(39)	(3)	(330)
Reclassifications	7	(49)	41	0	(2)
Reversal of impairment losses	(7)	(1)	0	0	(8)
AT DECEMBER 31, 2018	**11,675**	**93,440**	**6,337**	**0**	**111,452**
NET CARRYING AMOUNTS					
At December 31, 2017	6,516	33,924	2,820	3,618	46,878
AT DECEMBER 31, 2018	**6,288**	**37,080**	**3,100**	**4,161**	**50,631**

Property, plant and equipment increased by EUR 3.8 billion in the 2018 financial year to EUR 50.6 billion. Additions of EUR 11.3 billion, primarily in the United States and Germany operating segments, increased the carrying amount. They included, in particular, capital expenditure in connection with the modernization of the T-Mobile US network as well as for broadband and fiber-optic build-out, the IP transformation, and mobile infrastructure in the Germany operating segment. They also included EUR 0.9 billion for capitalized higher-priced mobile handsets in connection with the JUMP! On Demand business model at T-Mobile US, under which customers do not purchase the device but lease it. Changes in the composition of the Group – particularly the acquisition of UPC Austria in the Europe operating segment, the extension of the Biere data center (structured leasing SPEs consolidated in 2018) in the Systems Solutions operating segment, and of Layer3 TV in the United States operating segment – increased the carrying amount by EUR 1.4 billion. For further information on transactions, please refer to the section

"Changes in the composition of the Group and other transactions," page 176 et seq. Positive exchange rate effects, primarily from the translation of U.S. dollars into euros, increased the carrying amount by EUR 0.6 billion. Depreciation, amortization and impairment losses in the amount of EUR 8.8 billion and disposals of EUR 0.6 billion – EUR 0.3 billion of which was accounted for by handsets returned by customers under the JUMP! On Demand program – reduced the carrying amount. For further information on depreciation, amortization and impairment losses, please refer to Note 26 "Depreciation, amortization and impairment losses," page 216, and Note 6 "Intangible assets," page 184 et seq.

Under the agreement concluded on January 15, 2019 by OTE 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 carrying amounts of the assets and liabilities assigned to the Albania cash-generating unit were reclassified to non-current assets and disposal groups held for sale and liabilities directly associated with non-current assets and disposal groups held for sale, respectively. This process required a remeasurement of these assets at the lower of carrying amount and fair value less costs of disposal, which resulted in an impairment loss of EUR 35 million in the 2018 financial year as of the date of the reclassification on some of the intangible assets and property, plant and equipment assigned to the Albania cash-generating unit. For further information, please refer to Note 5 "Non-current assets and disposal groups held for sale and liabilities directly associated with non-current assets and disposal groups held for sale," page 183.

In the prior year, a potential need to impair the assets was reviewed in an ad hoc impairment test at the Romania – Fixed-network cash-generating unit in the Europe operating segment as of December 31, 2017. This test was necessitated by the aggregation of the Fixed-network and Mobile communications cash-generating units. No goodwill was allocated to the Romania – Fixed-network cash-generating unit as of December 31, 2017.

The measurement of the Romania – Fixed network cash-generating unit as of December 31, 2017 was founded on projections for a ten-year projection period that is based on the financial plan that has been approved by management and is also used for internal purposes. The planning horizon selected reflects the assumptions for short- to medium-term market developments and is selected to achieve a steady state in the entities' business outlook that is necessary for calculating the perpetual annuity. This steady state can only be established based on this planning horizon, in particular due to the sometimes long investment cycles in the telecommunications industry and the investments planned and expected in the long run to acquire and extend the rights of spectrum use. Cash flows beyond the internal mid-term planning are extrapolated using appropriate growth rates defined separately for each cash-generating unit. A growth rate of 2.0 percent was set for the cash-generating unit Romania – Fixed network and was based on the real growth and inflation expected in the long term. The key assumptions on which management has based its determination of the recoverable amount include the following assumptions that were primarily derived from internal sources and are based on past experience and extended to include internal expectations, and that are underscored by external market data and estimates: development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, and growth rates. Discount rates are determined on the basis of external figures derived from the market, taking account of the market and country risks associated with the cash-generating unit. The discount rate for the cash-generating unit Romania – Fixed network was 7.76 percent.

The recoverable amount determined internally, which was calculated in accordance with IFRS 13 using Level 3 input parameters (i.e., unobservable inputs) amounted to EUR 334 million as of December 31, 2017 (before deduction of net debt) for the Romania – Fixed network cash-generating unit. The resulting need for impairment in 2017 was EUR 121 million for Romania – Fixed network, and, as a rule, had to be allocated to non-current assets. The recoverable amount was reviewed on the basis of an external expert opinion on account of the existing lower value limits (fair value less costs of disposal of the relevant assets). Based on the recoverable amounts for the non-current assets of the Romania – Fixed network cash-generating unit derived from this expert opinion, no impairment loss was recorded in the final analysis.

In the prior year, the annual impairment test for the goodwill assigned to the cash-generating units identified a need for impairment in the Albania cash-generating unit of EUR 45 million. This need for impairment was to be allocated to existing goodwill (EUR 8 million) (please also refer to Note 6 "Intangible assets," page 184 et seq.) and, as a rule, to non-current assets. The recoverable amounts (fair value less costs of disposal) of the relevant assets were reviewed on the basis of an external expert opinion on account of the lower value limits to be observed. Based on the recoverable amounts of non-current assets derived from this expert opinion, items of property, plant and equipment were impaired by EUR 37 million. Of this figure, EUR 22 million was attributable to non-controlling interests. The impairment loss primarily related to technical infrastructure.

Deutsche Telekom had commitments for the acquisition of property, plant and equipment in the amount of EUR 3.8 billion (December 31, 2017: EUR 2.8 billion) as of the reporting date.

Restoration obligations of EUR 0.2 billion were recognized as of December 31, 2018 (December 31, 2017: EUR 0.3 billion), mainly attributable to restoration obligations of T-Mobile US.

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8 CAPITALIZED CONTRACT COSTS

Following the transition to IFRS 15, remeasurement and reclassification effects totaling EUR 1.2 billion were recognized directly in equity as of January 1, 2018 in relation to the initial recognition of capitalized contract costs. Under IFRS 15, these costs would have resulted in the later recognition of selling expenses in earlier reporting periods. The carrying amount had changed to EUR 1.7 billion as of December 31, 2018. For further information on the new accounting standards, please refer to the section "Initial application of standards, interpretations, and amendments in the financial year," page 154 et seq.

millions of €

	Dec. 31, 2018	Dec. 31, 2017
Costs of obtaining a contract	1,726	n. a.
Costs to fulfill a contract	18	n. a.
	1,744	**n. a.**

The costs of obtaining a contract included in the carrying amount as of the end of 2018 primarily comprise sales commissions paid to third-party retailers in the direct and indirect sales channel and to employees.

In the 2018 financial year, capitalized contract costs of EUR 976 million were amortized. The increase of EUR 0.6 billion in capitalized contract costs compared with the initial recognition as of January 1, 2018 is attributable in particular to a higher level of capitalized costs of obtaining a contract in postpaid customer business in the United States operating segment as of the end of the financial year.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Deutsche Telekom publishes the following information on significant investments included in the consolidated financial statements using the equity method:

	Deutsche Telekom share		Percentage of voting rights		Assigned to segment	Fair value of the investment, if a listed market price is available	
Name and registered office	Dec. 31, 2018 %	Dec. 31, 2017 %	Dec. 31, 2018 %	Dec. 31, 2017 %		Dec. 31, 2018 millions of €	Dec. 31, 2017 millions of €
Hrvatske telekomunikacije d.d. Mostar, Mostar, Bosnia and Herzegovina [a]	39.10	39.10	39.10	39.10	Europe	37	31
Ströer SE & Co. KGaA, Cologne, Germany	11.42	11.60	11.42	11.60	Group Development	270	395
T-Mobile USA Tower LLC, Wilmington, United States [b]	100.00	100.00	100.00	100.00	United States	n. a.	n. a.
T-Mobile West Tower LLC, Wilmington, United States [b]	100.00	100.00	100.00	100.00	United States	n. a.	n. a.
Toll Collect GmbH, Berlin, Germany [c]	0.00	45.00	0.00	45.00	Systems Solutions	n. a.	n. a.

[a] Indirect shareholding via Hrvatski Telekom d.d., Croatia (Deutsche Telekom AG's share: 51.14 percent).

[b] Indirect shareholding via T-Mobile US, Inc., United States (Deutsche Telekom AG's share: 63.34 percent).

[c] Transfer of 100 percent of the shares to the Federal Republic of Germany with effect from August 31, 2018 (please also refer to the information provided in the section "Summary of accounting policies" under "Changes in the composition of the Group and other transactions," page 176 et seq.).

Description of the nature of the activities of the joint arrangement or associate

Hrvatske telekomunikacije d.d. (HT Mostar d.d.) provides mobile and fixed-network communications services in Bosnia and Herzegovina.

Ströer SE & Co. KGaA is a leading digital multi-channel media house that offers advertisers customized, fully integrated premium communications solutions. Deutsche Telekom holds 11.42 percent (2017: 11.60 percent) of the shares in Ströer SE & Co. KGaA. In addition, Deutsche Telekom is represented by two of the six members on the supervisory board of Ströer SE & Co. KGaA. This representation comprising a third of all seats on the supervisory board gives Deutsche Telekom a significant influence on the financial and operating policies of Ströer SE & Co. KGaA. Consequently, Deutsche Telekom includes the investment in its consolidated financial statements as an associate using the equity method.

T-Mobile USA Tower LLC and T-Mobile West Tower LLC are structured entities founded by T-Mobile US in each of which it holds a 100-percent stake for the purpose of contributing cell sites in accordance with a framework agreement signed in 2012 between T-Mobile US and Crown Castle International Corp., Houston, United States, concerning the leasing and use of the cell sites. The sole right to continue to use and lease out these sites was transferred to Crown Castle. T-Mobile US continues to operate its mobile equipment on these cell towers and, to this end, leases back the required capacity from Crown Castle. Previously unused infrastructure is thus available for Crown Castle to lease to third parties. In return, the owners of the land on which the cell towers are built will no longer receive lease payments from T-Mobile US for those cell towers which were contributed to the two associates and those that were disposed of. Both entities were deconsolidated as of the date of the closing of the transaction in 2012, because Crown Castle independently operates

the cell towers, generates revenues from the lease out of the sites for an average of 27 years, and determines the finance and business activities of both entities that are relevant for consolidation purposes. It is expected that the leasing of tower space will allow Crown Castle to generate sufficient ongoing profits and cash flows to be able to meet its contractual obligations. Thus Deutsche Telekom has only a significant influence and includes these companies in the consolidated financial statements as associates. Under certain conditions, T Mobile US will continue to be held liable for any default in the lease payment by Crown Castle to the owners of the underlying land of the cell sites. The agreement includes a considerably low maximum guarantee amount for Deutsche Telekom, since in the unlikely event that this case occurs, T-Mobile US could take over the further use of the relevant cell sites or alternatively terminate the contracts with the owners of the cell site land at short notice. At closing T-Mobile US established an immaterial cash reserve in the entities sufficient to fund the payment of ongoing administrative expenses not payable by Crown Castle. Aside from the guarantee and the payment of administrative expenses there is no other funding obligation by T-Mobile US.

The following tables provide summarized financial information on the main companies included in the consolidated financial statements and accounted for using the equity method. The data is not based on the stakes attributable to Deutsche Telekom AG, but represents the shareholdings on an assumed 100-percent basis.

Summarized financial information on the main entities accounted for using the equity method

millions of €

	HT Mostar d.d.		Ströer SE & Co. KGaA [a]	
	Dec. 31, 2018/2018	Dec. 31, 2017/2017	Dec. 31, 2018/2018	Dec. 31, 2017/2017
Current assets	37	38	395	335
Of which: cash and cash equivalents	15	16	97	85
Non-current assets	158	158	2,633	1,542
Current liabilities	23	25	601	477
Non-current liabilities	3	3	1,809	786
Net revenue	43	42	1,113	910
Profit (loss)	0	0	35	52
Other comprehensive income	0	0	(13)	(8)
Total comprehensive income	0	0	22	44
Depreciation and amortization	(12)	(12)	(250)	(222)
Dividends paid to Deutsche Telekom	0	0	8	7

[a] As financial data of Ströer SE & Co. KGaA as of December 31, 2018 was not publicly available to Deutsche Telekom at the date of preparation, the quarterly statement of Ströer SE & Co. KGaA as of September 30, 2018 was used as a basis for the summarized financial information.

millions of €

	T-Mobile USA Tower LLC		T-Mobile West Tower LLC	
	Dec. 31, 2018/2018	Dec. 31, 2017/2017	Dec. 31, 2018/2018	Dec. 31, 2017/2017
Current assets	0	0	0	0
Non-current assets	62	60	95	91
Current liabilities	0	0	0	0
Non-current liabilities	0	0	0	0
Net revenue	0	0	0	0
Profit (loss)	0	0	0	0
Other comprehensive income	0	0	0	0
Total comprehensive income	0	0	0	0
Dividends paid to Deutsche Telekom	0	0	0	0

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Reconciliation to the carrying amount included in the consolidated statement of financial position

millions of €

	HT Mostar d.d.		Ströer SE & Co. KGaA[a]	
	2018	2017	2018	2017
NET ASSETS AS OF JANUARY 1	**168**	**170**	**614**	**629**
Profit (loss)	0	0	74	71
Other comprehensive income	0	0	0	0
Share-based payment	0	0	10	0
Change in interest without loss of control	0	0	(27)	0
Dividends paid	0	0	(73)	(61)
Capital increase	0	0	0	3
Obligation to acquire own equity instruments	0	0	37	(9)
Exchange rate effects	1	(2)	(18)	(19)
NET ASSETS AS OF DECEMBER 31[b]	**169**	**168**	**617**	**614**
SHARE OF NET ASSETS ATTRIBUTABLE TO DEUTSCHE TELEKOM AS OF DECEMBER 31[b]	**66**	**66**	**70**	**71**
Adjustment of carrying amount	0	0	0	0
Reversal of impairment losses	0	0	0	50
Other reconciliation effects	(15)	(15)	238	194
CARRYING AMOUNT AS OF DECEMBER 31	**51**	**51**	**308**	**315**

[a] As financial data of Ströer SE & Co. KGaA as of December 31, 2018 was not publicly available to Deutsche Telekom at the date of preparation, the quarterly statement of Ströer SE & Co. KGaA as of September 30, 2018 was used as a basis for the summarized financial information and for the reconciliation statement to the carrying amount reported in Deutsche Telekom's consolidated statement of financial position. The resulting effects for the extrapolation of the carrying amount as of December 31, 2018 were estimated and are included under other reconciliation effects. In addition, profit/loss after income taxes also includes profit/loss after income taxes of the prior-year fourth quarter on a pro rata basis.

[b] The figures for net assets and the share of the net assets of Ströer SE & Co. KGaA relate to September 30, 2018 and September 30, 2017.

millions of €

	T-Mobile USA Tower LLC		T-Mobile West Tower LLC	
	2018	2017	2018	2017
NET ASSETS AS OF JANUARY 1	**60**	**68**	**91**	**104**
Profit (loss)	0	0	0	0
Other comprehensive income	0	0	0	0
Dividends paid	0	0	0	0
Exchange rate effects	2	(8)	4	(13)
NET ASSETS AS OF DECEMBER 31	**62**	**60**	**95**	**91**
SHARE OF NET ASSETS ATTRIBUTABLE TO DEUTSCHE TELEKOM AS OF DECEMBER 31	**62**	**60**	**95**	**91**
Adjustment of carrying amount	0	0	0	0
Other reconciliation effects	0	0	0	0
CARRYING AMOUNT AS OF DECEMBER 31	**62**	**60**	**95**	**91**

In the reporting year, as in the prior year, Deutsche Telekom did not recognize losses in connection with investments included in the consolidated financial statements using the equity method.

Summarized aggregate financial information on non-significant entities accounted for using the equity method

The figures relate to the interests attributable to Deutsche Telekom.

millions of €

	Joint ventures		Associates	
	Dec. 31, 2018/2018	Dec. 31, 2017/2017	Dec. 31, 2018/2018	Dec. 31, 2017/2017
Total carrying amounts	13	15	47	109
Total interests in profit (loss)	2	1	3	12
Other comprehensive income	0	0	0	0
TOTAL COMPREHENSIVE INCOME	**2**	**1**	**3**	**12**

10 OTHER FINANCIAL ASSETS

millions of €

	Dec. 31, 2018		Dec. 31, 2017	
	Total	Of which: current	Total	Of which: current
Originated loans and receivables	3,133	2,684	3,507	3,015
Derivative financial assets	870	151	1,317	306
Equity instruments – measured at fair value through profit or loss	0	0	n. a.	n. a.
Equity instruments – measured at fair value through other comprehensive income	324	0	n. a.	n. a.
Debt instruments – measured at fair value through profit or loss	95	6	n. a.	n. a.
Debt instruments – measured at fair value through other comprehensive income	0	0	n. a.	n. a.
Other	10	6	0	0
Available-for-sale financial assets	n. a.	n. a.	4,216	8
Held-to-maturity investments	n. a.	n. a.	5	0
	4,432	**2,847**	**9,045**	**3,329**

Current and non-current other financial assets decreased by EUR 4.6 billion, due in particular to the transfer as of March 23, 2018 of the 12-percent stake in BT, which was worth EUR 3.1 billion at the time, to the Group's own trust, Deutsche Telekom Trust e. V., as plan assets. Since then, the shares in BT have served to cover pension entitlements. The impairment loss on the exchange-traded stake in BT – which was recognized in other comprehensive income for the period from January 1, 2018 until the date of transfer – reduced the carrying amount by EUR 0.7 billion. Negative effects from the remeasurement of derivative financial instruments as of the reporting date, among other factors, also reduced the carrying amount of other financial assets.

For information on allowances and the credit ratings of originated loans and receivables, please refer to Note 40 "Financial instruments and risk management," page 236 et seq.

Receivables of EUR 498 million (December 31, 2017: EUR 504 million) were used in connection with collateral agreements as surety for potential credit risks arising from derivative transactions.

11 OTHER ASSETS

Other assets mainly include rental and lease advance payments and further deferred expenses of EUR 1.8 billion in total (December 31, 2017: EUR 2.0 billion).

12 FINANCIAL LIABILITIES

millions of €

	Dec. 31, 2018				Dec. 31, 2017			
	Total	Due within 1 year	Due > 1 year ≤ 5 years	Due > 5 years	Total	Due within 1 year	Due > 1 year ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	49,033	4,432	16,957	27,644	45,453	3,762	14,982	26,709
Liabilities to banks	5,710	2,103	2,588	1,019	4,974	1,365	2,739	870
Of which: promissory notes	744	0	287	457	539	150	287	102
Of which: loans from the European Investment Bank	3,141	582	2,159	400	3,149	159	2,315	675
Of which: other loans	1,825	1,521	142	162	1,286	1,056	137	93
	54,743	**6,535**	**19,545**	**28,663**	**50,427**	**5,127**	**17,721**	**27,579**
Finance lease liabilities	2,471	849	1,146	476	2,635	751	1,284	600
Liabilities to non-banks from promissory notes	497	156	53	288	480	49	209	222
Liabilities with the right of creditors to priority repayment in the event of default	0				0			
Other interest-bearing liabilities	1,878	1,078	602	198	1,598	1,025	428	146
Other non-interest-bearing liabilities	1,609	1,474	129	6	1,443	1,311	129	3
Derivative financial liabilities	1,077	436	144	497	946	95	81	770
	7,532	**3,993**	**2,074**	**1,465**	**7,102**	**3,231**	**2,131**	**1,741**
FINANCIAL LIABILITIES	**62,275**	**10,527**	**21,619**	**30,128**	**57,529**	**8,358**	**19,852**	**29,320**

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Current and non-current financial liabilities increased by EUR 4.7 billion to EUR 62.3 billion compared with the prior year.

T-Mobile US placed fixed-interest U.S. dollar bonds with a volume of USD 2.5 billion (EUR 2.0 billion) with institutional investors: an 8-year bond with a volume of USD 1.0 billion and a 10-year bond with a volume of USD 1.5 billion. In addition, Deutsche Telekom International Finance B.V. issued euro bonds with a total volume of EUR 3.4 billion, U.S. dollar bonds with a total volume of USD 1.75 billion (EUR 1.5 billion), and pound sterling bonds with a total volume of GBP 0.3 billion (EUR 0.3 billion). Further, OTE PLC issued a 4-year fixed-interest euro bond with a volume of EUR 0.4 billion.

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

Further, euro bonds totaling EUR 1.1 billion and U.S. dollar bonds totaling USD 0.85 billion (EUR 0.7 billion) were repaid at Group level in the reporting year. The net change of EUR 0.6 billion in commercial paper also decreased the carrying amount of the financial liabilities.

The increase of EUR 0.7 billion in liabilities to banks compared with the end of 2017 was mainly due to the positive net change of EUR 0.6 billion in the balance of short-term borrowings in the reporting year and to the loan issued by the European Investment Bank in January 2018, with a volume of EUR 0.2 billion and a term of 7 years.

The settlement agreed in the Toll Collect arbitration proceedings increased financial liabilities by EUR 0.6 billion. Payment of the first tranche of EUR 0.2 billion in the reporting year reduced financial liabilities.

For further information, please refer to the section "Changes in the composition of the Group and other transactions," page 176 et seq.

A year-on-year increase in the carrying amount of the financial liabilities of around EUR 0.6 billion relates to exchange rate effects in the United States operating segment.

The initial recognition and measurement of forward-payer swaps with a total volume of USD 9.6 million in the United States operating segment gave rise to a remeasurement loss recognized directly in equity of EUR 0.4 billion.

Deutsche Telekom has established ongoing liquidity management. To ensure the Group's and Deutsche Telekom AG's solvency and financial flexibility at all times, Deutsche Telekom maintains a liquidity reserve in the form of credit lines and cash. This liquidity reserve is to cover the capital market maturities of the next 24 months at any time.

In addition to the reported liabilities to banks, Deutsche Telekom had standardized bilateral credit agreements with 22 banks for a total of EUR 12.9 billion as of December 31, 2018. As of December 31, 2018, EUR 0.6 billion of these credit lines had been utilized. In the prior year, EUR 0.2 billion of these credit lines had been utilized. Pursuant to the credit agreements, the terms and conditions depend on Deutsche Telekom's rating. The bilateral credit agreements have an original maturity of 36 months and can, after each period of twelve months, be extended by a further twelve months to renew the maturity of 36 months. From today's perspective, access to the international debt capital markets is not jeopardized.

The following tables show Deutsche Telekom's contractually agreed (undiscounted) interest payments and repayments of the non-derivative financial liabilities and the derivatives with positive and negative fair values:

millions of €

	Carrying amounts Dec. 31, 2018	Cash flows in 2019			Cash flows in 2020		
		Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
NON-DERIVATIVE FINANCIAL LIABILITIES							
Bonds, other securitized liabilities, liabilities to banks and liabilities to non-banks from promissory notes and similar liabilities	(55,240)	(1,151)	(21)	(4,223)	(1,668)	(5)	(6,028)
Finance lease liabilities	(2,471)	(104)		(850)	(77)		(580)
Liabilities with the right of creditors to priority repayment in the event of default	0						
Other interest-bearing liabilities	(1,878)	(32)	(5)	(1,078)	(16)	(1)	(372)
Other non-interest-bearing liabilities	(1,609)			(1,474)			(50)
DERIVATIVE FINANCIAL LIABILITIES AND ASSETS							
Derivative financial liabilities:							
Currency derivatives without a hedging relationship	(36)			(36)			
Currency derivatives in connection with cash flow hedges	(3)			(1)			
Currency derivatives in connection with net investment hedges	0						
Embedded derivatives without a hedging relationship	(52)			(6)			(7)
Other derivatives without a hedging relationship	(12)						
Interest rate derivatives without a hedging relationship	(143)	(112)	107	0	(130)	139	0
Interest rate derivatives in connection with fair value hedges	(350)	259	(324)	0	259	(324)	0
Interest rate derivatives in connection with cash flow hedges	(482)	41	0	(445)	41	0	0
Derivative financial assets:							
Currency derivatives without a hedging relationship	24			13			
Currency derivatives in connection with cash flow hedges	2			2			
Embedded derivatives without a hedging relationship	12			0			0
Other derivatives without a hedging relationship	2			2			0
Interest rate derivatives without a hedging relationship	460	(380)	376	112	(361)	355	0
Interest rate derivatives in connection with fair value hedges	267	241	(108)	0	202	(79)	0
Interest rate derivatives in connection with cash flow hedges	3	2	0	5	1	0	0

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	Cash flows in 2021–2023			Cash flows in 2024–2028			Cash flows in 2029 and thereafter		
	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
	(4,473)	(1)	(14,969)	(4,475)	0	(20,595)	(1,746)	0	(8,424)
	(140)		(519)	(131)		(392)	(26)		(131)
	(45)		(230)	(34)		(102)	(20)		(101)
			(79)			(1)			(5)
			(18)			(19)			(9)
			(11)						
	(372)	391	(17)	(177)	204	(5)	0	143	52
	706	(844)	(4)	909	(1,084)	(17)	708	(765)	(32)
	124	0	12	206	0	1	0	0	252
			4			5			16
			1						
	(507)	394	109	(29)	76	19	30	161	55
	541	(258)	0	608	(366)	(6)	256	(215)	(2)
	2	0	0	3	0	0	3	0	5

millions of €

	Carrying amounts Dec. 31, 2017	Cash flows in				
		2018	2019	2020 – 2022	2023 – 2027	2028 and thereafter
NON-DERIVATIVE FINANCIAL LIABILITIES						
Bonds, other securitized liabilities, liabilities to banks and liabilities to non-banks from promissory notes and similar liabilities	(50,907)	(5,246)	(4,998)	(18,982)	(23,218)	(10,755)
Finance lease liabilities	(2,635)	(868)	(778)	(777)	(529)	(286)
Liabilities with the right of creditors to priority repayment in the event of default	0	0	0	0	0	0
Other interest-bearing liabilities	(1,598)	(1,045)	(216)	(297)	(112)	(99)
Other non-interest-bearing liabilities	(1,443)	(1,311)	(125)	(4)	(1)	(2)
DERIVATIVE FINANCIAL LIABILITIES AND ASSETS						
Derivative financial liabilities:						
Currency derivatives without a hedging relationship	(59)	(54)	0	0	0	0
Currency derivatives in connection with cash flow hedges	(3)	(3)	0	0	0	0
Currency derivatives in connection with net investment hedges	0	0	0	0	0	0
Embedded derivatives without a hedging relationship	(56)	(2)	(4)	(23)	(20)	(28)
Other derivatives without a hedging relationship	(3)	(3)	0	0	0	0
Interest rate derivatives without a hedging relationship	(219)	(292)	(26)	(54)	(19)	57
Interest rate derivatives in connection with fair value hedges	(442)	(14)	(14)	(35)	(137)	(221)
Interest rate derivatives in connection with cash flow hedges	(164)	(35)	35	123	170	191
Derivative financial assets:						
Currency derivatives without a hedging relationship	49	44	0	0	0	0
Currency derivatives in connection with cash flow hedges	37	22	0	0	0	0
Other derivatives without a hedging relationship	1	0	2	0	0	0
Interest rate derivatives without a hedging relationship	702	182	66	(37)	136	169
Interest rate derivatives in connection with fair value hedges	172	92	100	202	216	173
Interest rate derivatives in connection with cash flow hedges	5	2	9	0	0	0
FINANCIAL GUARANTEES AND LOAN COMMITMENTS [a]	**0**					

[a] For further information, please refer to Note 40 "Financial instruments and risk management," page 236 et seq.

All instruments held at December 31, 2018 and for which payments were already contractually agreed were included. Planning data for future, new liabilities were not included. Amounts in foreign currency were each translated at the closing rate at the reporting date. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before December 31, 2018. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period. In accordance with § 2 (4) of the German Act on the Transformation of the Deutsche Bundespost Enterprises into the Legal Structure of Stock Corporation (Stock Corporation Transformation Act – Postumwandlungsgesetz), the Federal Republic is guarantor of all Deutsche Telekom AG's liabilities that were already outstanding as at January 1, 1995. At December 31, 2018, this figure was a nominal EUR 1.8 billion (December 31, 2017: EUR 1.7 billion).

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13 TRADE AND OTHER PAYABLES

millions of €

	Dec. 31, 2018	Dec. 31, 2017
Trade payables	10,699	10,934
Other liabilities	36	38
	10,735	**10,971**

Of the total of trade and other payables, EUR 10,699 million (December 31, 2017: EUR 10,971 million) is due within one year. Trade payables decreased from EUR 11.0 billion in 2017 to EUR 10.7 billion. A decline in liabilities in the United States operating segment was partially offset by a slight increase in liabilities in the Germany operating segment. Exchange rate effects from the translation from U.S. dollars into euros had an increasing effect.

14 PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

DEFINED BENEFIT PLANS

The Group's pension obligations are based on direct and indirect pension commitments mainly in Germany, Greece, and Switzerland.

Deutsche Telekom's pension obligations are as follows:

millions of €

	Dec. 31, 2018	Dec. 31, 2017
DEFINED BENEFIT LIABILITY	**5,502**	**8,375**
Defined benefit asset	(11)	(15)
NET DEFINED LIABILITY (ASSET)	**5,491**	**8,360**
Of which: provisions for direct commitments	5,434	7,968
Of which: provisions for indirect commitments	57	392

Defined benefit liabilities are disclosed under non-current liabilities in the consolidated statement of financial position. The defined benefit asset is recognized under other non-current assets in the consolidated statement of financial position.

The year-on-year decrease in pension provisions is mainly attributable to the transfer of the 12-percent stake in BT to Deutsche Telekom Trust e.V. (CTA) as plan assets completed on March 23, 2018.

Calculation of net defined benefit liabilities/assets:

millions of €

	Dec. 31, 2018	Dec. 31, 2017
Present value of the obligations fully or partially funded by plan assets	8,577	8,026
Plan assets at fair value	(6,099)	(3,102)
DEFINED BENEFIT OBLIGATIONS IN EXCESS OF PLAN ASSETS	**2,478**	**4,924**
Present value of the unfunded obligations	3,013	3,436
DEFINED BENEFIT LIABILITY (ASSET) ACCORDING TO IAS 19.63	**5,491**	**8,360**
Effect of asset ceiling (according to IAS 19.64)	0	0
NET DEFINED LIABILITY (ASSET)	**5,491**	**8,360**

millions of €

	2018	2017
NET DEFINED BENEFIT LIABILITY (ASSET) AS OF JANUARY 1	**8,360**	**8,437**
Service cost	217	266
Net interest expense (income) on the net defined benefit liability (asset)	96	136
Remeasurement effects	(127)	(116)
Pension benefits paid directly by the employer	(212)	(347)
Employer contributions to plan assets	(2,852)	(10)
Changes attributable to business combinations/transfers of operation/ acquisitions and disposals	9	(1)
Administration costs actually incurred (paid from plan assets)	0	0
Exchange rate fluctuations for plans in foreign currency	0	(5)
NET DEFINED BENEFIT LIABILITY (ASSET) AS OF DECEMBER 31	**5,491**	**8,360**

Key assumptions for the measurement of the defined benefit obligations are the discount rate, the salary increase rate, the pension increase rate, and longevity. The table on the next page shows the assumptions on which the measurement of defined benefit obligations as of December 31 of the respective year are based. The assumptions made as of December 31 of the respective prior year are used to measure the expected pension expense (defined benefit cost) of a given financial year.

The following figures for the plans in Switzerland relate to T-Systems Schweiz AG and T-Systems Data Migration Consulting AG.

Assumptions for the measurement of defined benefit obligations as of December 31:

%

		2018	2017	2016
Discount rate	Germany	1.60	1.61	1.62
	Switzerland	0.82	0.64	0.62
	Greece (OTE S.A.)	1.60 [a]/1.08 [b]	1.66 [a]/0.92 [b]	1.62 [a]/0.92 [b]
Salary increase rate	Germany	2.50	2.40	2.40
	Switzerland	1.00	1.00	1.00
	Greece (OTE S.A.)	1.00 [c]	1.00 [d]	1.00 [e]
Pension increase rate	Germany (general)	1.50	1.50	1.50
	Germany (according to articles of association)	1.00	1.00	1.00
	Switzerland	0.10	0.10	0.10
	Greece (OTE S.A.)	n. a.	n. a.	n. a.

[a] The discount rate relates to the plan for staff retirement indemnities (see the plan description, pages 205 and 206).
[b] The discount rate relates to the plan for youth accounts (see the plan description, pages 205 and 206).
[c] The following assumptions were made in 2018 concerning the development of salaries: 2019: 0.52 percent. An increase of 1.00 percent is assumed for the years from 2020 onward.
[d] The following assumptions were made in 2017 concerning the development of salaries: 2018: 1.00 percent, 2019: 0.00 percent. An increase of 1.00 percent is assumed for the years from 2020 onward.
[e] The following assumptions were made in 2016 concerning the development of salaries in subsequent years: 2017: 0.00 percent, 2018: 0.00 percent, 2019: 0.00 percent, 2020: 0.00 percent. An increase of 1.00 percent is assumed for the years from 2021 onward.

years

		Dec. 31, 2018	Dec. 31, 2017
Duration	Germany	12.7	13.6
	Switzerland	16.2	16.7
	Greece (OTE S.A.)	12.4 [a]/6.1 [b]	14.2/6.1

[a] The duration relates to the plan for staff retirement indemnities. The provisions of the collective agreement concluded on March 22, 2018 resulted in a reduction in the duration (see the plan description, pages 205 and 206).
[b] The duration relates to the plan for youth accounts (see the plan description, pages 205 and 206).

The following biometric assumptions were essential for the measurement of pension obligations:
Germany: Heubeck 2018G, Switzerland: BVG 2015 Generational, Greece (OTE S.A.): EVK2000. Based on the observation of rising life expectancy and the falling probability of invalidity in Germany, the life expectancy tables published by Heubeck were revised in 2018. This resulted in losses of EUR 66 million or 0.6 percent of the German obligations.

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The aforementioned discount rates were used as of December 31, 2018 when calculating the present value of defined benefit obligations, taking into account future salary increases. These discount rates were set in line with the average weighted duration of the respective obligation.

In the eurozone, the discount rate is determined based on the yields of high-quality European corporate bonds with AA rating, mapped in a yield curve showing the corresponding spot rates. The underlying method is routinely reviewed and refined as required (e.g., further development of the bond markets, automation of the availability of corresponding data in terms of quantity and quality). The most recent refinement was made in October 2018 and only resulted in an insignificant change in the discount rate.

In order to adapt determination of the discount rate in Switzerland so that it approximates this system, the existing method was refined with effect from August 31, 2015. Instead of the swap yields previously used (for bonds with AAA rating), Swiss government bonds were taken as the basis for deriving a yield curve. Since the yield curve derived from the government bonds comprises a credit risk that is too low for accounting purposes, a further adjustment is made in the form of a risk premium (credit spread) based on high-quality Swiss corporate bonds. Since August 2015, this risk premium, which was previously applied as a constant for all durations, has been calculated separately for three duration intervals and used to determine the interest rate. As a result of further refinements made in May 2016, risk premiums are now calculated for all durations and discount rates on the basis of spot rates in the same way as for the eurozone.

Development of defined benefit obligations in the reporting year:

millions of €

	2018	2017
DEFINED BENEFIT OBLIGATIONS AS OF JANUARY 1	**11,462**	**11,427**
Current service cost	257	265
Interest cost	184	184
Remeasurement effects	51	(11)
Of which: experience-based adjustments	11	(12)
Of which: adjusted financial assumptions	(16)	18
Of which: adjusted demographic assumptions	57	(17)
Total benefits actually paid	(343)	(378)
Contributions by plan participants	4	4
Changes attributable to business combinations/transfers of operation/ acquisitions and disposals	9	(1)
Past service cost (due to plan amendments)[a]	(36)	2
Past service cost (due to curtailments)	(6)	(9)
Settlements	3	8
Taxes to be paid as part of pensions	0	0
Exchange rate fluctuations for plans in foreign currency	6	(29)
DEFINED BENEFIT OBLIGATIONS AS OF DECEMBER 31	**11,590**	**11,462**
Of which: active plan participants	5,349	5,350
Of which: plan participants with vested pension rights who left the Group	2,230	2,130
Of which: benefit recipients	4,011	3,982

[a] The past service cost due to plan amendments in 2018 relates primarily to the collective agreement concluded on March 22, 2018 at OTE S.A. (see plan description, pages 205 and 206).

Taking the plan assets into consideration, the pension obligations were accounted for in full.

Distribution of obligations relating to Deutsche Telekom's most significant plans as of December 31, 2018 and December 31, 2017:

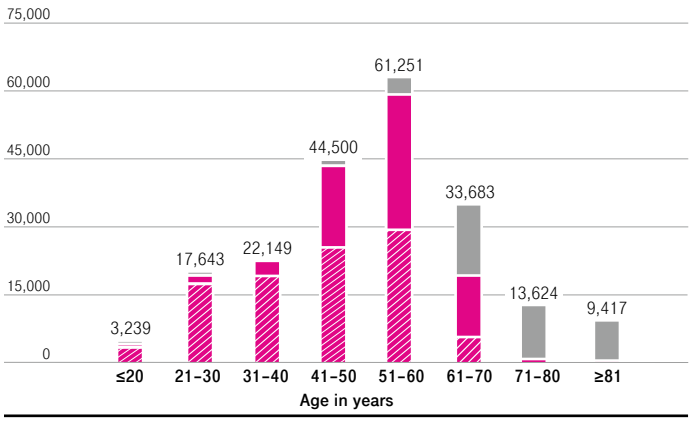
millions of €

	Dec. 31, 2018				Dec. 31, 2017			
	Germany	Switzerland	Greece (OTE S.A.)	Other plans	Germany	Switzerland	Greece (OTE S.A.)	Other plans
Defined benefit obligations	10,874	220	198	298	10,688	221	239	314
Plan assets at fair value	(5,682)	(208)	0	(209)	(2,677)	(208)	0	(217)
Effect of asset ceiling	0	0	0	0	0	0	0	0
NET DEFINED LIABILITY (ASSET)	**5,192**	**12**	**198**	**89**	**8,011**	**13**	**239**	**97**

The following analyses in terms of age structure and sensitivity analysis, as well as descriptions of plans and the risks associated with them relate to the relevant pension obligations (Germany, Switzerland, and Greece (OTE S.A.)).

Age structure:
Deutsche Telekom's most significant plans are subject to the following status-related age structure.

Age structure of plan participants in the most significant pension plans at Deutsche Telekom [a]



Benefit recipients
Plan participants with vested pension rights who left the Group
Active plan participants

[a] Figures relating to Greece (OTE S.A.) include the staff retirement indemnities plan only.

Sensitivity analysis for the defined benefit obligations:
The following sensitivity analysis describes the effects of possible adjustments in the material actuarial assumptions for measurement on the defined benefit obligations determined as of December 31, 2018. A change in the measurement assumptions to the extent described below, with otherwise unchanged assumptions, would have impacted the defined benefit obligations as of December 31, 2018 as follows:

millions of €

	Increase (decrease) of the defined benefit obligations as of Dec. 31, 2018		
	Germany	Switzerland [a]	Greece (OTE S.A.)
Increase of discount rate by 100 basis points	(1,203)	(18)	(19)
Decrease of discount rate by 100 basis points	1,465	25	22
Increase of salary increase rate by 50 basis points	6	3	7
Decrease of salary increase rate by 50 basis points	(6)	(3)	(7)
Increase of pension increase rate by 25 basis points	5	6	0
Decrease of pension increase rate by 25 basis points	(5)	(2)	0
Life expectancy increase by 1 year	279	5	0
Life expectancy decrease by 1 year	(274)	(5)	0

[a] Decline in the range of the DBO effects with variation of the discount rate on account of the risk sharing approach introduced with retroactive effect as of January 1, 2018 (please also refer to the section Global Pension Policy and descriptions of plans).

millions of €

	Increase (decrease) of the defined benefit obligations as of Dec. 31, 2017		
	Germany	Switzerland	Greece (OTE S.A.)
Increase of discount rate by 100 basis points	(1,219)	(25)	(26)
Decrease of discount rate by 100 basis points	1,490	42	31
Increase of salary increase rate by 50 basis points	7	3	9
Decrease of salary increase rate by 50 basis points	(6)	(3)	(9)
Increase of pension increase rate by 25 basis points	5	6	0
Decrease of pension increase rate by 25 basis points	(5)	(2)	0
Life expectancy increase by 1 year	270	6	0
Life expectancy decrease by 1 year	(269)	(6)	0

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The sensitivity analysis was carried out separately for the discount rate, the salary increase rate, and the pension increase rate. For this purpose, further actuarial evaluations were made for both the increase and the decrease of the assumptions. The variations used in the assumptions were selected in such a way that the probability that the respective assumption will not move beyond the analysis range within one year is 60 to 90 percent. In this context, a decreasing pension increase rate is generally limited to 0 percent. It can be assumed that the life expectancy of the plan members will not change significantly within a year. Nevertheless, the effect of a change in life expectancy on the obligations was additionally determined from a risk perspective. Evaluations were carried out based on the assumption that the life expectancy of the plan members aged 65 would increase or decrease by one year (age shift method). The age shift was applied to the remaining plan members accordingly. Variations in the assumed retirement age or turnover rates would only have an immaterial effect, especially in Germany.

Global Pension Policy and description of the plans:
Deutsche Telekom manages its pension commitments based on the Group-wide Global Pension Policy. It ensures on a worldwide basis that Group minimum standards regarding the granting and management of company pension benefits are complied with, plans are harmonized, and financial and other risks to the core business are avoided or reduced. In addition, the policy provides guidelines for the implementation and management of pension commitments and defines requirements for the launch, adjustment, and closure of corresponding plans. The regulations and provisions laid down in this Group policy take into account the national differences in state pension and other commitments under labor, tax, and social law and the common business practices in the area of pension commitments.

Defined benefit plans based on final salaries in the Group have largely been replaced by plans with contribution-based promises to minimize the risks involved. In addition, a corporate CTA (Deutsche Telekom Trust e.V.) is used in Germany for additional funding of pension obligations. A CTA is a legally structured trust agreement to cover unfunded pension commitments with plan assets, and to provide greater protection against insolvency for these obligations.

As of the end of 2018, all existing obligations processed via the Deutsche Telekom Betriebsrenten-Service e.V. (DTBS) special pension fund (current pensions) were transferred to direct commitments and the Telekom Pension Fund (TPF). A new asset segment was set up in the TPF for these obligations. Part of the plan assets from DTBS were transferred to the CTA, and part to the new asset segment of the TPF as an initial allocation. To increase the funding rate of the German obligations in the Deutsche Telekom Group, the financial stake in BT was transferred to Deutsche Telekom Trust e.V. as plan assets.

In Germany there are commitments for pension and disability benefits for a majority of employees as well as pension benefits for their surviving dependents. As part of a reorganization of the company pension plan, a capital account plan was introduced across Germany in 1997 for active employees. Furthermore, in subsequent years, commitments acquired through company acquisitions were also transferred to the capital account plan scheme. The capital account plan is an employer-financed, contribution-based benefit promise. The salary-linked contributions granted annually are charged interest in advance for each year of provision up to age 60, calculated using age-based factors, converting the contribution into a guaranteed insured amount. The advance interest rate currently stands at 3.50 percent p. a. (target interest rate for the capital account plan).

Under the provisions of collective wage agreements, Deutsche Telekom reduced the interest granted on future contributions in its capital account plan in Germany in the 2016 financial year from 3.75 percent p.a. to the current level of 3.50 percent p.a. as past service cost by amending the plan. The option of changing the target interest rate makes it possible to achieve a yield on the contributions to the capital account that is in line with the capital market.

The period for providing contributions is initially limited to ten future contribution years. The contribution period will be extended automatically every year by a further year, unless terminated. The insured amounts accumulated over the period of active service are paid out if an insured event arises, primarily in the form of a lump sum. Hence there is only a limited longevity risk for these commitments. Based on the payment guidelines and the structure of the capital account plan, the employer can plan for this, and there is only a small risk inherent in the plan with regard to the volatility of remuneration dynamics.

In addition, in Germany there are various closed legacy commitments, which generally provide for old-age and disability benefits as well as benefits for surviving dependents in the form of life-long pensions. The commitments predominantly comprise the overall pension of the supplementary retirement pensions institution (Versorgungsanstalt der Deutschen Bundespost – VAP) that takes into account the statutory pension. Most of the plan members of these commitments are former employees with vested rights and retirees for whom the amount of benefits has already been determined. So the VAP overall pension scheme continues to apply to former employees who were already retired or who had left with vested claims in 1997.

To the extent that defined benefit plans in Germany grant annuities, the future adjustment for these pensions, except for insignificant exceptions, is bindingly defined in the existing benefit regulations. A change in the assumptions for the general pension trend in Germany therefore only has an immaterial impact on the defined benefit obligations.

As a change in life expectancy mainly impacts on the obligations from legacy pension commitments and, since 1997, commitments have been granted in the form of capital, the significance of the risk resulting from the change in life expectancy is expected to decline for the Group over subsequent years.

To cover pension obligations over the long term, Deutsche Telekom has transferred funds to a corporate CTA, a corporate special pension fund (Unterstützungskasse) (until 2018), and a corporate pension fund (from 2018).

As part of the company pension scheme in **Switzerland** for T-Systems Schweiz AG, there is a contribution-based benefit plan financed by employer and employee contributions, which is managed by the legally independent T-Systems pension fund. Following a restructuring of the Swiss companies and harmonization of the pension fund commitments as of January 1, 2014, T-Systems Data Migration Consulting AG has also since been included in the pension fund of T-Systems Schweiz AG. As is often the case in Switzerland, both companies grant higher benefits than legally required. The Swiss Federal Law on Occupational Retirement, Surviving Dependants' and Disability Pension (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge – BVG) sets out minimum requirements for the pay to be insured, the age-based contributions, and a minimum annuity factor for the obligatory portion of the accrued retirement assets to be annuitized. In addition, the Swiss Federal Council defines a minimum interest rate for the obligatory retirement assets (2018: 1.00 percent, 2019: 1.00 percent).

The foundation board (Stiftungsrat) presides over the Swiss pension fund. It ensures the day-to-day running of the pension fund and decides on fundamental aspects, such as the amount and the structure of the pension benefits and the asset investment strategy. The foundation board is equally comprised of employer and employees' representatives. According to information provided by the pension fund, the average annual yield of the fund in the past amounted to approximately 1.25 percent.

Due to the minimum yield for the obligatory retirement assets, a risk exists for the plans in Switzerland that additional resources would have to be allocated to the pension fund if it were to be underfinanced. The pension fund offers the plan members the option to choose a life-long pension instead of a one-time payment. This option gives rise to longevity and investment risks, since at the time of retirement, assumptions must be made regarding life expectancy and return on assets. In 2016, the pension fund of T-Systems Schweiz AG had announced that it would lower its conversion rates as of 2017. This reduced the future annual retirement pensions and thus resulted in lower pension provisions in 2016 (past service cost due to plan amendments). From January 1, 2018, T-Systems Schweiz decided to apply the risk-sharing methodology, under which the measurement of obligations is changed such that employee participation in funding a possible deficit can be taken into account when measuring the employer's obligation. The general option for employee participation in funding a deficit is covered by Art. 28 of the pension regulations.

In **Greece (OTE S.A.)**, mandatory staff retirement indemnities are due in cases of premature termination by the employer and, to a lesser extent, upon retirement by the employee. These are paid out in the form of a lump sum and can amount to several times the employee's last monthly pay (including cap), depending on the employee's length of service. Due to a change in the law in 2012, the lump sum was capped at a maximum of twelve monthly salaries. The company also makes a voluntary top-up payment. In compliance with changes in the law, the minimum requirement of 35 years of service was eliminated as an eligibility requirement for early retirement benefits in 2017. Under the collective agreement concluded on March 22, 2018, employees are assigned to one of three pension commitments based on the date they joined the company (100 percent of the statutory benefits plus nine or seven monthly salaries or plus 40 percent of the statutory benefits).

OTE S.A. is also obligated to make a one-time payment for the employees' children when they reach the age of 25 (youth accounts). The benefit plan, which had previously been based on the level of the employee's final monthly salary, was changed in November 2011 to a plan with a contribution-based promise financed by contributions by the employee and corresponding limited matching contributions by the employer.

The benefits granted by the staff retirement indemnities and youth account plans are paid out as a lump sum. For this reason there is no longevity risk.

Development of plan assets at fair value in the respective reporting year:

millions of €

	2018	2017
PLAN ASSETS AT FAIR VALUE AS OF JANUARY 1	**3,102**	**2,990**
Changes attributable to business combinations/transfers of operation/ acquisitions and disposals	0	0
Interest income on plan assets (calculated using the discount rate)	88	48
Amount by which the actual return exceeds (falls short of) the interest income on plan assets (remeasurement)	179	105
Contributions by employer	2,852	10
Contributions by plan participants	4	4
Benefits actually paid from plan assets	(132)	(31)
Settlements	0	0
Administration costs	0	0
Tax payments	0	0
Exchange rate fluctuations for plans in foreign currency	6	(24)
PLAN ASSETS AT FAIR VALUE AS OF DECEMBER 31	**6,099**	**3,102**

Contributions by employer in 2018 include shares in BT, which were paid into the corporate CTA, and, in an offsetting effect, a refund from the CTA to Deutsche Telekom for benefit payments made by the employer. In 2018, pension payments were made from the CTA on a pro-rata basis for the first time in Germany.

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Breakdown of plan assets at fair value by investment category:

millions of €

	Dec. 31, 2018	Of which: price in an active market	Of which: price without an active market
Equity securities	4,278	4,278	0
Debt securities	922	922	0
Real estate	66	66	0
Derivatives	0	0	0
Investment funds	156	156	0
Asset-backed securities	0	0	0
Structured debt instruments	437	437	0
Cash and cash equivalents	118	118	0
Other	122	84	38
PLAN ASSETS AT FAIR VALUE	**6,099**	**6,061**	**38**

millions of €

	Dec. 31, 2017	Of which: price in an active market	Of which: price without an active market
Equity securities	1,312	1,312	0
Debt securities	1,244	1,244	0
Real estate	56	56	0
Derivatives	0	0	0
Investment funds	0	0	0
Asset-backed securities	0	0	0
Structured debt instruments	350	350	0
Cash and cash equivalents	2	2	0
Other	138	101	37
PLAN ASSETS AT FAIR VALUE	**3,102**	**3,065**	**37**

The investment policy and risk management is set in line with the risk and development characteristics of the pension obligations. On the basis of a systematic, integrated asset/liability management analysis, potential results from different investment portfolios, which can cover a large number of asset classes, are compared with the stochastically simulated development of the pension obligations, thereby explicitly considering the relative development of plan assets against the pension obligations. The investment strategy is mainly characterized by the objective of satisfying future obligations from granted pension commitments on time by systematically setting up and professionally managing a suitable portfolio for the plan assets. It aims to establish a widely diversified investment portfolio that generates a risk profile appropriate to the overall objective, by means of corresponding risk factors and diversification. The management of investments is subject to continuous monitoring to ensure active risk management. Cost-efficient investment management is effected by means of professional portfolio management involving external service providers.

At the reporting date, the plan assets at fair value include shares issued by Deutsche Telekom AG amounting to EUR 3,043 thousand (December 31, 2017: shares totaling EUR 3,349 thousand) and bonds in the amount of EUR 1,960 thousand of Deutsche Telekom International Finance B.V.

Development of the effect of the asset ceiling:

millions of €

	2018	2017
EFFECT OF ASSET CEILING AS OF JANUARY 1	**0**	**0**
Interest expense on asset ceiling (recognized in the income statement)	0	0
Changes in asset ceiling ((gains) losses recognized in equity)	0	0
Currency gain (loss)	0	0
EFFECT OF ASSET CEILING AS OF DECEMBER 31	**0**	**0**

The defined benefit cost for each period is composed of the following items and reported in the indicated accounts of the income statement:

millions of €

	Disclosure in income statement	2018	2017	2016
Current service cost	Personnel costs	257	265	259
Past service cost (due to plan amendments)	Personnel costs	(36)	2	(27)
Past service cost (due to curtailments)	Personnel costs	(6)	(9)	(4)
Settlements	Personnel costs	3	8	2
SERVICE COST		**217**	**266**	**230**
Interest cost	Other financial income (expense)	184	184	223
Interest income on plan assets (calculated using the discount rate)	Other financial income (expense)	(88)	(48)	(57)
Interest expense on the effect of the asset ceiling	Other financial income (expense)	0	0	0
NET INTEREST EXPENSE (INCOME) ON NET DEFINED BENEFIT LIABILITY (ASSETS)		**96**	**136**	**166**
DEFINED BENEFIT COST		**313**	**402**	**396**
Administration costs actually incurred (paid from plan assets)	Personnel costs	0	0	0
TOTAL AMOUNTS RECOGNIZED IN PROFIT OR LOSS		**313**	**402**	**396**

The consolidated statement of comprehensive income contains the following amounts:

millions of €

	2018	2017	2016
REMEASUREMENT ((GAIN) LOSS RECOGNIZED IN OTHER COMPREHENSIVE INCOME IN THE FINANCIAL YEAR)	**(127)**	**(116)**	**660**
Of which: remeasurement due to a change in defined benefit obligations	51	(11)	698
Of which: remeasurement due to a change in plan assets	(179)	(105)	(33)
Of which: remeasurement due to changes in the effect of asset ceiling (according to IAS 19.64)	0	0	(5)

Total benefit payments expected:

millions of €

	2019	2020	2021	2022	2023
Benefits paid from pension provisions	120	222	255	201	229
Benefits paid from plan assets	228	220	209	280	290
TOTAL BENEFITS EXPECTED	**348**	**443**	**464**	**480**	**519**

Benefits paid directly by the employer for which the assets of the CTA can generally be utilized are usually reimbursed to the employer from the CTA assets soon after payment. In previous years, Deutsche Telekom forwent such reimbursements, as this would have had a detrimental effect on the build-up of assets within the CTA in its first years. In 2018, Deutsche Telekom made benefit payments using the CTA funds for the first time and was reimbursed for payments made by the employer from the CTA assets.

For 2019, Deutsche Telekom does not plan any allocations to plan assets at fair value in Germany. Deutsche Telekom is also planning an international allocation of at least EUR 11 million in 2019.

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Amounts for the current year and four preceding years of defined benefit obligations, plan assets, defined benefit obligations in excess of plan assets, and experience-based adjustments:

millions of €

	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Defined benefit obligations	11,590	11,462	11,427	10,753	10,940
Plan assets at fair value	(6,099)	(3,102)	(2,990)	(2,744)	(2,498)
DEFINED BENEFIT OBLIGATIONS IN EXCESS OF PLAN ASSETS	**5,491**	**8,360**	**8,437**	**8,009**	**8,442**

%

Adjustments	2018	2017	2016	2015	2014
Experience-based increase (decrease) of defined benefit obligations	0.1	(0.1)	(0.1)	0.0	(0.1)
Experience-based increase (decrease) of plan assets	2.9	3.4	1.1	(3.0)	8.3

DEFINED CONTRIBUTION PLANS

The employer's contribution paid to the statutory pension scheme (Deutsche Rentenversicherung) in Germany in the 2018 financial year totaled EUR 0.4 billion (2017: EUR 0.3 billion; 2016: EUR 0.3 billion). Group-wide, EUR 120 million (2017: EUR 131 million, 2016: EUR 109 million) from current contributions for additional defined contribution plans was recognized in the consolidated income statement in 2018.

CIVIL-SERVANT RETIREMENT ARRANGEMENTS AT DEUTSCHE TELEKOM

An expense of EUR 441 million was recognized in the 2018 financial year (2017: EUR 458 million; 2016: EUR 516 million) for the annual contribution to the Civil Service Pension Fund generally amounting to 33 percent of the pensionable gross emoluments of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence. The present value of future payment obligations was EUR 2.5 billion at the reporting date (December 31, 2017: EUR 3.1 billion, December 31; 2015: EUR 3.6 billion) and is shown under other financial obligations (please refer to Note 38 "Other financial obligations," page 234).

15 OTHER PROVISIONS

millions of €

	Provisions for termination benefits	Other provisions for personnel costs	Provisions for restoration obligations	Provisions for litigation risks	Provisions for sales and procurement support	Miscellaneous other provisions	Total
AT DECEMBER 31, 2016	**197**	**2,554**	**1,652**	**328**	**423**	**1,234**	**6,388**
Of which: current	178	1,472	51	318	423	626	3,068
Changes in the composition of the Group	0	1	0	0	0	1	2
Currency translation adjustments	0	(59)	(65)	(2)	(25)	(44)	(195)
Addition	41	1,911	121	86	754	432	3,345
Use	(54)	(1,520)	(57)	(69)	(423)	(390)	(2,513)
Reversal	(17)	(121)	(68)	(17)	(23)	(163)	(409)
Interest effect	0	0	22	0	0	11	33
Other changes	0	(109)	(15)	0	0	0	(124)
AT DECEMBER 31, 2017	**166**	**2,657**	**1,591**	**326**	**706**	**1,080**	**6,527**
Of which: current	166	1,481	40	311	706	668	3,372
Transfer resulting from change in accounting standards	0	0	0	0	(46)	(22)	(68)
Changes in the composition of the Group	1	4	10	1	0	7	24
Currency translation adjustments	0	15	22	2	4	10	54
Addition	125	1,922	113	129	268	337	2,894
Use	(35)	(1,482)	(30)	(27)	(479)	(366)	(2,419)
Reversal	(3)	(74)	(101)	(144)	(4)	(177)	(503)
Interest effect	0	28	(16)	0	0	(2)	9
Other changes	0	(61)	(24)	1	6	(5)	(82)
AT DECEMBER 31, 2018	**255**	**3,010**	**1,564**	**289**	**456**	**862**	**6,435**
Of which: current	168	1,662	35	266	456	557	3,144

In the measurement of the other provisions, Deutsche Telekom is exposed to interest rate fluctuations, which is why the effect of a possible change in the interest rate on the principal non-current provisions was simulated. The other, non-staff-related provisions are discounted using maturity-related discount rates specific for the respective currency area. To this end, Deutsche Telekom determines discount rates with maturities of up to 30 years. In 2018, the discount rates ranged from 0.06 to 3.08 percent (2017: from 0.00 to 3.08 percent) in the euro currency area and from 3.87 to 6.21 percent (2017: from 2.42 to 4.96 percent) in the U.S. dollar currency area. If the discount rate were increased by 50 basis points with no other change in the assumptions, the present value of the principal other non-current provisions would decrease by EUR 102.7 million (December 31, 2017: EUR 103.1 million). If the discount rate were decreased by 50 basis points with no other change in the assumptions, the present value of the principal other non-current provisions would increase by EUR 107.3 million (December 31, 2017: EUR 111.6 million).

Provisions for termination benefits and other personnel provisions include provisions for staff restructuring. These provisions developed as follows in the 2018 financial year:

millions of €

	Jan. 1, 2018	Addition	Use	Reversal	Other changes	Dec. 31, 2018
Severance and voluntary redundancy models	167	125	(35)	(3)	0	255
Phased retirement	489	534	(360)	0	(55)	608
	656	**659**	**(395)**	**(3)**	**(55)**	**863**
Of which: current	316					352

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Other provisions for personnel costs include provisions for deferred compensation and allowances, as well as for anniversary gifts.

Provisions for restoration obligations include the estimated costs for dismantling and removing an asset, and restoring the site on which it is located. The estimated costs are included in the costs of the relevant asset.

The provisions for litigation risks primarily relate to possible settlements attributable to pending lawsuits. For further information, please refer to Note 36 “Contingencies,” pages 230 and 231.

Provisions for sales and procurement support are recognized for dealer commissions, subsidies for advertising expenses, and reimbursements.

Miscellaneous other provisions include a large number of low-value individual items, such as provisions related to executory contracts, the disposal of businesses and site closures, in particular in prior financial years, as well as warranty and environmental damage provisions.

16 OTHER LIABILITIES

millions of €

	Dec. 31, 2018	Of which: current	Dec. 31, 2017	Of which: current
Early retirement	1,227	422	1,283	447
Deferred revenue	28	28	2,321	1,759
Liabilities from straight-line leases	2,232	0	2,098	0
Liabilities from other taxes	1,157	1,157	1,133	1,133
Other deferred revenue	616	358	626	424
Liabilities from severance payments	138	137	140	139
Miscellaneous other liabilities	683	552	670	538
	6,081	**2,654**	**8,271**	**4,440**

Liabilities from early retirement arrangements for civil servants exist vis-à-vis the Civil Service Pension Fund and arise from payment obligations under agreements that had already been concluded. The obligations are payable in up to seven annual installments following retirement. The increase in liabilities from straight-line leases was mainly attributable to exchange rate effects from the translation of U.S. dollars into euros.

17 CONTRACT LIABILITIES

Following the transition to IFRS 15, a remeasurement effect totaling EUR 0.6 billion was recognized directly in equity as of January 1, 2018. This related to the initial recognition of contract liabilities that would have resulted in the later recognition of revenue under IFRS 15. In addition, a total of EUR 1.9 billion was reclassified as contract liabilities as of January 1, 2018 in connection with IFRS 15. These reclassifications mainly comprise deferred revenue that was recognized under other liabilities as of December 31, 2017. The carrying amount for current and non-current contract liabilities was remeasured at EUR 2.3 billion as of the end of the 2018 financial year. For further information on the new accounting standards, please refer to the section “Initial application of standards, interpretations, and amendments in the financial year,” page 154 et seq.

Of the total of contract liabilities, EUR 1,720 million (January 1, 2018: EUR 1,911 million) is due within one year.

Revenue of EUR 1,619 million from contract liabilities that were still outstanding at the start of the 2018 financial year was realized during the reporting year. In addition, contract liabilities decreased by EUR 20 million due to a refund of already paid customer activation fees.

18 SHAREHOLDERS’ EQUITY

ISSUED CAPITAL

As of December 31, 2018, the share capital of Deutsche Telekom totaled EUR 12,189 million. The share capital is divided into 4,761,458,596 no par value registered shares.

	2018		2017	
	thousands	%	thousands	%
Federal Republic of Germany – Berlin, Germany	689,601	14.5	689,601	14.5
KfW Bankengruppe – Frankfurt/Main, Germany	829,179	17.4	829,179	17.4
Free float	3,242,679	68.1	3,242,679	68.1
Of which: BlackRock, Inc. – Wilmington, DE, United States [a]	234,194		234,194	
	4,761,459	**100.0**	**4,761,459**	**100.0**

[a] According to the last notification from BlackRock published on September 22, 2017, the reporting threshold of 3 percent of the voting rights was exceeded. The stake in Deutsche Telekom was thus 4.92 percent of the voting rights on September 15, 2017.

Treasury shares. The shareholders' meeting resolved on May 25, 2016 to authorize the Board of Management to purchase shares in the Company by May 24, 2021, with the amount of share capital accounted for by these shares totaling up to EUR 1,179,302,878.72, provided the shares to be purchased on the basis of this authorization in conjunction with the other shares of the Company that the Company has already purchased and still possesses or are to be assigned to it under § 71d and § 71e AktG do not at any time account for more than 10 percent of the Company's share capital. Moreover, the requirements under § 71 (2) sentences 2 and 3 AktG must be complied with. Shares shall not be purchased for the purpose of trading in treasury shares. This authorization may be exercised in full or in part. The purchase can be carried out in partial tranches spread over various purchase dates within the authorization period until the maximum purchase volume is reached. Dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG or third parties acting for the account of Deutsche Telekom AG or for the account of dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG are also entitled to purchase the shares. The shares are purchased through the stock exchange in adherence to the principle of equal treatment (§ 53a AktG). Shares can instead also be purchased by means of a public purchase or share exchange offer addressed to all shareholders, which, subject to a subsequently approved exclusion of the right to offer shares, must also comply with the principle of equal treatment.

The shares may be used for one or several of the purposes permitted by the authorization granted by the shareholders' meeting on May 25, 2016 under item 6 on the agenda. The shares may also be used for purposes involving an exclusion of subscription rights. They may also be sold on the stock market or by way of an offer to all shareholders, or withdrawn. The shares may also be used to fulfill the rights of Board of Management members to receive shares in Deutsche Telekom AG, which the Supervisory Board has granted to these members as part of the arrangements governing the compensation of the Board of Management, on the basis of a decision by the Supervisory Board to this effect.

Under the resolution of the shareholders' meeting on May 25, 2016, the Board of Management is also authorized to acquire the shares through the use of equity derivatives.

On the basis of the authorization by the shareholders' meeting on May 25, 2016 described above and corresponding authorizations by the shareholders' meeting on May 12, 2011 and May 24, 2012, 110 thousand shares were acquired in June 2011, 206 thousand shares in September 2011, and 268 thousand shares in January 2013. The total volumes amounted to EUR 2,762 thousand in the 2011 financial year, and EUR 2,394 thousand in the 2013 financial year (excluding transaction costs). This increased the number of treasury shares by 316 thousand and 268 thousand, respectively. Further, 90 thousand shares and 860 thousand shares were acquired in September and October 2015, respectively, for an aggregate amount of EUR 14,787 thousand (excluding transaction costs); these acquisitions increased the number of treasury shares by 950 thousand.

No treasury shares were acquired in the reporting period.

As part of the Share Matching Plan, a total of 2 thousand treasury shares were transferred free of charge to the custody accounts of eligible participants in the 2012 and 2013 financial years. A further 90 thousand treasury shares were transferred free of charge in the 2014 financial year. An additional 140 thousand treasury shares were transferred in the 2015 financial year. In the 2016 financial year, 232 thousand treasury shares were transferred, in the 2017 financial year, 300 thousand. Transfers of treasury shares to the custody accounts of employees of Deutsche Telekom AG are free of charge. In cases where treasury shares are transferred to the custody accounts of employees of other Group companies, the costs have been transferred at fair value to the respective Group company since the 2016 financial year.

A total of 312 thousand shares were reallocated in all months of the reporting year and transferred to the custody accounts of eligible participants of the Share Matching Plan. As of December 31, 2018, disposals of treasury shares resulting from the transfers in the reporting period accounted for less than 0.01 percent, or EUR 798 thousand, of share capital. Gains on disposal arising from transfers of treasury shares amounted to EUR 3,036 thousand. In the reporting year, 81 thousand treasury shares with a fair value of EUR 1,157 thousand were billed to other Group companies. Transfers of treasury shares increased retained earnings by EUR 2,162 thousand and capital reserves by EUR 20 thousand.

As part of the acquisition of VoiceStream Wireless Corp., Bellevue, and Powertel, Inc., Bellevue, in 2001, Deutsche Telekom AG issued new shares from authorized capital to a trustee, for the benefit of holders of warrants, options, and conversion rights, among others. These options or conversion rights expired in full in the 2013 financial year. As a result, the trustee no longer had any obligation to fulfill any claims in accordance with the purpose of the deposit. The trust relationship was terminated at the start of 2016 and the deposited shares were transferred free of charge to a custody account of Deutsche Telekom AG. The 18,517 thousand previously deposited shares are accounted for in the same way as treasury shares in accordance with § 272 (1a) HGB. This equates to 0.4 percent, or EUR 48 million, of Deutsche Telekom's share capital. On the basis of authorization by the shareholders' meeting on May 25, 2016, the treasury shares acquired free of charge may be used for the same purposes as the treasury shares acquired for a consideration.

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Voting rights. Each share entitles the holder to one vote. These voting rights are restricted, however, in relation to treasury shares (at December 31, 2018: around 19 million in total).

Authorized capital and contingent capital. Authorized capital and contingent capital comprised the following components as of December 31, 2018:

	Amount millions of €	No par value shares thousands	Purpose
2017 Authorized capital	3,600	1,406,250	Capital increase against cash contribution/contribution in kind (until May 30, 2022)
2018 Contingent capital	1,200	468,750	Servicing convertible bonds and/or bonds with warrants issued on or before May 16, 2023

TRANSACTIONS WITH OWNERS

The total of EUR -1,389 million shown under transactions with owners is made up of EUR -625 million from the share of equity held by the owners of the parent company, and EUR -764 million from the share held by non-controlling interests. These figures result on the one hand from the share buy-back program launched in December 2017, under which T-Mobile US acquired further ordinary shares for an amount of USD 1.1 billion (EUR 0.9 billion) in the first half of 2018. As a result, Deutsche Telekom holds around 63 percent of the shares in T-Mobile US. On the other hand, in March 2018, Deutsche Telekom exercised its right of first refusal as invited by the Greek privatization authority Hellenic Republic Asset Development Fund (HRADF) and acquired a 5 percent stake in its Greek subsidiary OTE. The transaction was consummated in May 2018 through the acquisition of additional shares in the amount of EUR 0.3 billion. As a result, Deutsche Telekom AG holds around 45 percent of the company's shares. The effects for the reporting year and the previous year are shown in Deutsche Telekom's consolidated statement of changes in equity as of December 31, 2018.

millions of €

	2018			2017		
	Issued capital and reserves attributable to owners of the parent	Non-controlling interests	Total shareholders' equity	Issued capital and reserves attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Changes in the composition of the Group	**0**	**11**	**11**	**0**	**6**	**6**
Other effects	0	11	11	0	6	6
Transactions with owners	**(625)**	**(764)**	**(1,389)**	**364**	**977**	**1,341**
Conversion of T-Mobile US preferred stock	0	0	0	599	1,108	1,707
Share buy-back program T-Mobile US	(245)	(613)	(858)	(133)	(242)	(375)
Share buy-back program at OTE	(16)	(78)	(94)	0	0	0
Acquisition of T-Mobile US shares	(72)	(90)	(162)	0	0	0
Acquisition of OTE shares	(150)	(135)	(285)	0	0	0
Other effects	(142)	152	10	(102)	111	9

For further information, please refer to the section "Changes in the composition of the Group and other transactions," page 176 et seq.

NON-CONTROLLING INTERESTS: TOTAL OTHER COMPREHENSIVE INCOME

Total other comprehensive income of non-controlling interests primarily comprises remeasurement effects as part of the acquisition of the OTE group (business combination achieved in stages) totaling EUR 0.4 billion (December 31, 2017: EUR 0.5 billion), currency translation effects of EUR 0.0 billion (December 31, 2017: EUR -0.5 billion), and a remeasurement loss recognized directly in equity in connection with forward-payer swaps in the United States operating segment.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

For further information on special factors, please refer to the section "Development of business in the Group" in the combined management report, page 49 et seq.

19 NET REVENUE

Net revenue breaks down into the following revenue categories:

millions of €

	2018	2017[b]	2016[b]
Revenue from the rendering of services	**61,942**	**62,448**	**61,163**
Germany	17,657	18,382	18,453
United States	27,755	27,232	25,588
Europe	9,883	9,937	9,925
Systems Solutions	5,328	5,413	5,532
Group Development	1,257	1,374	1,450
Group Headquarters & Group Services	63	110	215
Revenue from the sale of goods and merchandise[a]	**12,443**	**11,079**	**10,063**
Germany	2,208	1,735	1,569
United States	8,170	7,714	6,869
Europe	1,588	1,236	1,141
Systems Solutions	154	90	145
Group Development	322	286	294
Group Headquarters & Group Services	0	18	45
Revenue from the use of entity assets by others	**1,271**	**1,420**	**1,869**
Germany	486	436	383
United States	596	789	1,280
Europe	51	45	45
Systems Solutions	15	0	0
Group Development	0	0	0
Group Headquarters & Group Services	123	150	161
NET REVENUE	**75,656**	**74,947**	**73,095**

[a] Revenue from the sale of goods and merchandise includes interest income of EUR 0.3 billion in the reporting period, calculated using the effective interest method. 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 retrospectively on account of a change in the allocation between revenue categories.

The total transaction price attributable to performance obligations that have not been fulfilled or, in some cases, not yet fulfilled at the end of the reporting period (hereinafter: outstanding transaction price) amounts to EUR 18,323 million.

The portion of the outstanding transaction price attributable to performance obligations that have not been fulfilled or, in some cases, not yet fulfilled at the end of the reporting period is generally recognized as revenue over the remaining term of the service contracts concluded. Since most service contracts – insofar as they are not able to be terminated at any time – have a minimum contract term of 24 months, an average remaining term of approximately 12 months can be assumed, provided the course of business in the mass business remains virtually unchanged. The disclosures only refer to transactions within the scope of IFRS 15, i.e., they do not include portions of the transaction price being allocated to performance obligations outside the scope of the standard, e.g., leases.

Deutsche Telekom generally makes use of the practical expedients in IFRS 15, according to which outstanding performance obligations under contracts with an expected original term of no more than one year and revenues recognized in accordance with the billed amounts are exempt from the disclosure requirement. Individual subsidiaries deviate from this general approach and have not made use of these practical expedients for similar contracts.

For further information on changes in net revenue, please refer to the section "Development of business in the Group" in the combined management report, page 49 et seq.

SERVICE CONCESSION ARRANGEMENTS

Satellic NV, Machelen, Belgium, is a fully consolidated subsidiary of Deutsche Telekom and on July 25, 2014 signed a contractual arrangement with Viapass, the public agency responsible for toll collection in Belgium, for the set-up, operation, and financing of an electronic toll collection system. After Viapass accepted the system on March 30, 2016, the set-up phase was completed on March 31, 2016. The operation phase that follows will have a duration of twelve years, with the additional option for Viapass to extend the term three times by one year. Satellic has no entitlement to the toll revenue collected but will receive contractually agreed fees for setting up and operating the system. Viapass is authorized to terminate the arrangement giving notice of six months with payment of reasonable compensation. In the event of regular or premature termination of the agreement, Satellic has an obligation to hand over to Viapass, on request, material assets for the operation of the toll collection system that have not yet passed to the ownership of Viapass; in such an event, however, the software platform for toll collection would not be handed over to Viapass. The agreement was classified as a service concession arrangement within the meaning of IFRIC 12. Since the start of the operation phase on April 1, 2016, the separate fees for operation and maintenance services have been recognized as revenue in the respective periods, which totaled EUR 67 million in the reporting year (2017: EUR 75 million, 2016: EUR 68 million).

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20 OTHER OPERATING INCOME

millions of €

	2018	2017	2016
Income from the reversal of impairment losses on non-current assets	8	1,665	17
Of which: IFRS 5	0	3	8
Income from the disposal of non-current assets	291	310	650
Income from reimbursements	164	197	223
Income from insurance compensation	335	71	88
Income from ancillary services	29	33	36
Miscellaneous other operating income	663	1,543	3,166
Of which: income from divestitures and from the sale of stakes accounted for using the equity method	0	763	2,598
	1,491	**3,819**	**4,180**

In 2017, income from the reversal of impairment losses on non-current assets mainly comprised the partial reversal in the third quarter of 2017 of impairment losses on spectrum licenses at T-Mobile US, which increased their carrying amount by EUR 1.7 billion before deferred taxes (please refer to Note 6 “Intangible assets,” page 184 et seq.). Income from the disposal of non-current assets was primarily attributable to the disposal of real estate previously classified as non-current assets and disposal groups held for sale. Total income of EUR 0.2 billion was recorded in 2017 from transactions for the exchange of spectrum licenses completed between T Mobile US and telecommunications companies. Income from insurance compensation mainly comprised compensation payments received by T-Mobile US for damage caused by hurricanes. Miscellaneous other operating income decreased by EUR 0.9 billion year-on-year. The main items included in 2017 were income of EUR 0.5 billion from the divestiture of Strato AG, income of EUR 0.2 billion from a payment received in connection with the settlement agreement concluded with BT in July 2017, and income of EUR 0.2 billion from the sale of the remaining shares in Scout24 AG, which had been accounted for using the equity method.

21 CHANGES IN INVENTORIES

Changes in inventories comprise both volume and value-based increases and decreases in inventories of finished goods and merchandise, and work in process. There were no significant changes in inventories in the reporting year or in prior years.

22 OWN CAPITALIZED COSTS

Own capitalized costs amounted to EUR 2.4 billion in the reporting year (2017: EUR 2.3 billion, 2016: EUR 2.1 billion) and mainly relate to investments in network build-out and the development of platforms for cell sites.

23 GOODS AND SERVICES PURCHASED

millions of €

	2018	2017	2016
Expenses for raw materials and supplies	1,711	1,960	2,397
Expenses for merchandise	15,031	14,618	13,516
Expenses for services purchased	21,418	21,583	21,171
	38,160	**38,161**	**37,084**

24 AVERAGE NUMBER OF EMPLOYEES AND PERSONNEL COSTS

	2018	2017	2016
GROUP (TOTAL)	**216,369**	**216,454**	**220,582**
Domestic	100,227	103,174	107,793
International	116,142	113,280	112,790
Non-civil servants	202,010	200,673	203,110
Civil servants (domestic, active service relationship)	14,359	15,781	17,472
Trainees and students on cooperative degree courses	5,713	6,559	7,510
PERSONNEL COSTS millions of €	**16,436**	**15,504**	**16,463**

Average headcount essentially remained unchanged year-on-year. It slightly decreased in Germany by 2.9 percent. Staff restructuring measures in the Germany operating segment and in the German part of the Group Headquarters & Group Services segment in particular contributed to this trend. The average headcount outside Germany grew by 2.5 percent, with moderate increases in the United States and Europe (primarily due to the first-time consolidation of UPC Austria) operating segments, as well as in the number of employees assigned to countries other than Germany in the Group Headquarters & Group Services segment.

Personnel costs increased by 6.0 percent year-on-year, due to restructuring expenses in connection with the early retirement arrangements for civil servants and increases in salaries under collective agreements concluded in 2018. The main collective agreements were concluded between Deutsche Telekom and union representatives on April 12, 2018 and apply with retroactive effect as of February 1, 2018 for a term of 26 months. By contrast, decreases in headcount in Germany had a decreasing effect on personnel costs.

25 OTHER OPERATING EXPENSES

millions of €

	2018	2017	2016
Impairment losses on financial assets [a]	394	n. a.	n. a.
Gains (losses) from the write-off of financial assets measured at amortized cost	120	n. a.	n. a.
Other	2,620	3,444	3,284
Legal and audit fees	338	265	212
Losses from asset disposals	165	207	157
Income (losses) from the measurement of factoring receivables	126	112	133
Income (losses) from the measurement of receivables [a]	n. a.	580	686
Other taxes	476	432	407
Cash and guarantee transaction costs	339	344	305
Insurance expenses	93	87	92
Miscellaneous other operating expenses	1,083	1,417	1,292
	3,134	**3,444**	**3,284**

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

Miscellaneous other operating expenses comprise a large number of low-value individual items, including other administrative expenses and fees totaling EUR 181 million (2017: EUR 217 million, 2016: EUR 189 million).

26 DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

The following table provides a breakdown of depreciation, amortization and impairment losses:

millions of €

	2018	2017	2016
AMORTIZATION AND IMPAIRMENT OF INTANGIBLE ASSETS	**5,021**	**6,193**	**4,602**
Of which: Goodwill impairment losses	639	2,071	471
Amortization of mobile licenses	1,049	1,038	949
Impairment losses on mobile licenses	19	4	0
DEPRECIATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT	**8,814**	**8,393**	**8,778**
Of which: Impairment losses recognized on property, plant and equipment	38	81	221
	13,836	**14,586**	**13,380**

Impairment losses break down as follows:

millions of €

	2018	2017	2016
INTANGIBLE ASSETS	**685**	**2,077**	**472**
Of which: Goodwill from the year-end impairment test	639	829	471
Goodwill in connection with ad hoc impairment testing in the Systems Solutions operating segment	0	1,242	0
FCC licenses	0	4	0
PROPERTY, PLANT AND EQUIPMENT	**38**	**81**	**221**
Of which: from the year-end impairment test	0	37	128
	722	**2,158**	**693**

Depreciation, amortization and impairment losses decreased by EUR 0.8 billion year-on-year. This decline is due in particular to the impairment losses recognized in 2017 on goodwill in the Systems Solutions operating segment of EUR 1.2 billion and in the Europe operating segment in the national companies in Poland, Romania, and Albania of EUR 0.8 billion in total. Impairment losses recognized in 2018 on goodwill in the Europe operating segment in the national companies in Poland and Romania amounted to EUR 0.6 billion in total. Impairment losses amounting to EUR 35 million were recognized on property, plant and equipment and intangible assets in the reporting year in connection with the sale of the shares in Telekom Albania agreed in January 2019.

Depreciation and amortization was EUR 0.7 billion higher than in the prior-year period. This was attributable in particular to the United States and Germany operating segments and the Group Headquarters & Group Services segment.

For further information, please refer to Note 6 “Intangible assets,” page 184 et seq., and Note 7 “Property, plant and equipment,” pages 191 and 192.

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27 FINANCE COSTS

millions of €

	2018	2017	2016
Interest income	277	320	223
Interest expense	(2,094)	(2,517)	(2,715)
	(1,817)	**(2,197)**	**(2,492)**
Of which: from financial instruments relating to measurement categories in accordance with IFRS 9			
Debt instruments measured at amortized cost	27	n. a.	n. a.
Debt instruments measured at fair value through other comprehensive income	0	n. a.	n. a.
Debt instruments measured at fair value through profit or loss	10	n. a.	n. a.
Financial liabilities measured at amortized cost [a]	(1,707)	(2,110)	n. a.
Of which: from financial instruments relating to measurement categories in accordance with IAS 39			
Loans and receivables (LaR)	n. a.	32	25
Held-to-maturity investments (HtM)	n. a.	0	0
Available-for-sale financial assets (AfS)	n. a.	15	12
Financial liabilities measured at amortized cost (FLAC) [a]	n. a.	(2,091)	(2,383)

[a] Interest expense calculated according to the effective interest method and adjusted for accrued interest from derivatives recognized in the reporting year that were used as hedging instruments against interest rate-based changes in the fair values of financial liabilities measured at amortized cost in the reporting year for hedge accounting in accordance with IFRS 9 (2018: interest income of EUR 223 million and interest expense of EUR 110 million, 2017: interest income of EUR 260 million and interest expense of EUR 165 million).

The year-on-year decrease in finance costs is mainly attributable to the fact that T-Mobile US has increasingly been financed internally since 2017, and that refinancing terms continue to be favorable. The Consent Fee of EUR 0.1 billion paid (or still payable) to lending banks in connection with the probable increase in the admissible amount of collateralized financing instruments at T-Mobile US as a consequence of the agreed business combination with Sprint had an increasing effect on finance costs.

EUR 290 million (2017: EUR 176 million, 2016: EUR 164 million) was capitalized as part of acquisition costs in the 2018 financial year. The EUR 114 million increase in this item mainly relates to investments in the United States operating segment. The amount was calculated on the basis of an interest rate in the average range between 3.9 percent at the start of the year and 3.5 percent at the end of the year (2017: between 4.4 and 3.9 percent) applied across the Group.

Interest payments (including capitalized interest) of EUR 3.6 billion (2017: EUR 4.0 billion, 2016: EUR 3.6 billion) were made in the 2018 financial year.

Accrued interest payments from derivatives (interest rate swaps) that were designated as hedging instruments in a fair value hedge in accordance with IFRS 9 are netted per swap contract and recognized as interest income or interest expense depending on the net amount. Finance costs are assigned to the measurement categories on the basis of the hedged item. Only financial liabilities were hedged in the reporting period.

28 SHARE OF PROFIT/LOSS OF ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

millions of €

	2018	2017	2016
Share of profit (loss) of joint ventures	(536)	12	(5)
Share of profit (loss) of associates	6	64	(48)
	(529)	**76**	**(53)**

The share of profit/loss of associates and joint ventures included in the consolidated financial statements using the equity method decreased by EUR 0.6 billion compared with the prior year. This was mainly attributable to the settlement agreement reached to end the Toll Collect arbitration proceedings, which had a negative effect of EUR 0.6 billion. For further information, please refer to the section “Changes in the composition of the Group and other transactions,” page 176 et seq. By contrast, the profit distribution by Toll Collect GmbH – EUR 0.1 billion of which is attributable to Deutsche Telekom – had a positive effect. The prior-year figure included the reversal of an impairment loss previously recognized on the carrying amount of Ströer SE & Co. KGaA of EUR 50 million.

29 OTHER FINANCIAL INCOME/EXPENSE

millions of €

	2018	2017	2016
Income from investments	3	179	346
Gains (losses) from financial instruments	(352)	(2,270)	(2,136)
Interest component from measurement of provisions and liabilities	(178)	(178)	(282)
Gains (losses) from the write-off of financial assets measured at amortized cost	25	0	0
	(502)	**(2,269)**	**(2,072)**

All income/expense components including interest income and expense from financial instruments classified since January 1, 2018 as at fair value through profit or loss in accordance with IFRS 9 (in prior years – as held for trading in accordance with IAS 39) are reported under other financial income/expense.

Other financial expense decreased by EUR 1.8 billion year-on-year to EUR 0.5 billion. In 2017, this figure mainly included the impairment, equivalent to EUR 1.5 billion in total, of the financial stake in BT recognized in profit or loss. In March 2018, the financial stake in BT was transferred to Deutsche Telekom Trust e.V., where it will be used as plan assets to cover existing pension obligations. As a consequence

of the transition to IFRS 9 as of January 1, 2018, changes in the value of the financial stake prior to the transfer date were no longer recognized in the income statement as other financial income/expense, but in other comprehensive income. For further information, please refer to Note 40 “Financial instruments and risk management,” page 236 et seq.

The losses from financial instruments of EUR 0.4 billion in the reporting year were mainly the result of negative effects from the remeasurement of derivatives – especially at T-Mobile US. EUR 57 million (2017: EUR -198 million, 2016: EUR 45 million) of this related to currency translation effects, including gains/losses from derivatives used as hedges in foreign-currency hedge accounting, and EUR -409 million (2017: EUR -2,072 million, 2016: EUR -2,181 million) to gains/losses from other derivatives as well as measurements of equity investments.

Income from investments in the prior year included the dividends of around EUR 0.2 billion received from the former financial stake in BT.

30 INCOME TAXES

INCOME TAXES IN THE CONSOLIDATED INCOME STATEMENT

A tax expense of EUR 1.8 billion was recorded in the 2018 financial year, giving rise to an effective tax rate of 32 percent. The main reason for the comparatively high tax burden was impairment losses on goodwill in the Europe operating segment that had no tax effect.

In the prior year, a tax benefit of EUR 0.6 billion was recorded. This tax benefit is mainly attributable to a high deferred tax benefit following the reduction in the U.S. federal tax rate from 35 percent to 21 percent.

The following table provides a breakdown of income taxes in Germany and internationally:

millions of €

	2018	2017	2016
CURRENT TAXES	**592**	**569**	**468**
Germany	217	219	161
International	375	350	307
DEFERRED TAXES	**1,232**	**(1,127)**	**975**
Germany	334	116	91
International	898	(1,243)	884
	1,824	**(558)**	**1,443**

Deutsche Telekom’s combined income tax rate for 2018 amounts to 31.4 percent (2017: 31.4 percent, 2016: 31.1 percent). It consists of corporate income tax at a rate of 15.0 percent, the solidarity surcharge of 5.5 percent on corporate income tax, and trade tax at an average multiplier of 445 percent (2017: 445 percent, 2016: 436 percent).

Reconciliation of the effective tax rate. Income taxes of EUR -1,824 million (as expense) in the reporting year (2017: EUR 558 million (as benefit), 2016: EUR -1,443 million (as expense)) are derived as follows from the expected income tax expense/benefit that would have arisen had the statutory income tax rate of the parent company (combined income tax rate) been applied to profit/loss before income taxes:

millions of €

	2018	2017	2016
PROFIT BEFORE INCOME TAXES	**5,153**	**4,994**	**4,547**
Expected income tax expense (benefit) (Income tax rate applicable to Deutsche Telekom AG: 2018: 31.4%; 2017: 31.4%; 2016: 31.1%)	1,618	1,568	1,414
ADJUSTMENTS TO EXPECTED TAX EXPENSE (BENEFIT)			
Effect of changes in statutory tax rates	39	(2,738)	(49)
Tax effects from prior years	158	(132)	(58)
Tax effects from other income taxes	114	(141)	122
Non-taxable income	(16)	(329)	(75)
Tax effects from equity investments	(112)	(81)	(850)
Non-deductible expenses	170	591	790
Permanent differences	(57)	83	158
Goodwill impairment losses	186	620	133
Tax effects from loss carryforwards	22	(11)	(237)
Tax effects from additions to and reductions of local taxes	189	72	59
Adjustment of taxes to different foreign tax rates	(489)	(59)	26
Other tax effects	2	(1)	10
INCOME TAX EXPENSE (BENEFIT) ACCORDING TO THE CONSOLIDATED INCOME STATEMENT	**1,824**	**(558)**	**1,443**
Effective income tax rate %	35	(11)	32

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Current income taxes in the consolidated income statement

The following table provides a breakdown of current income taxes:

millions of €

	2018	2017	2016
CURRENT INCOME TAXES	**592**	**569**	**468**
Of which: Current tax expense	571	741	494
Prior-period tax expense	21	(172)	(26)

Deferred taxes in the consolidated income statement

Deferred taxes developed as follows:

millions of €

	2018	2017	2016
DEFERRED TAX EXPENSE (BENEFIT)	**1,232**	**(1,127)**	**975**
Of which: From temporary differences	1,217	(765)	567
From loss carryforwards	49	(381)	339
From tax credits	(34)	19	69

INCOME TAXES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Current income taxes in the consolidated statement of financial position:

millions of €

	Dec. 31, 2018	Dec. 31, 2017
Recoverable taxes	492	236
Tax liabilities	(328)	(224)
Current taxes recognized in other comprehensive income:		
Hedging instruments	(252)	(267)

Deferred taxes in the consolidated statement of financial position:

millions of €

	Dec. 31, 2018	Dec. 31, 2017
Deferred tax assets	2,949	4,013
Deferred tax liabilities	(8,240)	(6,967)
	(5,291)	**(2,954)**
Of which: Recognized in other comprehensive income:		
Gains (losses) from the remeasurement of defined benefit plans	1,315	1,280
Revaluation surplus	141	0
Hedging instruments	106	17
RECOGNIZED IN OTHER COMPREHENSIVE INCOME BEFORE NON-CONTROLLING INTERESTS	**1,562**	**1,297**
Non-controlling interests	(10)	(12)
	1,552	**1,285**

Development of deferred taxes:

millions of €

	Dec. 31, 2018	Dec. 31, 2017
Deferred taxes recognized in the statement of financial position	(5,291)	(2,954)
Difference to prior year	(2,337)	1,843
Of which: Recognized in income statement	(1,232)	1,127
Recognized in other comprehensive income	89	(13)
Recognized in capital reserves	10	(56)
Acquisitions (disposals) (including assets and disposal groups held for sale)	(970)	11
Currency translation adjustments	(234)	774

Development of deferred taxes on loss carryforwards:

millions of €

	Dec. 31, 2018	Dec. 31, 2017
Deferred taxes on loss carryforwards before allowances	1,917	2,251
Difference to prior year	(334)	(106)
Of which: Recognition (derecognition)	(131)	88
Acquisitions (disposals) (including assets and disposal groups held for sale)	(279)	(6)
Currency translation adjustments	76	(188)

Deferred taxes relate to the following key items in the statement of financial position, loss carryforwards, and tax credits:

millions of €

	Dec. 31, 2018		Dec. 31, 2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
CURRENT ASSETS	**1,602**	**(974)**	**1,255**	**(423)**
Trade and other receivables	823	(213)	497	(132)
Inventories	120	0	100	(16)
Other assets	655	(140)	658	(275)
Contract assets	4	(621)	n. a.	n. a.
NON-CURRENT ASSETS	**2,726**	**(12,701)**	**2,964**	**(10,803)**
Intangible assets	588	(7,499)	502	(6,339)
Property, plant and equipment	748	(4,205)	636	(3,236)
Other financial assets	1,390	(657)	1,826	(1,228)
Capitalized contract costs	0	(340)	n. a.	n. a.
CURRENT LIABILITIES	**992**	**(706)**	**925**	**(613)**
Financial liabilities	311	(386)	206	(384)
Trade and other payables	69	(30)	55	(11)
Other provisions	252	(103)	286	(58)
Other liabilities	127	(88)	378	(160)
Contract liabilities	233	(99)	n. a.	n. a.
NON-CURRENT LIABILITIES	**4,575**	**(2,753)**	**4,746**	**(2,859)**
Financial liabilities	1,172	(1,319)	1,288	(1,249)
Provisions for pensions and other employee benefits	1,653	(1,242)	1,735	(1,398)
Other provisions	737	(186)	693	(187)
Other liabilities	877	(4)	1,030	(25)
Contract liabilities	136	(2)	n. a.	n. a.
RETAINED EARNINGS	**0**	**(118)**	**0**	**(67)**
TAX CREDITS	**274**	**0**	**236**	**0**
LOSS CARRYFORWARDS	**1,608**	**0**	**1,537**	**0**
INTEREST CARRYFORWARDS	**184**	**0**	**148**	**0**
TOTAL	**11,961**	**(17,252)**	**11,811**	**(14,765)**
Of which: non-current	9,608	(15,620)	9,798	(13,738)
Netting	(9,012)	9,012	(7,798)	7,798
RECOGNITION	**2,949**	**(8,240)**	**4,013**	**(6,967)**

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The loss carryforwards amount to:

millions of €

	Dec. 31, 2018	Dec. 31, 2017
LOSS CARRYFORWARDS FOR CORPORATE INCOME TAX PURPOSES	**6,564**	**6,473**
Expiry within		
1 year	31	89
2 years	28	29
3 years	25	55
4 years	571	18
5 years	69	711
After 5 years	4,005	3,629
Unlimited carryforward period	1,835	1,942

Loss carryforwards and temporary differences for which no deferred taxes were recorded amount to:

millions of €

	Dec. 31, 2018	Dec. 31, 2017
LOSS CARRYFORWARDS FOR CORPORATE INCOME TAX PURPOSES	**865**	**1,034**
Expiry within		
1 year	30	79
2 years	9	5
3 years	8	37
4 years	12	12
5 years	30	42
After 5 years	100	63
Unlimited carryforward period	676	796
TEMPORARY DIFFERENCES IN CORPORATE INCOME TAX	**507**	**665**

In addition, no deferred taxes are recognized on trade tax loss carryforwards of EUR 20 million (December 31, 2017: EUR 19 million) and on temporary differences for trade tax purposes in the amount of EUR 7 million (December 31, 2017: EUR 5 million). Furthermore, apart from corporate income tax loss carryforwards, no deferred taxes amounting to EUR 164 million (December 31, 2017: EUR 522 million) were recognized for other foreign income tax loss carryforwards and, apart from temporary differences for trade tax purposes, no deferred taxes in the amount of EUR 0 million (December 31, 2017: EUR 6 million) were recognized for other foreign income taxes.

No deferred tax assets were recognized on the aforementioned tax loss carryforwards and temporary differences as it is not probable that taxable profit will be available in the foreseeable future against which these tax loss carryforwards can be utilized.

A positive tax effect in the amount of EUR 31 million (2017: EUR 25 million, 2016: EUR 28 million) attributable to the utilization of tax loss carryforwards on which deferred tax assets had not yet been recognized, was recorded in the reporting year.

No deferred tax liabilities were recognized on temporary differences in connection with equity interests in subsidiaries amounting to EUR 840 million (December 31, 2017: EUR 558 million) as it is unlikely that these differences will be reversed in the near future.

Unrecognized deferred tax assets of EUR 20 million (December 31, 2017: EUR 0 million) arising in connection with company acquisitions in 2013 in the United States operating segment and in 2014 in the Europe operating segment were recognized in 2018, since their future utilization is deemed likely based on current earnings forecasts.

Disclosure of tax effects relating to each component of other comprehensive income:

millions of €

	2018			2017			2016		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Items not subsequently reclassified to profit or loss (not recycled)									
Gains (losses) from the remeasurement of defined benefit plans	127	37	164	116	(19)	97	(660)	205	(455)
Gains (losses) from the remeasurement of equity instruments	(619)	(1)	(620)						
Share of profit (loss) of investments accounted for using the equity method				0	0	0	0	0	0
	(492)	**36**	**(456)**	**116**	**(19)**	**97**	**(660)**	**205**	**(455)**
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	(1)	0	(1)	0	0	0	(948)	0	(948)
Change in other comprehensive income (not recognized in income statement)	1,033	0	1,033	(2,196)	0	(2,196)	395	0	395
Gains (losses) from the remeasurement of available-for-sale assets									
Recognition of other comprehensive income in income statement	0	0	0	7	(2)	5	2,282	(1)	2,281
Change in other comprehensive income (not recognized in income statement)	0	0	0	27	0	27	2,282	0	(2,323)
Gains (losses) from hedging instruments									
Recognition of other comprehensive income in income statement	(75)	(3)	(78)						
Change in other comprehensive income (not recognized in income statement)	84	0	84						
Gains (losses) from hedging instruments (IAS 39 until December 2017, designated risk component)									
Recognition of other comprehensive income in income statement	(32)	10	(22)	450	(141)	309	328	(102)	226
Change in other comprehensive income (not recognized in income statement)	(382)	61	(321)	(270)	85	(185)	(457)	142	(315)
Gains (losses) from hedging instruments (IFRS 9 from January 2018, hedging costs)							2,282		
Recognition of other comprehensive income in income statement	3	(1)	2						
Change in other comprehensive income (not recognized in income statement)	56	20	76						
Share of profit (loss) of investments accounted for using the equity method									
Recognition of other comprehensive income in income statement	0	0	0	0	0	0	7	0	7
Change in other comprehensive income (not recognized in income statement)	7	0	7	0	0	0	1	0	1
	693	**87**	**780**	**(1,982)**	**(58)**	**(2,040)**	**6,172**	**39**	**6,211**
OTHER COMPREHENSIVE INCOME	**201**	**123**	**323**	**(1,866)**	**(77)**	**(1,943)**	**5,512**	**244**	**5,756**
Profit (loss)			3,328			5,551			3,104
TOTAL COMPREHENSIVE INCOME			**3,652**			**3,608**			**8,860**

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31 PROFIT/LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

millions of €

	2018	2017	2016
T-Mobile US	915	1,933	400
Hrvatski Telekom	69	48	55
Hellenic Telecommunications Organization (OTE)	119	49	(129)
Magyar Telekom	65	56	84
Other	(5)	4	19
	1,163	**2,090**	**429**

32 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated in accordance with IAS 33 as follows:

		2018	2017	2016
Profit attributable to the owners of the parent (net profit (loss))	millions of €	2,166	3,461	2,675
Adjustment	millions of €	0	0	0
ADJUSTED NET PROFIT (LOSS) (BASIC/DILUTED)	millions of €	**2,166**	**3,461**	**2,675**
Number of ordinary shares issued	millions	4,761	4,722	4,645
Treasury shares	millions	(19)	(19)	(20)
ADJUSTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING (BASIC/DILUTED)	millions	**4,742**	**4,703**	**4,625**
EARNINGS PER SHARE (BASIC/DILUTED)	millions of €	**0.46**	**0.74**	**0.58**

The calculation of earnings per share (basic/diluted) is based on the time-weighted number of all ordinary shares outstanding. Furthermore, the weighted average number of ordinary shares outstanding is determined by deducting the weighted average number of treasury shares held by Deutsche Telekom AG. There are currently no diluting shares.

33 DIVIDEND PER SHARE

For the 2018 financial year, the Board of Management proposes a dividend of EUR 0.70 for each no par value share carrying dividend rights. On the basis of this payout volume, total dividends in the amount of EUR 3,320 million would be appropriated to the no par value shares carrying dividend rights as of February 12, 2019. The final amount of the total dividend payment depends on the number of no par value shares carrying dividend rights as of the date of the resolution on the appropriation of net income as adopted on the day of the shareholders' meeting.

A dividend of EUR 0.65 for the 2017 financial year for each no par value share carrying dividend rights was paid out in 2018.

OTHER DISCLOSURES

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

NET CASH FROM OPERATING ACTIVITIES

Net cash from operating activities increased by EUR 0.8 billion year-on-year to EUR 17.9 billion. Exchange rate effects adversely affected the positive business trend in the United States operating segment. During the reporting year, factoring agreements were concluded concerning monthly revolving sales of trade receivables. However they did not have a significant impact on net cash from operating activities in the reporting year. The effect from factoring agreements of EUR 0.3 billion had a positive effect in the prior year. A EUR 0.1 billion increase in income tax payments compared with the prior year also had a negative impact. The prior-year figure included a EUR 0.1 billion higher dividend payment from BT (totaling EUR 0.2 billion), while the profit of EUR 0.1 billion distributed by Toll Collect GmbH was a key component in the reporting year. A decrease of EUR 0.8 billion in net interest payments compared with the prior year, mainly due to the fact that T-Mobile US has increasingly been financed internally since 2017, and that refinancing terms continue to be favorable, had a positive effect on the trend in net cash from operating activities.

Deutsche Telekom's working capital measures are focused on improvements in the area of liabilities as well as in the management of receivables and inventories. However, they are not used for active liquidity management. The negative effect on the change in assets carried as working capital can be attributed to the acquisition of mobile devices in connection with the JUMP! On Demand business model and to the increase in trade receivables as a result of net customer additions in the United States, mainly from agreements under the Equipment Installment Plan (EIP). In addition, an increase in trade receivables in the Germany operating segment also had a negative effect on working capital. By contrast, working capital was positively impacted by the reduction of stock levels of new terminal equipment models introduced in the United States at the end of 2017. For further information on individual assets carried as working capital, please refer to Note 2 "Trade and other receivables," page 182, and Note 4 "Inventories," page 182. Liabilities carried as working capital decreased mainly as a result of the reduction in trade payables, especially in the United States. For further information, please refer to Note 13 "Trade and other payables," page 201.

Net cash used in investing activities
millions of €

	2018	2017	2016
Cash capex			
Germany operating segment	(4,240)	(4,214)	(4,031)
United States operating segment	(4,661)	(11,932)	(5,855)
Europe operating segment	(1,887)	(1,874)	(2,600)
Systems Solutions operating segment	(462)	(383)	(402)
Group Development operating segment	(271)	(290)	(271)
Group Headquarters & Group Services	(1,078)	(1,005)	(936)
Reconciliation	107	204	455
	(12,492)	**(19,494)**	**(13,640)**
Net cash flows for collateral deposited and hedging transactions[a]	(170)	1,390	(3,015)
Cash inflows from the sale of shares in Scout24 AG	0	319	135
Cash outflows for the acquisition of the shares in Layer3 TV[b]	(258)	0	0
Cash outflows for the acquisition of shares in UPC Austria GmbH[c]	(1,791)	0	0
Proceeds from the disposal of property, plant and equipment, and intangible assets	525	400	364
Cash flows from the loss of control of subsidiaries and associates[d,e]	(67)	528	4
Allocation under contractual trust agreement (CTA) on pension commitments	0	0	(250)
Reverse allocation under contractual trust agreement (CTA) on pension commitments	225	0	0
Payment in relation to settlement reached in Toll Collect arbitration proceedings	(200)	0	0
Payment in relation to equity maintenance undertaking for Toll Collect GmbH	(60)	0	0
Acquisition/sale of government bonds, net	0	5	2,873
Other[f]	(9)	38	(79)
	(14,297)	**(16,814)**	**(13,608)**

[a] EUR 2.0 billion of which relates to a cash deposit placed in the first half of 2016 for the U.S. spectrum auction concluded in April 2017.

[b] Includes, in addition to the purchase price of EUR 260 million, inflows of cash and cash equivalents in the amount of EUR 2 million.

[c] Includes, in addition to the purchase price of EUR 1,792 million, inflows of cash and cash equivalents in the amount of EUR 1 million.

[d] 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.

[e] In 2017, EUR 600 million of this related to the cash inflows from purchase price payments and EUR 72 million to outflows of cash and cash equivalents.

[f] In 2017, EUR 201 million of this related to a payment received from BT in connection with a settlement agreement.

Cash capex decreased by EUR 7.0 billion to EUR 12.5 billion. In the reporting year, mobile spectrum licenses were acquired for a total of EUR 0.3 billion, compared with a total of EUR 7.4 billion in the prior year. In both years, these payments related almost exclusively to the United States operating segment. Cash capex (excluding spectrum investment) was up EUR 0.1 billion year-on-year in the Europe operating segment due to the network upgrade/expansion. By contrast, in the United States operating segment, this item decreased by EUR 0.2 billion, primarily due to currency translation effects. Adjusted for exchange rate effects, and excluding capital expenditure on mobile spectrum licenses, cash capex was substantially higher than in the prior year. Interest payments (including capitalized interest) of EUR 3.6 billion (2017: EUR 4.0 billion, 2016: EUR 3.6 billion) were made in the 2018 financial year. Capitalized interest was reported within cash capex in net cash used in investing activities, together with the associated assets.

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Net cash used in financing activities
millions of €

	2018	2017	2016
Repayment of bonds	(4,604)	(10,992)	(3,255)
Dividends (including to non-controlling interests)	(3,254)	(1,559)	(1,596)
Repayment of financial liabilities from financed capex and opex	(260)	(266)	(225)
Repayment of EIB loans	(159)	(374)	(830)
Net cash flows for collateral deposited and hedging transactions	244	39	605
Repayment of lease liabilities	(1,174)	(715)	(374)
Repayment of financial liabilities for media broadcasting rights	(407)	(259)	(215)
Cash deposits of the former EE joint venture, net	0	0	(220)
Cash flows from continuing involvement factoring, net	31	1	(12)
Loans taken out with the EIB	150	825	889
Promissory notes, net	201	317	(582)
Secured loans	0	(1,863)	0
Issuance of bonds	7,824	10,189	8,631
Commercial paper, net	(623)	735	(3,658)
Overnight borrowings from banks	565	0	0
Cash inflows from transactions with non-controlling entities			
T-Mobile US stock options	3	18	26
Toll4Europe capital contributions	24	0	0
Other	2	0	0
	29	**18**	**26**
Cash outflows from transactions with non-controlling entities			
T-Mobile US share buy-backs	(997)	(511)	(112)
Share buy-back program at OTE	(94)	0	0
Acquisition of T-Mobile US shares	(164)	0	0
Acquisition of OTE shares	(285)	0	0
Other	(17)	(11)	(2)
	(1,557)	**(522)**	**(114)**
Other	(265)	(168)	(392)
	(3,259)	**(4,594)**	**(1,322)**

NON-CASH TRANSACTIONS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

In the 2018 financial year, 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 (2017: EUR 0.3 billion). These payables will subsequently be recognized under financial liabilities in the statement of financial position. As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In 2018, Deutsche Telekom leased network equipment recognized as a finance lease for a total of EUR 1.0 billion (2017: EUR 1.0 billion) in particular in the United States operating segment. This lease is now also shown under financial liabilities in the statement of financial position. Future repayments of the liabilities will be recognized in net cash used in/from financing activities.

Consideration for the acquisition of broadcasting rights will be paid by Deutsche Telekom in accordance with the terms of the contract on the date of its conclusion or spread over the term of the contract. Financial liabilities of EUR 0.3 billion were recognized in the 2018 financial year for future consideration for acquired broadcasting rights (2017: EUR 0.4 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, mobile devices amounting to EUR 0.9 billion (2017: EUR 1.0 billion) were recognized under property, plant and equipment in the reporting year. These relate to the terminal equipment lease model JUMP! On Demand at T-Mobile US under which customers do not purchase the device but lease it. The payments are presented under net cash from operating activities.

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

The carrying amounts of the financial liabilities disclosed in net cash used in/from financing activities, divided into carrying amount changes having and not having an effect on cash flows, developed as follows in the reporting year:

millions of €

	Carrying amount changes having an effect on cash flows			
	As of January 1, 2018	Of which: disclosed in net cash (used in) from financing activities	Total carrying amount changes having an effect on cash flows	Changes in the composition of the Group
Bonds and other securitized liabilities	45,453	45,453	2,595	0
Liabilities to banks	4,974	4,974	536	0
	50,427	**50,427**	**3,131**	**0**
Finance lease liabilities	2,635	2,635	(1,174)	4
Liabilities to non-banks from promissory notes	480	480	2	0
Liabilities with the right of creditors to priority repayment in the event of default	0	0	0	0
Other interest-bearing liabilities	1,598	1,013	(680)	145
Other non-interest-bearing liabilities	1,443	4	3	6
Derivative financial liabilities	946	807	(5)	0
	7,102	**4,939**	**(1,854)**	**155**
FINANCIAL LIABILITIES	**57,529**	**54,635**	**1,277**	**155**
DERIVATIVE FINANCIAL ASSETS	**1,317**	**287**	**250**	**0**

Total carrying amount changes having an effect on cash flows disclosed in net cash used in/from financing activities of EUR 1.5 billion deviate from the net cash used in financing activities of EUR 3.3 billion due in particular to the dividend entitlements of Deutsche Telekom AG shareholders having an effect on cash flows and the T-Mobile US share buy-back program begun in December 2017. Other carrying amount changes not having an effect on cash flows mainly relate to additions to financial liabilities in connection with the recognition of leased network equipment of EUR 1.0 billion and of broadcasting rights of EUR 0.3 billion. This item also includes additions to financial liabilities of EUR 0.2 billion relating to selected financing options under which payments for trade payables become due at a later point in time by involving banks in the process. For further information, please refer to the section “Non-cash transactions in the consolidated statement of cash flows.”

35 SEGMENT REPORTING

Deutsche Telekom reports on five operating segments, as well as on the Group Headquarters & Group Services segment. Three operating segments are distinguished by region (Germany, United States, Europe), one by customers and products (Systems Solutions), and another by tasks (Group Development). For three operating segments, business activities are assigned by customer and product (Germany, Systems Solutions, United States), while one operating segment allocates its activities on a regional basis (Europe) and another allocates them by equity investment (Group Development).

The Germany operating segment comprises all fixed-network and mobile activities for consumers and business customers in Germany. It also focuses on the wholesale business to provide telecommunications services for carriers and the Group’s other operating segments. The United States operating segment comprises all mobile activities in the U.S. market. The Europe operating segment comprises all fixed-network and mobile operations of the national companies in Greece, Romania, Hungary, Poland, the Czech Republic, Croatia, Slovakia, Austria, Albania, Macedonia, and Montenegro. In addition to consumer business, most of the national companies also offer ICT solutions for business customers. On January 1, 2017, management of the Netherlands subsidiary was transferred to the Group Development operating segment. The new Technology and Innovation Board department, which was established as of January 1, 2017 as part of the Group Headquarters & Group Services segment, assumed responsibility for the GNF (Global Network Factory) and Group Technology units, and the Pan-Net companies. As part of the international wholesale business, Deutsche Telekom Global Carrier (TGC), which is assigned to the Europe operating segment, sells wholesale telecommunications services to the operating segments as well as to third parties. The Systems Solutions operating segment offers business customers a convergent product and solution portfolio. With offerings for fixed and mobile communications, IT infrastructure, digitalization, and security, in addition to global partnerships, customers receive help and guidance to implement digital business models. Since January 1, 2017, Deutsche Telekom has reported on the Group Development operating segment: This includes T-Mobile Netherlands (previously in the Europe operating segment),

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	Carrying amount changes not having an effect on cash flows						
	Currency translation	Fair value	Changes in carrying amount according to the effective interest method	Other	Total carrying amount changes not having an effect on cash flows	Of which: disclosed in net cash (used in) from financing activities	As of December 31, 2018
	962	36	79	0	1,077	49,033	49,033
	51	18	32	0	101	4,968	5,710
	1,013	**54**	**111**	**0**	**1,178**	**54,001**	**54,743**
	70	0	0	989	1,063	2,471	2,471
	17	0	0	0	17	497	497
	0	0	0	0	0	0	0
	9	0	41	631	826	1,447	1,878
	0	0	0	0	6	13	1,609
	0	0	(75)	0	(75)	727	1,077
	96	**0**	**(34)**	**1,620**	**1,837**	**5,156**	**7,532**
	1,109	**54**	**77**	**1,620**	**3,015**	**59,157**	**62,275**
	0	**0**	**3**	**0**	**3**	**34**	**870**

Deutsche Funkturm (DFMG, previously in the Germany operating segment), Deutsche Telekom Capital Partners (DTCP), and the equity investment Ströer SE & Co. KGaA, as well as Strato AG, which was sold in March 2017, and the stake in Scout24 AG, which was sold in June 2017 (all previously in the Group Headquarters & Group Services segment). It also included the 12-percent financial stake in BT until March 23, 2018, when it was transferred to Deutsche Telekom Trust e.V. as plan assets. The Group functions of Mergers & Acquisitions and Strategic Portfolio Management have also been assigned to Group Development. The **Group Headquarters & Group Services** segment comprises all Group units that cannot be allocated directly to one of the operating segments. Since January 1, 2017, the segment also reports on the Technology and Innovation Board department, which unites the cross-segment network, innovation, and IT activities of our Germany, Europe, and Systems Solutions operating segments. Group Services provides services to the entire Group; in addition to typical services such as financial accounting, human resources services, and operational procurement, Group Services also includes agency services provided by the Group's personnel service provider, Vivento. Vivento Customer Services GmbH, a provider of call center services, was integrated into our Germany operating segment as of January 1, 2018. Further units are Group Supply Services (GSUS) for real estate management and strategic procurement, and MobilitySolutions, which is a full-service provider for fleet management and mobility services.

Comparative figures have been adjusted retrospectively in segment reporting.

The business segments shown are reviewed at regular intervals by the Deutsche Telekom Board of Management in terms of the allocation of resources and their earnings performance.

The measurement principles for Deutsche Telekom's segment reporting structure are primarily based on the IFRSs adopted in the consolidated financial statements. Deutsche Telekom evaluates the segments' performance based on revenue and profit or loss from operations (EBIT), among other factors. Revenue generated and goods and -services exchanged between segments are calculated on the basis of market prices. Services provided by Deutsche Telekom IT are generally charged at cost. Development services commissioned after January 1, 2016 are not charged but capitalized at segment level in accordance with the internal control logic. Segment assets and liabilities include all assets and liabilities that are carried in the financial statements prepared by the segments and included in the consolidated financial statements. Segment investments include additions to intangible assets and property, plant and equipment. Where entities accounted for using the equity method are directly allocable to a segment, their shares of profit or loss after income taxes and their carrying amounts are reported in this segment's accounts. The performance indicators are exclusively presented from the segments' perspective: The effects of intersegment transactions are eliminated and presented in aggregate form in the reconciliation line. The table on the next page shows the performance indicators used by Deutsche Telekom to evaluate the operating segments' performance as well as additional segment-related indicators:

millions of €

		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Interest income	Interest expense	Share of profit (loss) of associates and joint ventures accounted for using the equity method
Germany	2018	20,351	1,349	21,700	3,969	(4,037)	(6)	4	(163)	0
	2017	20,552	1,379	21,931	4,276	(3,822)	(6)	6	(142)	6
	2016	20,405	1,369	21,774	3,552	(3,690)	(13)	4	(166)	2
United States	2018	36,521	1	36,522	4,634	(5,294)	0	14	(993)	(1)
	2017	35,735	1	35,736	5,930	(5,015)	(4)	14	(1,434)	(1)
	2016	33,736	2	33,738	3,685	(5,282)	0	11	(1,367)	(6)
Europe	2018	11,522	363	11,885	744	(2,334)	(679)	8	(205)	3
	2017	11,218	371	11,589	462	(2,283)	(874)	6	(260)	2
	2016	11,111	343	11,454	1,184	(2,352)	(237)	10	(284)	(2)
Systems Solutions	2018	5,497	1,439	6,936	(291)	(403)	(50)	14	(9)	(535)
	2017	5,504	1,414	6,918	(1,356)	(394)	(1,242)	13	(10)	14
	2016	5,678	1,315	6,993	(150)	(428)	0	12	(10)	2
Group Development	2018	1,579	606	2,185	560	(334)	0	0	(13)	4
	2017	1,660	603	2,263	1,504	(304)	0	0	(11)	57
	2016	1,744	603	2,347	2,730	(345)	(415)	0	(17)	(48)
Group Headquarters & Group Services	2018	186	2,549	2,735	(1,662)	(815)	(10)	1,017	(1,490)	(1)
	2017	278	2,657	2,935	(1,437)	(625)	(32)	1,150	(1,526)	(1)
	2016	421	3,039	3,460	(1,848)	(648)	(28)	836	(1,545)	(1)
TOTAL	**2018**	**75,656**	**6,307**	**81,963**	**7,954**	**(13,217)**	**(745)**	**1,057**	**(2,873)**	**(529)**
	2017	**74,947**	**6,425**	**81,372**	**9,379**	**(12,443)**	**(2,157)**	**1,189**	**(3,383)**	**76**
	2016	**73,095**	**6,670**	**79,765**	**9,153**	**(12,745)**	**(693)**	**873**	**(3,389)**	**(53)**
Reconciliation	2018	0	(6,307)	(6,307)	47	104	23	(780)	779	0
	2017	0	(6,425)	(6,425)	4	16	(1)	(869)	866	0
	2016	0	(6,670)	(6,670)	11	58	0	(650)	674	0
GROUP	**2018**	**75,656**	**0**	**75,656**	**8,001**	**(13,113)**	**(722)**	**277**	**(2,094)**	**(529)**
	2017	**74,947**	**0**	**74,947**	**9,383**	**(12,428)**	**(2,158)**	**320**	**(2,517)**	**76**
	2016	**73,095**	**0**	**73,095**	**9,164**	**(12,687)**	**(693)**	**223**	**(2,715)**	**(53)**

[a] Group Headquarters & Group Services segment: Deutsche Telekom AG shareholders made use of the option of receiving part of their dividend entitlement for the 2016 financial year in the form of shares in Deutsche Telekom AG. As a result, this dividend in kind had no impact on cash flows (please also refer to Note 18 "Shareholders' equity," page 211 et seq.).

[b] Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment as shown in the statement of cash flows.

Information on geographic areas. The Group's non-current assets and net revenue are shown by region: Germany, Europe (excluding Germany), North America, and other countries. The North America region comprises the United States and Canada. The Europe (excluding Germany) region covers the entire European Union (excluding Germany) and the other countries in Europe. Other countries include all countries that are not Germany or in Europe (excluding Germany) or North America. Non-current assets are allocated to the regions according to the location of the assets in question. Non-current assets encompass intangible assets; property, plant and equipment; investments accounted for using the equity method; as well as other non-current assets. Net revenue is allocated according to the location of the respective customers' operations.

millions of €

	Non-current assets			Net revenue		
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	2018	2017	2016
Germany	38,093	37,248	37,756	24,981	24,556	24,657
International	79,133	73,965	70,995	50,675	50,391	48,438
Of which: Europe (excluding Germany)	21,263	20,172	20,961	13,569	13,913	13,910
North America	57,817	53,724	49,948	36,714	35,897	33,915
Other countries	53	69	86	393	580	613
GROUP	**117,226**	**111,213**	**108,751**	**75,656**	**74,947**	**73,095**

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Income taxes	Segment assets [a]	Segment liabilities	Segment investments	Investments accounted for using the equity method	Net cash from operating activities	Net cash (used in) from investing activities	Of which: cash capex [b]	Net cash (used in) from financing activities	Average number of employees
1	37,419	27,571	4,730	12	8,200	(4,538)	(4,240)	(4,303)	63,832
0	33,739	26,641	4,786	12	8,463	(4,246)	(4,214)	(3,976)	65,482
0	32,083	25,669	4,830	20	8,043	(4,107)	(4,031)	(5,182)	68,475
(882)	69,223	43,326	6,699	159	7,567	(4,936)	(4,661)	(2,606)	45,729
1,444	64,931	42,003	14,811	189	6,847	(9,948)	(11,932)	(966)	43,935
(1,109)	68,349	49,791	9,970	216	5,586	(5,174)	(5,855)	354	43,699
(282)	27,263	10,134	2,096	60	2,914	(1,960)	(1,887)	(1,161)	48,059
(281)	25,746	10,206	2,052	62	2,863	(1,761)	(1,874)	(1,067)	47,416
18	26,600	10,991	3,077	59	3,038	(2,640)	(2,600)	(482)	47,220
(36)	5,728	3,810	480	24	286	(1,116)	(462)	237	37,837
(28)	6,408	5,061	471	31	326	(422)	(383)	253	37,745
(59)	7,462	5,243	419	21	400	(687)	(402)	298	37,312
(114)	6,037	8,553	303	311	1,008	(391)	(271)	(3,064)	1,965
(36)	9,997	5,549	335	346	1,000	673	(290)	(4,656)	2,127
(27)	11,221	2,417	385	397	1,041	(168)	(271)	(999)	2,704
(487)	50,047	58,931	1,076	10	5,928	(2,412)	(1,078)	705	18,947
(541)	46,957	55,863	1,018	11	6,709	(10,082)	(1,005)	5,750	19,750
(261)	37,699	50,471	956	12	2,525	(949)	(936)	(320)	21,173
(1,800)	**195,717**	**152,325**	**15,384**	**576**	**25,903**	**(15,353)**	**(12,599)**	**(10,192)**	**216,369**
558	**187,778**	**145,323**	**23,473**	**651**	**26,207**	**(25,786)**	**(19,698)**	**(4,662)**	**216,454**
(1,438)	**183,414**	**144,582**	**19,637**	**725**	**20,633**	**(13,725)**	**(14,095)**	**(6,331)**	**220,582**
(24)	(50,342)	(50,387)	(130)	0	(7,955)	1,056	107	6,933	0
0	(46,444)	(46,459)	(332)	0	(9,011)	8,972	204	68	0
(5)	(34,929)	(34,942)	(742)	0	(5,100)	117	455	5,009	0
(1,824)	**145,375**	**101,938**	**15,255**	**576**	**17,948**	**(14,297)**	**(12,492)**	**(3,259)**	**216,369**
558	**141,334**	**98,864**	**23,141**	**651**	**17,196**	**(16,814)**	**(19,494)**	**(4,594)**	**216,454**
(1,443)	**148,485**	**109,640**	**18,895**	**725**	**15,533**	**(13,608)**	**(13,640)**	**(1,322)**	**220,582**

Information on products and services.

Revenue generated with external customers for groups of comparable products and services developed as follows:

millions of €

	Net revenue		
	2018	2017	2016
Telecommunications	68,241	67,688	66,048
ICT solutions	6,958	6,735	6,501
Other	457	524	546
	75,656	**74,947**	**73,095**

36 CONTINGENCIES

As part of its ordinary business activities, Deutsche Telekom is involved in various proceedings both in and out of court with government agencies, competitors, and other parties, the outcome of which often cannot be reliably anticipated. As of the reporting date, the Group was exposed to contingent liabilities amounting to EUR 0.5 billion (December 31, 2017: EUR 0.4 billion) and to contingent assets amounting to EUR 0.0 billion (December 31, 2017: EUR 0.1 billion) that, on the basis of the information and estimates available, do not fulfill the requirements for recognition as liabilities or assets in the statement of financial position. Litigation provisions include the costs of legal counsel services and any probable losses. Deutsche Telekom does not believe that any additional costs arising from legal counsel services or the results of proceedings will have a material adverse effect on the results of operations and financial position of the Group. In addition to individual cases that do not have any significant impact on their own, the aforementioned total contingent liabilities include the following items, the sequence of which does not imply an evaluation of their probability of occurrence or potential damage. In the event that in extremely rare cases disclosures required by IAS 37 are not made, Deutsche Telekom comes to the conclusion that these disclosures could seriously undermine the outcome of the relevant proceedings.

CONTINGENT LIABILITIES

Prospectus liability proceedings (third public offering, or DT3). This originally relates to around 2,600 ongoing lawsuits from some 16,000 alleged buyers of T-Shares sold on the basis of the prospectus published on May 26, 2000. The plaintiffs assert that individual figures given in this prospectus were inaccurate or incomplete. The amount in dispute totals approximately EUR 80 million plus interest. Some of the actions are also directed at KfW and/or the Federal Republic of Germany as well as the banks that handled the issuances. The Frankfurt/Main Regional Court had issued certified questions to the Frankfurt/Main Higher Regional Court in accordance with the German Capital Investor Model Proceedings Act (Kapitalanleger-Musterverfahrensgesetz – KapMuG) and has temporarily suspended the initial proceedings. On May 16, 2012, the Frankfurt/Main Higher Regional Court had ruled that there were no material errors in Deutsche Telekom AG's prospectus. In its decision on October 21, 2014, the Federal Court of Justice revoked this ruling, determined that there was a mistake in the prospectus, and referred the case back to the Frankfurt/Main Higher Regional Court. On November 30, 2016, the Frankfurt/Main Higher Regional Court ruled that the mistake in the prospectus identified by the Federal Court of Justice could result in liability on the part of Deutsche Telekom AG, although the details of that liability would have to be established in the initial proceedings. Both Deutsche Telekom AG and some of the individual plaintiffs in the model proceedings have brought an appeal before the Federal Court of Justice against this decision. We continue to hold the opinion that there are compelling reasons why Deutsche Telekom AG should not be liable for damages.

Claims by partnering publishers of telephone directories. Several publishers that had set up joint ventures with the then DeTeMedien GmbH – formerly a wholly owned subsidiary of Deutsche Telekom AG and now named Deutsche Tele Medien GmbH – to edit and publish subscriber directories, filed claims against DeTeMedien GmbH and/or Deutsche Telekom AG at the end of 2013. The plaintiffs are claiming damages or a refund from Deutsche Tele Medien GmbH and, to a certain extent, from Deutsche Telekom AG as joint and several debtor alongside Deutsche Tele Medien GmbH. The plaintiffs base their claims on allegedly excessive charges for the provision of subscriber data in the joint ventures. The amounts claimed by the 81 original plaintiffs totaled around EUR 470 million plus interest at the end of 2014. After an agreement was reached with the majority of the publishers in October 2015 to settle the disputes and a number of claims were since dismissed conclusively, twelve actions are still pending for a remaining amount in dispute of around EUR 89 million plus interest. In ten proceedings, the plaintiffs lodged appeals with the Federal Court of Justice after their claims were dismissed by the court of appeal. In one of these proceedings, the Federal Court of Justice dismissed the appeal in its ruling dated January 29, 2019. Three of the claims have been suspended in the first instance. Five publishers whose civil actions are still pending have been pursuing their claims in parallel since June 2016 through administrative court actions against the Federal Network Agency. Three of these claims were dismissed with legally binding effect.

Likewise, on the basis of the information and estimates available, the following issues do not fulfill the requirements for recognition as liabilities in the statement of financial position. As it is not possible to estimate the amount of the contingent liabilities or the group of contingent liabilities with sufficient reliability in each case due to the uncertainties described below, they have not been included in the aforementioned total contingent liabilities.

Claims relating to charges for the shared use of cable ducts. In 2012, Kabel Deutschland Vertrieb und Service GmbH (today Vodafone Kabel Deutschland GmbH (VKDG)) filed a claim against Telekom Deutschland GmbH to reduce the annual charge for the rights to use cable duct capacities in the future and gain a partial refund of the payments made in this connection since 2004. According to its latest estimates, VKDG's claims amounted to around EUR 624 million along with around EUR 9 million for the alleged benefit from additional interest, plus interest in each case. Claims prior to 2009 are now no longer being asserted by VKDG. After the Frankfurt/Main Regional Court had dismissed the complaint in 2013, the Frankfurt/Main Higher Regional Court also rejected the appeal in December 2014. In the ruling dated January 24, 2017, the Federal Court of Justice reversed the appeal ruling and referred the case back to the Frankfurt/Main Higher Regional Court for further consideration. In its ruling dated December 20, 2018, the Frankfurt/Main Higher Regional Court again rejected the appeal and disallowed a further appeal.

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In similar proceedings, Unitymedia Hessen GmbH & Co. KG, Unitymedia NRW GmbH and Kabel BW GmbH filed claims against Telekom Deutschland GmbH in January 2013, demanding that it cease charging the plaintiffs more than a specific and precisely stated amount for the shared use of cable ducts. In addition, the plaintiffs are currently demanding a refund of around EUR 570 million plus interest. The claim was dismissed in the first instance by the Cologne Regional Court on October 11, 2016. In its ruling dated March 14, 2018, the Düsseldorf Higher Regional Court rejected the appeal against this decision. In both proceedings, the plaintiffs have lodged a complaint against the non-allowance of appeal with the Federal Court of Justice.

Claim for damages in Malaysia despite an earlier, contrary, legally binding arbitration ruling. Celcom Malaysia Berhad (Celcom) and Technology Resources Industries Berhad are pursuing actions with the state courts in Kuala Lumpur, Malaysia, against eleven defendants in total, including DeTeAsia Holding GmbH, a subsidiary of Deutsche Telekom AG. The plaintiffs are demanding damages and compensation of USD 232 million plus interest. DeTeAsia Holding GmbH had enforced this amount against Celcom in 2005 on the basis of a final ruling in its favor. The main proceedings in the court of first instance began in January 2018.

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

Toll Collect arbitration proceedings. On May 16, 2018, Daimler Financial Services AG, Deutsche Telekom AG, and the Federal Republic of Germany reached an agreement to cease the Toll Collect arbitration proceedings. For further information, please refer to the section “Changes in the composition of the Group and other transactions,” page 176 et seq.

Patents and licenses. Like many other large telecommunications and internet providers, Deutsche Telekom is exposed to a growing number of intellectual property rights disputes. There is a risk that Deutsche Telekom may have to pay license fees and/or compensation; Deutsche Telekom is also exposed to a risk of cease-and-desist orders, for example relating to the sale of a product or the use of a technology.

Anti-trust and consumer protection proceedings. Deutsche Telekom and its subsidiaries, joint ventures, and associates are subject to proceedings under competition law in various jurisdictions, which may also lead to civil follow-on claims. Looking at each of the proceedings individually, none has a material impact. Deutsche Telekom believes the respective allegations and claims for damages are unfounded. The outcome of the proceedings cannot be foreseen at this point in time.

Claims for damages against Slovak Telekom following a European Commission decision to impose fines. The European Commission decided on October 15, 2014 that Slovak Telekom had abused its market power on the Slovak broadband market and as a result imposed fines on Slovak Telekom and Deutsche Telekom. Following the decision of the European Commission, competitors filed damage actions against Slovak Telekom with the civil court in Bratislava. These claims seek compensation for alleged damages due to Slovak Telekom’s abuse of a dominant market position, as determined by the European Commission. Three claims totaling EUR 215 million plus interest are currently pending. The fines imposed by the European Commission were paid in January 2015. Slovak Telekom and Deutsche Telekom challenged the European Commission’s decision on December 29, 2014 before the Court of the European Union. On December 13, 2018, the court partially overturned the European Commission’s decision and reduced the fines by a total of EUR 13 million. The rulings are not yet legally binding and can be challenged by the European Commission or by Slovak Telekom and Deutsche Telekom before the European Court of Justice.

Tax risks. In many countries, Deutsche Telekom is subject to the applicable legal tax regulations. Risks can arise from changes in local taxation laws or case law and different interpretations of existing provisions. As a result, they can affect Deutsche Telekom’s tax expense and benefit as well as tax receivables and liabilities.

37 LEASES

DEUTSCHE TELEKOM AS LESSEE

Finance leases. When a lease transfers substantially all risks and rewards to Deutsche Telekom as lessee, Deutsche Telekom initially recognizes the leased assets in the statement of financial position at the lower of fair value or present value of the future minimum lease payments. Most of the leased assets carried in the statement of financial position as part of finance leases relate to long-term rental and lease agreements for office buildings and technical fixed-network or mobile facilities. The average lease term is 13 years. The agreements include extension and purchase options. The following table shows the net carrying amounts of leased assets capitalized in connection with a finance lease as of the reporting date:

millions of €

	Dec. 31, 2018	Of which: sale and leaseback transactions	Dec. 31, 2017	Of which: sale and leaseback transactions
Land and buildings	326	120	430	199
Technical equipment and machinery	2,177	(1)	2,012	0
Other	7	0	6	0
NET CARRYING AMOUNTS OF LEASED ASSETS CAPTALIZED	**2,510**	**119**	**2,448**	**199**

The increase of EUR 0.2 billion in technical equipment and machinery is primarily a result of new finance leases for network upgrades at T-Mobile US.

At the inception of the lease term, Deutsche Telekom recognizes a lease liability equal to the carrying amount of the leased asset. In subsequent periods, the liability decreases by the amount of lease payments made to the lessors using the effective interest method. The interest component of the lease payments is recognized in the income statement.

The following table provides a breakdown of these amounts:

millions of €

	Minimum lease payments		Interest component		Present values	
Maturity	Total	Of which: sale and leaseback transactions	Total	Of which: sale and leaseback transactions	Total	Of which: sale and leaseback transactions
DEC. 31, 2018						
Within 1 year	954	78	105	22	849	56
In 1 to 3 years	1,076	65	135	35	941	30
In 3 to 5 years	294	50	89	30	205	20
After 5 years	626	182	150	58	476	124
	2,950	**375**	**478**	**145**	**2,472**	**230**
Dec. 31, 2017						
Within 1 year	868	100	117	32	751	68
In 1 to 3 years	1,211	128	162	50	1,049	78
In 3 to 5 years	345	61	110	40	235	21
After 5 years	814	278	214	98	600	180
	3,238	**567**	**603**	**220**	**2,635**	**347**

Operating leases. Beneficial ownership of a lease is attributed to the lessor if this is the party to which all the substantial risks and rewards incidental to ownership of the asset are transferred. The lessor recognizes the leased asset in its statement of financial position. Deutsche Telekom recognizes the lease payments made during the term of the operating lease in profit or loss. Deutsche Telekom's obligations arising from operating leases are mainly related to long-term rental or lease agreements for cell sites, network infrastructure, and real estate.

Some leases include extension options and provide for stepped rents. Most of these leases relate to cell sites in the United States.

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The operating lease expenses recognized in profit or loss amounted to EUR 3.9 billion in the 2018 financial year (2017: EUR 3.9 billion, 2016: EUR 3.9 billion). The following table provides a breakdown of future obligations arising from operating leases that are deemed to be reasonably certain:

millions of €

Maturity	Dec. 31, 2018	Dec. 31, 2017
Within 1 year	3,575	3,209
In 1 to 3 years	5,798	5,348
In 3 to 5 years	3,961	3,457
After 5 years	4,950	3,307
	18,284	**15,321**

The increase in expected future minimum lease payments from operating leases as of December 31, 2018 is mainly a result of newly leased cell sites and currency translation effects in the United States operating segment.

A need to adjust the disclosures on obligations arising from operating leases as of December 31, 2017 was identified at T-Mobile US in 2018. Certain automatic contract extensions for real estate (mainly cell sites) were not fully recorded. As a result, the lease liabilities disclosed were EUR 0.2 billion too low. The disclosures on obligations arising from operating leases for the prior period were therefore adjusted retrospectively as of December 31, 2018.

DEUTSCHE TELEKOM AS LESSOR

Finance leases. Deutsche Telekom is a lessor in connection with finance leases. Essentially, these relate to the leasing of routers and other hardware, which Deutsche Telekom provides to its customers for data and telephone network solutions. Deutsche Telekom recognizes a receivable in the amount of the net investment in the lease. The lease payments made by the lessees are split into an interest component and a principal component using the effective interest method. The lease receivable is reduced by the principal received.

The interest component of the payments is recognized as finance income in the income statement. The following table shows how the amount of the net investment in a finance lease is determined:

millions of €

	Dec. 31, 2018	Dec. 31, 2017
Minimum lease payments	143	157
Unguaranteed residual value	4	2
Gross investment	146	159
Unearned finance income	1	(6)
NET INVESTMENT (PRESENT VALUE OF THE MINIMUM LEASE PAYMENTS)	**147**	**153**

The following table presents the gross investment amounts and the present value of payable minimum lease payments:

millions of €

	Dec. 31, 2018		Dec. 31, 2017	
Maturity	Gross investment	Present value of minimum lease payments	Gross investment	Present value of minimum lease payments
Within 1 year	61	64	84	81
In 1 to 3 years	61	61	62	58
In 3 to 5 years	19	19	13	12
After 5 years	5	4	1	2
	146	**147**	**160**	**153**

Operating leases. If Deutsche Telekom is a lessor in connection with operating leases, it continues to recognize the leased assets in its statement of financial position. The lease payments received are recognized in profit or loss. The leases mainly relate to the rental of cell sites, building space, and terminal equipment, and have an average term of 10 years. The future minimum lease payments arising from non-cancelable operating leases are as follows:

millions of €

Maturity	Dec. 31, 2018	Dec. 31, 2017
Within 1 year	704	748
In 1 to 3 years	448	496
In 3 to 5 years	311	336
After 5 years	452	536
	1,915	**2,116**

The reduction in future minimum lease payments is mainly the result of a decline in the expected lease payments from the lease of mobile terminal equipment at T-Mobile US. In 2018, sales of mobile terminal equipment under installment plans increased.

38 OTHER FINANCIAL OBLIGATIONS

The following table provides an overview of Deutsche Telekom's other financial obligations:

millions of €

	Dec. 31, 2018			
	Total	Due within 1 year	Due > 1 year ≤ 5 years	Due > 5 years
Purchase commitments regarding property, plant and equipment	3,799	3,520	216	63
Purchase commitments regarding intangible assets	451	346	103	2
Firm purchase commitments for inventories	3,878	3,302	576	0
Other purchase commitments and similar obligations	14,648	7,476	5,902	1,270
Payment obligations to the Civil Service Pension Fund	2,493	354	1,101	1,038
Obligations from the acquisition for interests in other companies	23,339	23,339	0	0
Miscellaneous other obligations	53	6	6	41
	48,661	**38,343**	**7,904**	**2,414**

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 22.9 billion). Furthermore, the acquisition of Tele2 Netherlands Holding N.V. results in a commitment of EUR 190 million for the cash component to be paid. For further information on agreed corporate transactions, please refer to the section "Changes in the composition of the Group and other transactions," page 176 et seq.

39 SHARE-BASED PAYMENT

SHARE MATCHING PLAN

Since the 2011 financial year, specific executives have been contractually obligated to invest a minimum of 10 percent and a maximum of 33.3 percent of their variable short-term remuneration component, which is based on the achievement of targets set for each person for the financial year (Variable I), in Deutsche Telekom AG shares. Deutsche Telekom AG will award one additional share for every share acquired as part of this executive's aforementioned personal investment (Share Matching Plan). These shares will be allotted to the beneficiaries of this plan on expiration of the four-year lock-up period.

Since the 2015 financial year, executives who are not contractually obligated to participate in the Share Matching Plan have been given the opportunity to participate on a voluntary basis. To participate, the executives invested a minimum of 10 percent and a maximum of 33.3 percent of their variable short-term remuneration component, which is based on the achievement of targets set for each person for the financial year (Variable I), in Deutsche Telekom AG shares. Deutsche Telekom AG will award additional shares for every share acquired as part of this executive's aforementioned personal investment (Share Matching Plan).

Participation in the Share Matching Plan and the number of additional shares granted are contingent on the executive's individual performance. The additional shares will be allotted to the beneficiaries of this plan on expiration of the four-year lock-up period. The offer to executives to participate voluntarily in the Share Matching Plan is only made in the years in which the previous year's free cash flow target was achieved.

The individual Share Matching Plans are each recognized for the first time at fair value on the grant date. To determine the fair value, the expected dividend entitlements are deducted from Deutsche Telekom AG's share price, as there are no dividend entitlements until the matching shares have been allocated. In the 2018 financial year, a total of 0.7 million (2017: 0.5 million) matching shares were allocated to beneficiaries of the plan at a weighted average fair value of EUR 10.64 (2017: EUR 14.05). The cost is to be recognized against the capital reserves pro rata temporis until the end of the service period and amounted to EUR 6.1 million in total for all tranches as of December 31, 2018 (December 31, 2017: EUR 5.1 million). In the reporting year, reserves were reduced by transfers of shares to plan participants in a total value of EUR 2.6 million (2017: EUR 5.5 million). The capital reserves recognized for the Share Matching Plan as of December 31, 2018 amounted to EUR 14.6 million (December 31, 2017: EUR 11.1 million).

For the compensation system of Board of Management members who also participate in the Share Matching Plan, please refer to the "Compensation report" in the combined management report, page 132 et seq.

LONG-TERM INCENTIVE PLAN

In the 2015 financial year, executives who had not yet made a contractual commitment to participate in the long-term incentive plan were given the first-time opportunity to participate. The participating executives receive a package of virtual shares at the inception of the plan. The number of virtual shares is contingent on the participant's management group assignment, individual performance, and annual target salary. Taking these factors into account, the value of the package of virtual shares at the inception of the plan is between 10 and 43 percent of the participant's annual target salary.

Over the term of the four-year plan, the value of the virtual shares changes in line with Deutsche Telekom AG's share price development. The number of virtual shares will change on achievement of the targets for four equally weighted performance indicators (return on capital employed, adjusted earnings per share, employee satisfaction, and customer satisfaction), to be determined at the end of each year. In addition, each beneficiary receives a dividend during the term of the plan, which is reinvested in virtual shares, increasing the number of virtual shares held by each plan participant. At the end of the four-year plan, the results of each of the four years will be added together and the virtual shares will be converted on the basis of a share price calculated in a reference period and paid out in cash.

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The long-term incentive plan was measured at fair value on the grant date. The fair value of the plan is calculated by multiplying the number of virtual shares by Deutsche Telekom AG's share price discounted to the reporting date. In the 2018 financial year, a total of 3.46 million (2017: 3.17 million) virtual shares were granted at a weighted average fair value of EUR 15.03 (2017: EUR 16.15). The plan must be remeasured at every reporting date until the end of the service period and expensed pro rata temporis. As of December 31, 2018, the cost of the long-term incentive plan amounted to EUR 62 million in total for all tranches (December 31, 2017: EUR 42 million). The provision totaled EUR 151 million as of December 31, 2018 (December 31, 2017: EUR 89 million).

SHARE-BASED PAYMENT AT T-MOBILE US

As of June 18, 2018, the T-Mobile US Omnibus Incentive Plan, which was set up in 2013, was revised and an increase of 18.5 million shares was approved. Furthermore, the acquisition of Layer3 TV and certain predecessor plans resulted in the registration of a total of 19.3 million new shares. Under the Omnibus Incentive Plan, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units (RSUs), and performance awards to employees, consultants, advisors and non-employee directors. As of December 31, 2018, there were 12 million T-Mobile US shares of common stock (December 31, 2017: 15 million shares) available for future grants under the incentive plan.

T-Mobile US grants RSUs to eligible employees and certain non-employee directors, and performance-based restricted stock units (PRSUs) to eligible key executives of the company. RSUs entitle the grantee to receive shares of T-Mobile US common stock at the end of a vesting period of up to three years. PRSUs entitle the holder to receive shares of T-Mobile US common stock at the end of a vesting period of up to three years if a specific performance goal is achieved. Some of the PRSUs issued in 2018 relate to the agreed business combination of T-Mobile US and Sprint. The number of shares ultimately received is dependent on the actual performance of T-Mobile US measured against a defined performance target.

The RSU and PRSU plans resulted in the following share-related development:

Time-based restricted stock units and restricted stock awards (RSU)

	Number of shares	Weighted average fair value at grant date USD
Non-vested as of January 1, 2018	**12,061,608**	**50.69**
Granted	6,259,169	60.44
Vested	(6,455,617)	47.89
Forfeited	(854,525)	56.90
Non-vested as of December 31, 2018	**11,010,635**	**57.66**

Performance-based restricted stock units (PRSUs)

	Number of shares	Weighted average fair value at grant date USD
Non-vested as of January 1, 2018	**1,633,935**	**48.06**
Granted	3,364,629	63.54
Vested	(1,006,769)	36.47
Forfeited	(140,241)	64.14
Non-vested as of December 31, 2018	**3,851,554**	**64.03**

The program is measured at fair value on the grant date and recognized as expense, net of expected forfeitures, following a graded vesting schedule over the related service period. The fair value of stock awards for the RSUs is based on the closing price of T-Mobile US' common stock on the date of grant. The fair value of stock awards for the PRSUs was determined using the Monte Carlo model. Stock-based compensation expense was EUR 440 million as of December 31, 2018 (December 31, 2017: EUR 330 million).

Prior to the business combination, MetroPCS had established various stock option plans (predecessor plans). The MetroPCS stock options were adjusted in connection with the business combination. Following stockholder approval of T-Mobile US' 2013 Omnibus Incentive Plan, no new awards may be granted under the predecessor plan.

The plan resulted in the following development of the T-Mobile US stock options:

	Number of shares	Weighted average exercise price USD	Weighted average remaining contractual life (years)
Stock options outstanding/exercisable at January 1, 2018	**373.158**	**16,36**	**2,8**
Transferred as a result of the the acquisition of Layer3 TV	118.645	15,51	
Exercised	(187.965)	18,28	
Forfeited/canceled	(19.027)	18,81	
Stock options outstanding at December 31, 2018	**284.811**	**14,58**	**3,8**
Stock options exercisable at December 31, 2018	244.224	14,18	3,1

The exercise of stock options generated cash inflows of EUR 3 million (USD 3 million) in the 2018 financial year (2017: EUR 18 million (USD 21 million)).

40 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

For further information on financial instruments, please refer in particular to Note 2 “Trade and other receivables,” Note 10 “Other financial assets,” Note 12 “Financial liabilities,” Note 27 “Finance costs,” and Note 29 “Other financial income/expense.”

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 Dec. 31, 2018	Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through other comprehensive income with recycling to profit or loss	Fair value through profit or loss	Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2018 [a]
ASSETS								
Cash and cash equivalents	AC	3,679	3,679					
Trade receivables								
At amortized cost	AC	4,280	4,280					
At fair value through other comprehensive income	FVOCI	5,703			5,703			5,703
At fair value through profit or loss	FVTPL	5				5		5
Other financial assets								
Originated loans and other receivables								
At amortized cost	AC	2,982	2,982					3,013
Of which: collateral paid	AC	299	299					
At fair value through other comprehensive income	FVOCI	0						0
At fair value through profit or loss	FVTPL	103				103		103
Equity instruments								
At fair value through other comprehensive income	FVOCI	324		324				324
At fair value through profit or loss	FVTPL	0						
Derivative financial assets								
Derivatives without a hedging relationship	FVTPL	597				597		597
Of which: termination rights embedded in bonds issued	FVTPL	99				99		99
Of which: energy forward agreements embedded in contracts	FVTPL	12				12		12
Derivatives with a hedging relationship	n. a.	273			5	268		273
Lease assets	n. a.	147					147	
Cash and cash equivalents and trade receivables directly associated with non-current assets and disposal groups held for sale	AC	27	27					
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	34		34				34

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

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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 Dec. 31, 2018	Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through other comprehensive income with recycling to profit or loss	Fair value through profit or loss	Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2018 [a]
LIABILITIES								
Trade payables	AC	10,735	10,735					
Bonds and other securitized liabilities	AC	49,033	49,033					51,736
Liabilities to banks	AC	5,710	5,710					5,749
Liabilities to non-banks from promissory note bonds	AC	497	497					578
Other interest-bearing liabilities	AC	1,878	1,878					1,927
Of which: collateral received	AC	404	404					
Other non-interest-bearing liabilities	AC	1,608	1,608					
Finance lease liabilities	n. a.	2,472					2,472	2,695
Derivative financial liabilities								
Derivatives without a hedging relationship	n. a.	242				242		242
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FVTPL	10				10		10
Of which: energy forward agreements embedded in contracts	FVTPL	52				52		52
Derivatives with a hedging relationship	n. a.	836			486	350		836
Trade payables directly associated with non-current assets and disposal groups held for sale	AC	36	36					
Of which: aggregated by measurement category in accordance with IFRS 9								
ASSETS								
Financial assets at amortized cost	AC	10,968	10,968					3,013
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	5,703			5,703			5,703
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	358		358				358
Financial assets at fair value through profit or loss	FVTPL	705				705		705
LIABILITIES								
Financial liabilities at amortized cost	AC	69,497	69,497					59,990
Financial liabilities at fair value through profit or loss	FVTPL	242				242		242

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

Trade receivables include receivables amounting to EUR 1.7 billion (December 31, 2017: EUR 1.6 billion) due in more than one year. The fair value generally equals the carrying amount.

Carrying amounts, amounts recognized, and fair values by class and measurement category
millions of €

			Amounts recognized in the statement of financial position in accordance with IAS 39					
	Measurement category in accordance with IAS 39	Carrying amount Dec. 31, 2017	Amortized cost	Cost	Fair value recognized in equity	Fair value through profit or loss	Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2017 [b]
ASSETS								
Cash and cash equivalents	LaR	3,312	3,312					
Trade receivables	LaR	9,553	9,553					
Originated loans and receivables	LaR/n. a.	3,507	3,354				153	3,539
Of which: collateral paid	LaR	504	504					
Other non-derivative financial assets								
Held-to-maturity investments	HtM	5	5					
Available-for-sale financial assets	AfS	4,216		187	4,029			4,029
Derivative financial assets [a]								
Derivatives without a hedging relationship	FAHfT	1,103				1,103		1,103
Of which: termination rights embedded in bonds issued	FAHfT	351				351		351
Of which: energy forward agreements embedded in renewable energy purchase agreements	FAHfT	0						
Derivatives with a hedging relationship	n. a.	214			42	172		214
LIABILITIES								
Trade payables	FLAC	10,934	10,934					
Bonds and other securitized liabilities	FLAC	45,453	45,453					50,472
Liabilities to banks	FLAC	4,974	4,974					5,062
Liabilities to non-banks from promissory notes	FLAC	480	480					582
Liabilities with the right of creditors to priority repayment in the event of default	FLAC	0	0					0
Other interest-bearing liabilities	FLAC	1,598	1,598					1,629
Of which: collateral received	FLAC	569	569					0
Other non-interest-bearing liabilities	FLAC	1,443	1,443					0
Finance lease liabilities	n. a.	2,635	2,635				2,635	2,893
Derivative financial liabilities [a]								
Derivatives without a hedging relationship	FLHfT	337				337		337
Of which: conversion rights embedded in Mandatory Convertible Preferred Stock	FLHfT	0						0
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FLHfT	10				10		10
Of which: energy forward agreements embedded in renewable energy purchase agreements	FLHfT	46				46		46
Derivatives with a hedging relationship	n. a.	609			168	441		609
Derivative financial liabilities directly associated with non-current assets and disposal groups held for sale	FLHfT	0						0
Of which: aggregated by measurement category in accordance with IAS 39 Loans and receivables	LaR	16,219	16,219					3,386
Held-to-maturity investments	HtM	5	5					0
Available-for-sale financial assets	AfS	4,216		187	4,029			4,029
Financial assets held for trading	FAHfT	1,103				1,103		1,103
Financial liabilities measured at amortized cost	FLAC	64,882	64,882					57,745
Financial liabilities held for trading	FLHfT	337				337		337

[a] For details, please refer to the derivatives table in this Note, page 258.
[b] The exemption provisions under IFRS 7.29a were applied for information on specific fair values.

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

Reconciliation of financial assets from IAS 39 to IFRS 9
millions of €

	Carrying amount Dec. 31, 2017 (IAS 39)	Reclassifications [a]	Reclassifications to other comprehensive income	Remeasurements [b]	Carrying amount Jan. 1, 2018 (IFRS 9) [c]	Effect to be recognized in retained earnings Jan. 1, 2018 [d]
AT FAIR VALUE THROUGH PROFIT OR LOSS						
Ending balance in accordance with IAS 39	1,103				1,103	
Additions to IFRS 9 – At fair value through profit or loss from						
IAS 39 – Loans and receivables or held-to-maturity investments		8			8	
IAS 39 – Available-for-sale financial assets		12			12	
	1,103	**20**			**1,123**	
AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME						
Ending balance in accordance with IAS 39	4,216				4,216	
Additions to IFRS 9 – At fair value through other comprehensive income with recycling to profit or loss from IAS 39 – Loans and receivables or held-to-maturity investments		5,035	(101)	(2)	4,931	(97)
Disposals from IAS 39 – Available-for-sale financial assets to IFRS 9 – At amortized cost		(185)			(185)	
IFRS 9 – At fair value through other comprehensive income with recycling to profit or loss				(1)	(1)	(1)
IFRS 9 – At fair value through profit or loss		(12)			(12)	
	4,216	**4,838**	**(101)**	**(3)**	**8,950**	**(99)**
AT AMORTIZED COST						
Ending balance in accordance with IAS 39	16,226				16,226	
Additions to IFRS 9 – At amortized cost from IAS 39 – Available-for-sale financial assets		185			185	
Disposals from IAS 39 – Loans and receivables or held-to-maturity investments to IFRS 9 – At amortized cost		(313)		(60)	(371)	(61)
IFRS 9 – At fair value through other comprehensive income with recycling to profit or loss		(5,035)			(5,035)	
IFRS 9 – At fair value through profit or loss		(8)			(8)	
	16,226	**(5,170)**		**(60)**	**10,996**	**(61)**
TOTAL CHANGE	**21,544**	**(313)**	**(101)**	**(63)**	**21,069**	**(159)**

[a] Carrying amount under IAS 39 that must be reclassified from an IAS 39 category to a new IFRS 9 category.

[b] Resulting difference from the remeasurement of an IAS 39 instrument under the new IFRS 9 category.

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

[d] Effects include shares attributable to non-controlling interests.

The main reclassifications from the old IAS 39 measurement categories to the new IFRS 9 measurement categories relate to portfolios of trade receivables that are to be sold under a factoring agreement. Previously assigned to the category "Loans and receivables" and measured at amortized cost, these receivables are now measured – depending on the underlying business model – either at fair value through other comprehensive income with recycling to profit or loss, or at fair value through profit or loss. Trade receivables with a carrying amount of EUR 150 million were reclassified as contract assets in accordance with IFRS 15.

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

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

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

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

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

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Classes of financial instruments in accordance with IFRS 9

	Measurement categories		Carrying amounts Dec. 31, 2017 / Jan. 1, 2018		
	IAS 39	IFRS 9	IAS 39	IFRS 9	Difference
ASSETS					
Cash and cash equivalents	Loans and receivables (LaR)	Amortized cost (AC)	3,312	3,312	0
Trade receivables					
At amortized cost		Amortized cost (AC)		4,323	(5,077)
At fair value through other comprehensive income	Loans and receivables (LaR)	Fair value through other comprehensive income (FVOCI)	9,400	4,919	4,919
At fair value through profit or loss		Fair value through profit or loss (FVTPL)		6	6
Other financial assets					
Originated loans and other receivables					
At amortized cost	Loans and receivables (LaR) or held-to-maturity investments (HtM) or available-for-sale financial assets (AfS)	Amortized cost (AC)	3,512	3,361	(151)
Of which: collateral paid	Loans and receivables (LaR)	Amortized cost (AC)	504	504	0
At fair value through profit or loss	Available-for-sale financial assets (AfS)	Fair value through profit or loss (FVTPL)	14	14	0
Equity instruments At fair value through other comprehensive income	Available-for-sale financial assets (AfS)	Fair value through other comprehensive income (FVOCI)	4,202	4,029	(173)
At fair value through profit or loss	Available-for-sale financial assets (AfS)	Fair value through profit or loss (FVTPL)	0	0	0
Derivative financial assets					
Derivatives without a hedging relationship	Financial assets held for trading (FAHfT)	Fair value through profit or loss (FVTPL)	1,103	1,103	0
Of which: termination rights embedded in bonds issued	Financial assets held for trading (FAHfT)	Fair value through profit or loss (FVTPL)	351	351	0
Derivatives with a hedging relationship	n. a.	n. a.	214	214	0
Lease assets [a]	n. a.	n. a.	153	153	0
LIABILITIES					
Trade payables	Financial liabilities measured at amortized cost (FLAC)	Amortized cost (AC)	10,934	10,934	0
Bonds and other securitized liabilities	Financial liabilities measured at amortized cost (FLAC)	Amortized cost (AC)	45,453	45,453	0
Liabilities to banks	Financial liabilities measured at amortized cost (FLAC)	Amortized cost (AC)	4,974	4,974	0
Liabilities to non-banks from promissory notes	Financial liabilities measured at amortized cost (FLAC)	Amortized cost (AC)	480	480	0
Other interest-bearing liabilities	Financial liabilities measured at amortized cost (FLAC)	Amortized cost (AC)	1,598	1,598	0
Of which: collateral received	Financial liabilities measured at amortized cost (FLAC)	Amortized cost (AC)	569	569	0
Other non-interest-bearing liabilities	Financial liabilities measured at amortized cost (FLAC)	Amortized cost (AC)	1,443	1,443	0
Finance lease liabilities	n. a.	n. a.	2,635	2,635	0
Derivative financial liabilities Derivatives without a hedging relationship	Financial liabilities held for trading (FLHfT)	Fair value through profit or loss (FVTPL)	337	337	0
Of which: options granted to third parties for the purchase of shares in subsidiaries andassociates	Financial liabilities held for trading (FLHfT)	Fair value through profit or loss (FVTPL)	10	10	0
Of which: energy forward agreements embedded in contracts	Financial liabilities held for trading (FLHfT)	Fair value through profit or loss (FVTPL)	46	46	0
Derivatives with a hedging relationship	n. a.	n. a.	609	609	0

[a] Carrying amount in accordance with IAS 17.

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

Allowances on financial assets
millions of €

	Trade receivables		Contract assets	Originated loans and other receivables	Total
Measurement categories					
in accordance with IAS 39	LaR	LaR	n. a.	LaR	
in accordance with IFRS 9	AC	FVOCI	n. a.	AC	
Allowances					
Amount in accordance with IAS 39 (Dec. 31, 2017)	1,303	334	0	19	**1,657**
Additions resulting from change in measurement category	45	99	28		**172**
Disposals resulting from change in measurement category				(13)	**(13)**
Amount in accordance with IFRS 9 (Jan. 1, 2018)	1,348	433	28	6	**1,816**
DIFFERENCE IN RETAINED EARNINGS (DEBIT (CREDIT))	**45**	**99**	**28**	**(13)**	**159**

Financial instruments not measured at fair value, the fair values of which are disclosed nevertheless.
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.

millions of €

	Dec. 31, 2018				Dec. 31, 2017			
	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable[a]	Total	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable	Total
ASSETS								
Originated loans and receivables		3,013		**3,013**		3,539		**3,539**
LIABILITIES								
Financial liabilities measured at amortized cost	41,342	18,548	100	**59,990**	41,233	16,161	351	**57,745**
Of which: bonds and other securitized liabilities	41,342	10,294	100	**51,736**	41,233	8,888	351	**50,472**
Of which: liabilities to banks		5,749		**5,749**		5,062		**5,062**
Of which: liabilities to non-banks from promissory notes		578		**578**		582		**582**
Of which: liabilities with the right of creditors to priority repayment in the event of default		0		**0**		0		**0**
Of which: other interest-bearing liabilities		1,927		**1,927**		1,629		**1,629**
Finance lease liabilities		2,695		**2,695**		2,893		**2,893**

[a] Separation of embedded derivatives; the fair value of the entire instrument must be categorized as Level 1.

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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**

Financial instruments measured at fair value
millions of €

	Dec. 31, 2017			
	Level 1	Level 2	Level 3	Total
ASSETS				
Available-for-sale financial assets (AfS)	3,752		277	**4,029**
Financial assets held for trading (FAHfT)		752	351	**1,103**
Derivative financial liabilities with a hedging relationship		214		**214**
LIABILITIES				
Financial liabilities held for trading (FLHfT)		281	56	**337**
Derivative financial liabilities with a hedging relationship		609		**609**

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

The listed bonds and other securitized liabilities are assigned to Level 1 or Level 2 depending on the market liquidity of the relevant instrument. 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, other interest-bearing liabilities, and finance lease liabilities are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and Deutsche Telekom's credit spread curve for specific currencies.

Since there are no market prices available for the derivative financial instruments in the portfolio assigned to Level 2 due to the fact that they are not listed on the market, the fair values are calculated using standard financial valuation models, based entirely on observable inputs. The fair value of derivatives is the 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.

Furthermore, the financial stake of 12 percent in BT was transferred to plan assets in the reporting year, at which point it was derecognized. Upon derecognition, the fair value was the equivalent of around EUR 3.1 billion. Upon initial recognition in 2016, the carrying amount stood at the equivalent of around EUR 7.4 billion. Due to the impairment losses already recognized in profit or loss in prior years in accordance with IAS 39, the total other comprehensive income amounted to EUR 0 and the carrying amount equivalent to around EUR 3.7 billion as of December 31, 2017. The decline in value equivalent to around EUR 0.7 billion that occurred in the reporting year before the transfer was recognized in other comprehensive income and reclassified to retained earnings upon the transfer.

Investments in equity instruments at fair value through other comprehensive income
millions of €

FAIR VALUE AS OF DECEMBER 31, 2018	**358**
Dividends recognized in profit/loss	
on investments divested in the reporting period	
on investments still held at the reporting date	3
Fair value at the derecognition date of instruments divested in the reporting period	91
Cumulative losses reclassified in the reporting period from other comprehensive income to retained earnings	47
Of which: from the disposal of investments	47

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: energy forward agreements embedded in contracts	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, 2018	**277**	**351**	**0**	**(46)**
Additions (including first-time categorization as Level 3)	150	11		
Decreases in fair value recognized in profit/loss (including losses on disposal)		(220)		(26)
Increases in fair value recognized in profit/loss (including gains on disposal)		68	12	23
Decreases in fair value recognized directly in equity	(42)			
Increases in fair value recognized directly in equity	68			
Disposals	(95)	(118)		
Currency translation effects recognized directly in equity		7		(3)
CARRYING AMOUNT AS OF DECEMBER 31, 2018	**358**	**99**	**12**	**(52)**

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

	Available-for-sale financial assets (AfS)	Financial assets held for trading (FAHfT): early redemption options embedded in bonds	Financial assets held for trading (FAHfT): energy forward agreements embedded in renewable energy purchase agreements	Financial liabilities held for trading (FLHfT): conversion rights embedded in Mandatory Convertible Preferred Stock	Financial liabilities held for trading (FLHfT): energy forward agreements embedded in renewable energy purchase agreements
Carrying amount as of January 1, 2017	210	915	0	(837)	0
Additions (including first-time categorization as Level 3)	101	16	0	0	0
Decreases in fair value recognized in profit/loss (including losses on disposal)	(43)	(311)	(3)	(246)	(50)
Increases in fair value recognized in profit/loss (including gains on disposal)	17	152	3	117	4
Decreases in fair value recognized directly in equity	(50)	0	0	0	0
Increases in fair value recognized directly in equity	70	0	0	0	0
Disposals	(28)	(353)	0	864	0
Currency translation effects recognized directly in equity	0	(68)	0	102	0
Carrying amount as of December 31, 2017	**277**	**351**	**0**	**0**	**(46)**

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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 354 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 closeness of the transaction in question to the reporting date and the question of whether the transaction was at arm's length are relevant for the decision on which information will ultimately be used for the measurement. Furthermore, the degree of similarity between the object being measured and comparable companies must be taken into consideration. Based on Deutsche Telekom's own assessment, the fair values of the equity investments at the reporting date could be determined with sufficient reliability. Please refer to the table on the previous page for the development of the carrying amounts in the reporting year. At the reporting date, investments with a carrying amount of EUR 34 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 252 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 December 31, 2018. In the case of investments with a carrying amount of EUR 78 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 24 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 next page. In addition, non-material individual items with a carrying amount of EUR 4 million are included with differences in value of minor relevance. For the development of the carrying amounts in the reporting year, please refer to the corresponding table on the previous page.

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 99 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 1.1 and 2.0 percent. The spread curve, which is also unobservable, was derived on the basis of current market prices of bonds issued by T-Mobile US and debt instruments of comparable issuers. The spreads used at the current reporting date were between 3.6 and 4.2 percent for the maturities of the bonds and between 1.6 and 3.4 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 next page. In the reporting year, a net expense of EUR 108 million when translated into euros was recognized under the Level 3 measurement in other financial income/expense for unrealized losses for the options in the portfolio at the reporting date. In the reporting year, several options were exercised and the relevant bonds canceled prematurely. At the time of termination, the options and their total carrying amount of EUR 118 million when translated into euros were expensed and derecognized. The changes in value recognized in profit or loss in the reporting year were mainly attributable to fluctuations in the interest rates and historical interest rate volatilities in absolute terms that are relevant for measurement. For the development of the carrying amounts in the reporting year, please refer to the corresponding table on the previous page. 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 %		19		
Interest rate volatility[b] -10 %		(16)		
Spread curve[c] +100 basis points		(58)		
Spread curve[c] -100 basis points		103		
Mean reversion[d] +100 basis points		(3)		
Mean reversion[d] -100 basis points		5		
Future energy prices +10 %			25	25
Future energy prices -10 %			(25)	(25)
Future energy output +5 %			9	6
Future energy output -5 %			(9)	(6)
Future prices for renewable energy credits[e] +100 %			6	8
Future prices for renewable energy credits[e] from zero			(6)	(8)

[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 52 million when translated into euros, the derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial liabilities relate to energy forward agreements embedded in contracts entered into by T-Mobile US. The same applies to derivative financial instruments with a carrying amount of EUR 12 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 agreements, which are accounted for separately as derivatives, 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

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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 25.75/MWh and EUR 40.34/MWh when translated into euros and off-peak prices of between EUR 16.63/MWh and EUR 28.90/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 on the previous page. Due to their distinctiveness, these instruments constitute a separate class of financial instruments. In the reporting year, net income of EUR 7 million (when translated into euros) was recognized under the Level 3 measurement in other operating income/expense for unrealized gains for the derivatives. For the development of the carrying amounts in the reporting year, please refer to the corresponding table on page 244. The market-price changes in the reporting year were largely attributable to changes in observable and unobservable energy prices and to interest rate effects. A contract whose fair value was still negative at the beginning of the reporting year now has a positive fair value from Deutsche Telekom's perspective, which is why it has to be disclosed as a financial asset. 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 year:

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

Measurement amounts on initial recognition	**112**
Measurement amounts on initial recognition (additions during the reporting period)	39
Measurement amounts amortized in profit or loss in prior periods	0
Measurement amounts amortized in profit or loss in the current reporting period	(3)
Currency translation adjustments	0
MEASUREMENT AMOUNTS NOT AMORTIZED AS OF DECEMBER 31, 2018	**148**

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

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

Net gain/loss by measurement category
millions of €

	Recognized in profit or loss from interest and dividends	Recognized in profit or loss from subsequent measurement			Recognized directly in equity from subsequent measurement	Recognized in profit or loss from derecognition	Net gain (loss) 2018
		At fair value	Currency translation	Impairments/ allowances	At fair value		
Debt instruments measured at amortized cost	27	n. a.	1,059	(80)	n. a.	(145)	**861**
Debt instruments measured at fair value through profit or loss	10	0	n. a.	n. a.	n. a.	(3)	**7**
Debt instruments measured at fair value through other comprehensive income	0	n. a.	n. a.	(322)	23	51	**(248)**
Equity instruments measured at fair value through profit or loss	0	0	n. a.	n. a.	n. a.	0	**0**
Equity instruments measured at fair value through other comprehensive income	2	n. a.	n. a.	n. a.	(620)	n. a.	**(618)**
Derivative financial instruments measured at fair value through profit or loss	n. a.	(382)	n. a.	n. a.	n. a.	n. a.	**(382)**
Financial liabilities measured at amortized cost	(1,820)	n. a.	(963)	n. a.	n. a.	n. a.	**(2,783)**
	(1,781)	**(382)**	**96**	**(402)**	**(597)**	**(97)**	**(3,163)**

Net gain/loss by measurement category
millions of €

	Recognized in profit or loss from interest and dividends	Recognized in profit or loss from subsequent measurement			Recognized directly in equity from subsequent measurement	Recognized in profit or loss from derecognition	Net gain (loss) 2017
		At fair value	Currency translation	Impairments/ allowances	At fair value		
Loans and receivables (LaR)	31		(3,152)	(581)			**(3,702)**
Held-to-maturity investments (HtM)	0						**0**
Available-for-sale financial assets (AfS)	224			(1,514)	34	16	**(1,240)**
Financial instruments held for trading (FAHfT and FLHfT)	n. a.	(632)					**(632)**
Financial liabilities measured at amortized cost (FLAC)	(2,186)		2,981				**795**
	(1,931)	**(632)**	**(171)**	**(2,095)**	**34**	**16**	**(4,779)**

Interest from financial instruments is recognized in finance costs, dividends in other financial income/expense (please also refer to Note 27 “Finance costs,” page 217, and Note 29 “Other financial income/expense, pages 217 and 218). The other components of the net gain/loss are recognized in other financial income/expense, except for allowances on trade receivables (see Note 2 “Trade and other receivables,” page 182) that are classified as debt instruments measured at amortized cost and debt instruments measured at fair value through other comprehensive income, which are reported under other operating expenses. The net loss from the subsequent measurement for financial instruments measured at fair value through profit or loss (EUR 382 million) also includes interest and currency translation effects. The net currency translation gains on financial assets classified as debt instruments measured at amortized cost (EUR 1,059 million) are primarily attributable to the Group-internal transfer of foreign-currency loans taken out by Deutsche Telekom’s financing company, Deutsche Telekom International Finance B.V., on the capital market. These were offset by corresponding currency translation losses on capital market liabilities of EUR 963 million. These include currency translation gains from derivatives that Deutsche Telekom used as hedges for hedge accounting in foreign currency (EUR 143 million; 2017: currency translation loss of EUR 544 million). Finance costs from financial liabilities measured at amortized cost (expense of EUR 1,820 million) primarily consist of interest expense on bonds and other (securitized) financial liabilities. The item also includes interest expenses from the accumulation of interest added back and interest income from interest discounted from trade payables. However, it does not include the interest expense and interest income from interest rate derivatives Deutsche Telekom used in the reporting year to hedge the fair value risk of financial liabilities (please also refer to Note 27 “Finance costs,” page 217).

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Principles of risk management. Deutsche Telekom is exposed in particular to risks from changes in exchange rates, interest rates, and market prices that affect its assets, liabilities, and forecast transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities. Selected derivative and non-derivative hedging instruments (hedging transactions) are used for this purpose, depending on the risk assessment. However, Deutsche Telekom only hedges the risks that affect the Group's cash flow. Derivatives are exclusively used as hedging instruments, i.e., not for trading or other speculative purposes. To reduce the credit risk, hedging instruments are generally only concluded with leading financial institutions whose credit rating is at least BBB+/Baa1. In addition, the credit risk for derivatives with a positive market value is generally minimized through collateral agreements with all core banks. Furthermore, the limits for deposits are also set and monitored on a daily basis depending on the rating, share price performance, and credit default swap level of the respective counterparty.

The fundamentals of Deutsche Telekom's financial policy are established by the Board of Management and overseen by the Supervisory Board. Group Treasury is responsible for implementing the financial policy and for ongoing risk management. Certain transactions require the prior approval of the Board of Management, which is also regularly briefed on the severity and amount of the current risk exposure.

Group Treasury regards effective management of the market risk as one of its main tasks. The main risks relate to foreign currencies and interest rates.

Currency risks. Deutsche Telekom is exposed to currency risks from its investing, financing, and operating activities. Risks from foreign currencies are hedged to the extent that they influence the Group's cash flows. Foreign-currency risks that do not influence the Group's cash flows (i.e., the risks resulting from the translation of assets and liabilities of foreign operations into the Group's reporting currency) are generally not hedged, however. Deutsche Telekom may nevertheless also hedge this foreign-currency risk under certain circumstances.

Foreign-currency risks in the area of investment result, for example, from the acquisition and disposal of investments in foreign companies. Deutsche Telekom hedges these risks. If the risk position exceeds EUR 100 million, the Board of Management must make a special decision on how the risk shall be hedged. If the risk position is below EUR 100 million, Group Treasury performs the currency hedging itself. At the reporting date, Deutsche Telekom was not exposed to any significant risks from foreign-currency transactions in the field of investments.

Foreign-currency risks in the financing area are caused by financial liabilities in foreign currency and loans in foreign currency that are extended to Group entities for financing purposes. Group Treasury hedges these risks in full. Cross-currency swaps and currency derivatives are used to convert financial obligations and intragroup loans denominated in foreign currencies into the Group entities' functional currencies.

At the reporting date, the foreign-currency liabilities for which currency risks were hedged mainly consisted of bonds in Australian dollars, pounds sterling, Hong Kong dollars, Japanese yen, Norwegian kroner, and U.S. dollars. On account of these hedging activities, Deutsche Telekom was not exposed to any significant currency risks in the area of financing at the reporting date.

The Group entities predominantly execute their operating activities in their respective functional currencies. Payments made in a currency other than the respective functional currency result in foreign-currency risks in the Group. These relate in particular to payments for the procurement of network equipment and mobile handsets as well as payments to international telecommunications companies for the provision of access services. Deutsche Telekom generally uses currency derivatives for hedging purposes. On account of these hedging activities, Deutsche Telekom was not exposed to any significant exchange rate risks from its operating activities at the reporting date.

For the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. In addition to currency risks, Deutsche Telekom is exposed to interest rate risks and price risks in its investments. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the reporting date. It is assumed that the balance at the reporting date is representative for the year as a whole.

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which Deutsche Telekom has contracted financial instruments.

The currency sensitivity analyses are based on the following assumptions: Major non-derivative monetary financial instruments (liquid assets, receivables, interest-bearing securities and/or debt instruments held, interest-bearing liabilities, finance lease liabilities, non-interest-bearing liabilities) are either directly denominated in the functional currency or are transferred to the functional currency through the use of derivatives. Exchange rate fluctuations therefore have no effects on profit or loss, or shareholders' equity.

Non-interest-bearing securities or equity instruments held are of a non-monetary nature and therefore are not exposed to a currency risk as defined by IFRS 7.

Interest income and interest expense from financial instruments are also either recorded directly in the functional currency or transferred to the functional currency using derivatives. For this reason, there can be no effects on the variables considered in this connection.

In the case of fair value hedges designed to hedge currency risks, the changes in the fair values of the hedged item and the hedging transaction attributable to exchange rate movements balance out almost completely in the income statement in the same period. As a consequence, these financial instruments are not exposed to currency risks with an effect on profit or loss, or shareholders' equity, either.

In the case of net investment hedges designed to hedge currency risks, the changes in the fair values of the hedged item and the hedging instrument attributable to exchange rate movements balance out completely in shareholders' equity in the same period. As a consequence, these financial instruments are not exposed to currency risks with an effect on profit or loss, or shareholders' equity, either.

Cross-currency swaps are always assigned to non-derivative hedged items, so these instruments do not have any currency effects, either.

Deutsche Telekom is therefore only exposed to currency risks from specific currency derivatives. Some of these are currency derivatives that are part of an effective cash flow hedge for hedging payment fluctuations resulting from exchange rate movements in accordance with IFRS 9. Exchange rate fluctuations of the currencies on which these transactions are based affect the hedging reserves in shareholders' equity and the fair value of these hedging instruments. Others are currency derivatives that are neither part of one of the hedges defined in IFRS 9 nor part of a natural hedge. These derivatives are used to hedge planned transactions. Exchange rate fluctuations of the currencies on which such financial instruments are based affect other financial income or expense (net gain/loss from remeasurement of financial assets and liabilities to fair value).

If the euro had gained (lost) 10 percent against all currencies at December 31, 2018, the hedging reserves in shareholders' equity and the fair values of the hedging instruments before taxes would have been EUR 14 million higher (lower) (December 31, 2017: EUR 80 million higher (lower)). The hypothetical effect of EUR 14 million on profit or loss primarily results from the currency sensitivities EUR/USD: EUR 23 million and EUR/GBP: EUR -9 million. If the euro had gained (lost) 10 percent against all currencies at December 31, 2018, other financial income and the fair value of the hedging instruments before taxes would have been EUR 40 million lower (higher) (December 31, 2017: EUR 90 million higher (lower)). The hypothetical effect on profit or loss of EUR -40 million primarily results from the currency sensitivities EUR/HRK: EUR -14 million; EUR/USD: EUR -13 million; EUR/HUF: EUR -8 million and EUR/INR: EUR -4 million.

Interest rate risks. Deutsche Telekom is exposed to interest rate risks, mainly in the euro zone and in the United States. The interest rate risks are managed as part of the interest rate management activities, in the course of which the maximum percentage of gross debt with a variable interest rate is determined. The composition of the liabilities portfolio (ratio of fixed to variable and average fixed-interest period) is managed by issuing primary (non-derivative) financial instruments and, where necessary, also deploying derivative financial instruments. Regular reports are submitted to the Board of Management and Supervisory Board.

Including derivative hedging instruments, an average of 37 percent (2017: 37 percent) of gross debt denominated in euros had a fixed rate of interest in 2018. In U.S. dollars, the fixed-rate percentage decreased compared with 2017 from around 100 percent to an average 83 percent. There were no significant fluctuations in the course of the reporting year.

Interest rate risks are presented by way of sensitivity analyses in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components, and, if appropriate, shareholders' equity. The interest rate sensitivity analyses are based on the following assumptions: Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7.

In the case of fair value hedges designed for hedging interest rate risks, the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements balance out almost completely in the income statement in the same period. This means that interest-rate-based changes in the measurement of the hedged item and the hedging instrument largely do not affect income and are therefore not subject to interest rate risk.

In the case of interest rate derivatives in fair value hedges, however, changes in market interest rates affect the amount of interest payments. As a consequence, they have an effect on interest income and are therefore included in the calculation of income-related sensitivities.

Changes in the market interest rate regarding financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserve in shareholders' equity and are therefore taken into consideration in the equity-related sensitivity calculations.

Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of income-related sensitivities.

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In addition, changes in the market interest rate had an impact on the carrying amount of trade receivables recognized at fair value and originated loans and other receivables. However, these changes in value are not managed.

Changes in the market interest rate regarding interest rate derivatives (interest rate swaps, cross-currency swaps) that are not part of a hedging relationship as set out in IFRS 9 affect other financial income or expense and are therefore taken into consideration in the income-related sensitivity calculations. Currency derivatives are not exposed to interest rate risks and therefore do not affect the interest rate sensitivities.

If the market interest rates had been 100 basis points higher at December 31, 2018, profit or loss before taxes would have been EUR 23 million (December 31, 2017: EUR 134 million) lower. If the market interest rates had been 100 basis points lower at December 31, 2018, profit or loss before taxes would have been EUR 70 million (December 31, 2017: EUR 209 million) higher. This simulation includes the effects from the financial instruments assigned to Level 3 described above. The hypothetical effect of EUR 70 million/EUR -23 million on income primarily results from the potential effects of EUR 16 million/EUR 30 million from interest rate derivatives, and EUR 45 million/EUR -45 million from non-derivative, variable-interest financial liabilities. Potential effects from interest rate derivatives are partially balanced out by the contrasting performance of non-derivative financial instruments, which cannot, however, be shown as a result of applicable accounting standards. If the market interest rates had been 100 basis points higher (lower) at December 31, 2018, the hedging and revaluation reserves in equity before taxes would have been EUR 673 million higher (EUR 672 million lower) (December 31, 2017: EUR 32 million lower (higher)).

Other price risks. As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indexes.

Aside from the value-creating factors in the financial instruments assigned to Level 3 described above, there were no other price risks at the reporting date. In the prior year, in addition to the price risks resulting from Level 3, there were also equity instruments assigned to Level 1. If the price of these instruments had been 10 percent lower (higher) on December 31, 2017, other comprehensive income and the fair value of the equity instruments before taxes would have been EUR 366 million lower (higher).

Deutsche Telekom is exposed to a credit risk from its operating activities and certain financing activities. As a rule, transactions with regard to financing activities are only concluded with counterparties that have at least a credit rating of BBB+/Baa1, in connection with an operational credit management system. At the level of operations, the outstanding debts are continuously monitored in each area, i.e., locally. Credit risks are taken into account through individual allowances and allowances calculated at portfolio level. The solvency of the business with corporate customers, especially international carriers, is monitored separately. In terms of the overall risk exposure from the credit risk, however, the receivables from these counterparties are not so extensive as to justify extraordinary concentrations of risk.

The following table shows the maximum credit risk for each class of financial assets, taking collateral held and other loan collateral into account (net credit risk).

millions of €

Classes of financial instruments (IFRS 7)	Measurement category (IFRS 9)	Amount of maximum credit risk taking collateral held or other loan collateral into account
Originated loans and other receivables	AC	2,952
	FVOCI	0
	FVTPL	103
Cash and cash equivalents	AC	3,679
Trade receivables	AC	4,280
	FVOCI	5,699
	FVTPL	5
Contract assets (IFRS 15)	n. a.	1,764
Lease receivables	n. a.	147

The allowances of financial assets measured at amortized cost or at fair value through other comprehensive income developed as follows:

millions of €

Reconciliation of loss allowance	General approach									Simplified approach			
	12-month expected credit losses			Lifetime expected credit losses									
	Stage 1 – No change in credit risk since initial recognition			Stage 2 – Significant increase in credit risk since initial recognition, not credit-impaired			Stage 3 – Credit-impaired at the reporting date (not purchased or originated credit-impaired)						
	Cash and cash equivalents	Originated loans and other receivables		Cash and cash equivalents	Originated loans and other receivables		Cash and cash equivalents	Originated loans and other receivables		Trade receivables		Contract assets	Lease assets
	AC	AC	FVOCI	AC	AC	FVOCI	AC	AC	FVOCI	AC	FVOCI	n. a.	n. a.
At January 1, 2018	**0**	**(6)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(1,348)**	**(433)**	**(28)**	**0**
Transfers													
from stage 1 to stage 2										n. a.	n. a.	n. a.	n. a.
from stage 1 to stage 3										n. a.	n. a.	n. a.	n. a.
from stage 2 to stage 3										n. a.	n. a.	n. a.	n. a.
from stage 3 to stage 2										n. a.	n. a.	n. a.	n. a.
from stage 2 to stage 1										n. a.	n. a.	n. a.	n. a.
Reclassification due to a change in business model		1						0		(164)	152		
Additions										(606)	(322)	(23)	
Use										259	271	8	
Reversal										419	51	17	
Other		1								(25)	(20)		
Foreign currency effect											24		
AT DECEMBER 31, 2018	**0**	**(4)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(1,465)**	**(277)**	**(26)**	**0**

The financial assets measured at amortized cost or at fair value through other comprehensive income show the following credit ratings:

millions of €

	Contractual obligations fulfilled to date	Disruptions in performance have already occurred	Non-performing	Total	Depreciation, amortization and impairment losses
GENERAL APPROACH (SHORT TERM)					
12-month expected credit losses (stage 1)	6,167			**6,167**	
Lifetime expected credit losses					
Significant increase in credit risk, but not credit-impaired (stage 2)		9		**9**	
Credit-impaired at the reporting date, but not purchased or originated credit-impaired (stage 3)			30	**30**	
	6,167	**9**	**30**	**6,206**	**0**
GENERAL APPROACH (LONG TERM)					
12-month expected credit losses (stage 1)	455			**455**	
Lifetime expected credit losses					
Significant increase in credit risk, but not credit-impaired (stage 2)					
Credit-impaired at the reporting date, but not purchased or originated credit-impaired (stage 3)					
	455	**0**	**0**	**455**	**0**
SIMPLIFIED APPROACH					
Trade receivables	8,759	448	776	**9,983**	(98)
Contract assets	1,757	8	0	**1,765**	(2)
Lease receivables	130	14	3	**147**	0
	10,646	470	779	**11,895**	**(100)**
FINANCIAL ASSETS THAT ARE PURCHASED OR ORIGINATED CREDIT-IMPAIREDT					
Receivables					
	17,268	**479**	**809**	**18,556**	**(100)**

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The following table presents expenses for the full write-off of trade receivables as well as income from recoveries on trade receivables written off:

millions of €

	2018	2017	2016
Expenses for full write-off of receivables	139	81	126
Income from recoveries on receivables written off	20	105	67

millions of €

	Dec. 31, 2018			
	Trade receivables	Trade payables	Derivative financial assets	Derivative financial liabilities
Gross amounts subject to enforceable master netting arrangements or similar agreements	376	424	759	1.016
Amounts set off in the statement of financial position in accordance with IAS 32.42	(137)	(137)		
Net amounts presented in the statement of financial position	**239**	**287**	**759**	**1.016**
Amounts subject to enforceable master netting arrangements or similar agreements and not meeting all offsetting requirements in accordance with IAS 32.42	**(27)**	**(27)**	**(733)**	**(618)**
Of which: amounts related to recognized financial instruments	(27)	(27)	(333)	(333)
Of which: amounts related to financial collateral (including cash collateral)			(400)	(285)
NET AMOUNTS	**212**	**260**	**26**	**398**

millions of €

	Dec. 31, 2017			
	Trade receivables	Trade payables	Derivative financial assets	Derivative financial liabilities
Gross amounts subject to enforceable master netting arrangements or similar agreements	383	439	966	890
Amounts set off in the statement of financial position in accordance with IAS 32.42	(121)	(121)	0	0
Net amounts presented in the statement of financial position	**262**	**318**	**966**	**890**
Amounts subject to enforceable master netting arrangements or similar agreements and not meeting all offsetting requirements in accordance with IAS 32.42	**(29)**	**(29)**	**(936)**	**(870)**
Of which: amounts related to recognized financial instruments	(29)	(29)	(370)	(370)
Of which: amounts related to financial collateral (including cash collateral)	0	0	(566)	(500)
NET AMOUNTS	**233**	**289**	**30**	**20**

Offsetting is applied in particular to receivables and liabilities at Deutsche Telekom AG and Telekom Deutschland GmbH for the routing of international calls via the fixed network and for roaming fees in the mobile network.

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, the counterparty provided Deutsche Telekom with cash pursuant to the collateral contracts mentioned in Note 1 "Cash and cash equivalents," page 182. The credit risk was thus further reduced.

When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom provided cash collateral to counterparties pursuant to collateral agreements. The net amounts are normally recalculated every bank working day and offset against each other. The cash collateral paid (please also refer to Note 10 "Other financial assets," page 196) is offset by corresponding negative net derivative positions of EUR 285 million at the reporting date, which is why it was not exposed to any credit risks in this amount as of the reporting date. The collateral paid is reported under originated loans and other receivables within other financial assets. On account of its close connection to the corresponding derivatives, the collateral paid constitutes a separate class of financial assets. Likewise, the collateral received, which is reported as other interest-bearing liabilities under financial liabilities, constitutes a separate class of financial liabilities on account of its close connection to the corresponding derivatives.

According to agreement, no cash collateral was provided for interest rate swaps concluded by T-Mobile US with a nominal value of EUR 8.4 billion (when translated into euros). The fair values at the reporting date were negative in each case from the perspective of T-Mobile US (total value of EUR -391 million (when translated into euros)).

In accordance with the terms of bonds issued by T-Mobile US, T-Mobile US has the right to terminate the bonds prematurely under specific conditions. The rights of termination constitute embedded derivatives and are presented separately as derivative financial assets in the consolidated statement of financial position. Since they are not exposed to any credit risk, they constitute a separate class of financial instruments.

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.

Liquidity risk. See also Note 12 “Financial liabilities,” page 196 et seq.

Hedge accounting

Fair value hedges. To hedge the fair value risk of fixed-interest liabilities, Deutsche Telekom primarily uses interest rate swaps and forward interest rate swaps (pay variable, receive fixed) denominated in EUR, GBP, and USD. Fixed-income bonds denominated in EUR, GBP, and USD were designated as hedged items. The changes in the fair values of the hedged items resulting from changes in the Euribor, GBP Libor, or USD Libor swap rate are offset against the changes in the value of these interest rate swaps. In addition, cross-currency swaps (EUR/AUD), (EUR/GBP), (EUR/HKD), (EUR/NOK) and (EUR/USD) are designated as fair value hedges, which convert fixed-income foreign currency bonds into variable-interest EUR securities to hedge the interest rate and currency risk. The changes in the fair value of the hedged items resulting from changes in the AUD LIBOR, GBP LIBOR, HKD HIBOR, NOK OIBOR, and USD LIBOR swap rate as well as the AUD, GBP, HKD, NOK, and USD exchange rate are offset against the changes in the value of these cross-currency and interest rate swaps. The aim of the fair value hedges is thus to transform the fixed-income bonds into variable-interest debt, thus hedging the fair value (interest rate risk and currency risk) of these financial liabilities. Credit risks are not part of the hedging.

Hedge of the interest rate, currency, and cross-currency risk
millions of €

	2019					2020–2023		
	Nominal amount	Average hedge rate	Average swap rate received	Average swap rate paid	Average margin paid	Nominal amount	Average hedge rate	
FAIR VALUE HEDGES								
Interest rate risk								
EURIBOR	156		0.2200%	6M EURIBOR	0.0000%	8,668		
USD LIBOR	655		6.0000%	3M USD LIBOR	4.0675%	2,401		
GBP LIBOR						335		
Cross-currency risk								
USD/EUR								
GBP/EUR								
NOK/EUR						79	9.4840	
HKD/EUR								
AUD/EUR								
CASH FLOW HEDGES								
Currency risk								
Buy								
USD/EUR								
GBP/EUR	274	0.9168	7.3750%	6.8240%		770	0.9072	
USD/EUR	238	1.1428				7	1.1373	
GBP/EUR	88	0.8362						
MYR/USD	15	4.4804				41	4.5325	
GBP/USD	3	1.2620				7	1.2469	
RUB/CHF	2	67.0499				1	70.9158	
CAD/USD	0	1.3425				1	1.3424	
Sell								
USD/EUR	138	1.0629				335	1.0000	
Interest rate risk								
USD LIBOR								

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Cash flow hedges – interest rate risks. Deutsche Telekom mainly uses payer interest rate swaps and forward payer interest rate swaps (pay fixed, receive variable) to hedge the cash flow risk of existing and future debt. The interest payments to be made in the hedging period are the hedged items and are recognized in profit or loss in the same period. The changes in the cash flows of the hedged items resulting from changes in the USD LIBOR rate are offset against the changes in the cash flows of the interest rate swaps. The aim of this hedging is to transform the variable-interest bonds into fixed-income debt, thus hedging the cash flows of the financial liabilities. Credit risks are not part of the hedging.

Cash flow hedges – currency risks. Deutsche Telekom entered into currency derivative and cross-currency swap agreements (pay fixed, receive variable) to hedge cash flows not denominated in functional currency. The payments in foreign currency to be made in the hedging period are the hedged items and are recognized in profit or loss in the same period. The terms of the hedging relationships will end in the years 2018 through 2033. In the case of rolling cash flow hedges for currency risks, short-term currency forwards are entered into, which are then extended by means of follow-up transactions.

At each reporting date, the effectiveness of the fair value and cash flow hedges is reviewed prospectively based on the main contract features and determined retrospectively in the form of a statistical regression analysis; rolling foreign currency hedges are reviewed using the dollar offset test. All hedging relationships were sufficiently effective as of the reporting date.

Hedging of a net investment. The hedges of the net investment in T-Mobile US against fluctuations in the U.S. dollar spot rate de-designated in prior periods did not generate any effects in 2018. The amounts recognized in total other comprehensive income would be reclassified in the event of the disposal of T-Mobile US.

The table below sets out the conditions of the derivative financial instruments designated in hedging relationships as of the reporting date:

	2020–2023			2024 and thereafter				
	Average swap rate received	Average swap rate paid	Average margin paid	Nominal amount	Average hedge rate	Average swap rate received	Average swap rate paid	Average margin paid
	0.4438 %	6M EURIBOR	0.1423 %	7,550		1.2066 %	6M EURIBOR	0.5610 %
	2.4249 %	3M USD LIBOR	0.8962 %	3,493		4.3094 %	3M USD LIBOR	1.5856 %
	1.2500 %	3M GBP LIBOR	0.7870 %	447		2.5590 %	6M GBP LIBOR	0.6477 %
				1,557	1.1221	8.7500 %	3M EURIBOR	5.8751 %
				339	0.8853	2.5000 %	3M EURIBOR	0.6485 %
	2.2500 %	6M EURIBOR	0.4200 %	158	9.5236	2.7900 %	6M EURIBOR	0.4683 %
				158	8.2380	2.9500 %	3M EURIBOR	0.6200 %
				83	1.5757	4.3137 %	6M EURIBOR	0.7376 %
				1,758	1.3666	8.7877 %	7.7887 %	
	6.5000 %	6.5718 %		441	0.9122	7.9388 %	7.5811 %	
				8,383		3M USD LIBOR	3.2912 %	0.0000 %

The nominal and carrying amounts of the derivative financial instruments designated in existing hedging relationships are shown in the following table:

Disclosures on hedging instruments [a]
millions

	Nominal amount of the hedging instruments		Carrying amount of the hedging instruments		Change in value of the hedging instruments in the reporting period for determining ineffectiveness	Disclosure of the hedging instruments in the statement of financial position
	in foreign currency	in euros	Financial assets	Financial liabilities		
FAIR VALUE HEDGES						
Interest rate risk		23,705	264	(129)	85	Other financial assets/ financial liabilities
Of which: EUR		16,374				
Of which: USD	7,500	6,549				
Of which: GPB	700	782				
Cross-currency risk		2,373	4	(221)	43	Other financial assets/ financial liabilities
Of which: USD	1,747	1,557				
Of which: GPB	300	339				
Of which: NOK	2,250	237				
Of which: HKD	1,300	158				
Of which: AUD	131	83				
CASH FLOW HEDGES						
Currency risk		4,121	5	(95)	(107)	Other financial assets/ financial liabilities
Buy						
USD/EUR	2,584	2,004				
GBP/EUR	1,429	1,574				
MYR/USD	262	55				
GBP/USD	9	10				
RUB/CHF	230	3				
CAD/USD	3	2				
Sell						
USD/EUR	540	473				
Interest rate risk				(391)	(391)	Other financial assets/ financial liabilities
USD LIBOR	9,600	8,383				

[a] In this and the following tables on hedging relationships, losses are shown as negative amounts unless explicitly stated otherwise.

The hedged items are as follows:

Disclosures on hedged items [a]
millions of €

	Carrying amount of the hedged items (including cumulative fair value hedge adjustments)	Balance of cumulative adjustments to the carrying amount of the designated fair value hedges	Change in the fair value of the hedged items for determining ineffectiveness in the reporting period	Remaining balance of cumulative adjustments to the carrying amount of the de-designated fair value hedges	Balance of amounts recognized in other comprehensive income relating to hedged risk (existing hedging relationships) [a]	Balance of amounts recognized in other comprehensive income relating to hedged risk (terminated hedging relationships)	Presentation of the hedged items in the statement of financial position
FAIR VALUE HEDGES							
Interest rate risk	23,749	62	(67)	319	n. a.	n. a.	Financial liabilities
Cross-currency risk	2,102	(254)	(13)	0	n. a.	n. a.	Financial liabilities
CASH FLOW HEDGES							
Currency risk	n. a.	n. a.	103	n. a.	(19)	8	n. a.
Interest rate risk	n. a.	n. a.	393	n. a.	(393)	(16)	n. a.
HEDGE OF NET INVESTMENT							
Currency risk	n. a.	n. a.	0	n. a.	0	794	n. a.

[a] Figures include non-controlling interests.

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Gains or losses from designated hedging relationships are presented in the following table:

Gains/losses from hedge accounting in the reporting period
millions of €

	Hedge ineffectiveness of existing hedging relationships recognized in profit or loss	Changes in fair value recognized directly in other comprehensive income	Amounts reclassified to profit or loss from other comprehensive income due to occurrence of the hedged items (designated hedging relationships)[a]	Amounts reclassified to profit or loss from other comprehensive income due to occurrence of the hedged items (de-designated hedging relationships)[a]	Total change in other comprehensive income	Presentation of the reclassified effective amounts in profit or loss	Presentation of the ineffectiveness in profit or loss
FAIR VALUE HEDGES							
Interest rate risk	18	n. a.	n. a.	n. a.	n. a.	n. a.	Other financial income (expense)
Cross-currency risk	30	n. a.	n. a.	n. a.	n. a.	n. a.	Other financial income (expense)
CASH FLOW HEDGES							
Currency risk	(4)	11	(114)	0	(103)	Net revenue/goods and services purchased/ other financial income (expense)	Other financial income (expense)
Interest rate risk	(1)	(393)	0	82	(311)	Interest expense	Other financial income (expense)

[a] Negative amounts represent gains in the income statement.

The recorded ineffectiveness in the income statement mainly results from the different discount rates of the hedged items (fixed-income) and designated hedging instruments (fixed-income and variable-interest). Furthermore, cross-currency interest rate hedges are impacted by effects from cross currency basis spreads, which are included in the hedging instruments, but not in the hedged items. The relative scope of the ineffectiveness is not expected to increase significantly in the future. Furthermore, there are no other potential sources of ineffectiveness.

Total other comprehensive income from hedging relationships developed as follows in the reporting year:

Reconciliation of total other comprehensive income from hedging relationships[a]
millions of €

	Designated risk components (effective portion)					
	Cash flow hedges		Hedges of net investment	Total designated risk components	Hedging costs[b]	Total other comprehensive income
	Currency risk	Interest rate risk	Currency risk			
Balance at January 1, 2018	**93**	**(98)**	**794**	**789**	**0**	**789**
Changes recognized directly in equity	11	(393)	0	(382)	56	(326)
Reclassification to profit or loss due to occurrence of the hedged item	(114)	82	0	(32)	2	(30)
BALANCE AT DECEMBER 31, 2018	**(10)**	**(409)**	**794**	**375**	**58**	**433**

[a] Figures include non-controlling interests.
[b] In the 2018 reporting period, hedging costs relate entirely to cross currency basis spreads.

Derivatives. The following table shows the fair values of the various derivatives. A distinction is made depending on whether these are part of an effective hedging relationship as set out in IFRS 9 (fair value hedge, cash flow hedge, net investment hedge) or not. Other derivatives can also be embedded, i.e., a component of a composite instrument that contains a non-derivative host contract. The following table also includes derivative financial liabilities directly associated with non-current assets and disposal groups held for sale.

millions of €

	Net carrying amounts Dec. 31, 2018	Net carrying amounts Dec. 31, 2017
ASSETS		
Interest rate swaps		
Without a hedging relationship	121	83
In connection with fair value hedges	264	172
In connection with cash flow hedges	0	0
Currency forwards/currency swaps		
Without a hedging relationship	24	49
In connection with cash flow hedges	2	37
Cross-currency swaps		
Without a hedging relationship	339	619
In connection with fair value hedges	4	0
In connection with cash flow hedges	3	5
Other derivatives in connection with cash flow hedges	0	0
Other derivatives without a hedging relationship	2	1
Embedded derivatives	112	351
LIABILITIES		
Interest rate swaps		
Without a hedging relationship	31	65
In connection with fair value hedges	128	114
In connection with cash flow hedges	391	0
Currency forwards/currency swaps		
Without a hedging relationship	36	59
In connection with cash flow hedges	3	3
In connection with net investment hedges	0	0
Cross-currency swaps		
Without a hedging relationship	112	154
In connection with fair value hedges	221	328
In connection with cash flow hedges	91	164
Other derivatives in connection with cash flow hedges	0	0
Other derivatives without a hedging relationship	12	3
Embedded derivatives	52	56
Derivative financial liabilities directly associated with non-current assets and disposal groups held for sale (without a hedging relationship)	0	0

TRANSFER OF FINANCIAL ASSETS

Factoring transactions with substantially all risks and rewards being transferred

Deutsche Telekom is party to several factoring agreements under which it sells current trade receivables on a revolving basis; under these agreements, Deutsche Telekom has the right to decide on a case-by-case basis whether and to what extent the revolving nominal volume will be used. Sales exceeding this amount must be agreed on a case-by-case basis. The risks relevant for the risk assessment with respect to the receivables sold are the credit risk and the late-payment risk. If the credit risk alone represents substantially all the risks and rewards of ownership of the receivables, it is transferred to the buyer of the receivables in full in return for payment of a fixed purchase price discount and the late-payment risk continues to be borne in full by Deutsche Telekom. If both types of risk together represent substantially all the risks and rewards of ownership of the receivables, they are transferred to the buyer of the receivables in full in return for payment of a fixed purchase price discount. Losses relating to certain receivables are reimbursed up to a maximum amount under a credit insurance policy, which reduces credit risk. The receivables sold until the reporting date were derecognized in full. At the derecognition date, the fixed purchase price discount and the fair value of the expected loss resulting from the retained risks are expensed. The expected loss resulting from the retained risks recognized under financial liabilities represents Deutsche Telekom's entire continuing involvement. Deutsche Telekom continues to perform receivables management against payment for the receivables sold. Please refer to the table on page 260 for the disclosures on the continuing involvement resulting from the receivables sold.

Factoring transactions involving the splitting of significant risks and rewards as well as the transfer of control

There are also revolving factoring transactions in place under which banks are required to purchase trade receivables from both charges already due and charges from sales of handsets payable over a period of up to two years. Deutsche Telekom has the right to decide on a case-by-case basis whether the revolving nominal volume will be used and to what extent. Sales exceeding this amount must be agreed on a case-by-case basis. In these arrangements, the purchase price up to a contractually agreed amount will be paid out immediately upon sale; remaining portions of the purchase price will only be paid to the extent that the volume of receivables sold decreases further accordingly. The risks relevant for the risk assessment with respect to the receivables sold are the credit risk and the late-payment risk. Deutsche Telekom bears credit risk-related losses from the various tranches up to a certain amount in each case; the other credit risk-related losses are borne by the banks. The existing credit insurance policy reimburses losses relating to certain receivables to a maximum amount and thus reduces the exposure to credit loss. The late-payment risk is borne largely by Deutsche Telekom. Due to the allocation of the material risks between Deutsche Telekom and the banks, substantially all the risks and rewards of ownership of the receivables were neither transferred nor retained.

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Control of the receivables sold was transferred to the banks because these have the practical ability to resell the receivables. The banks have the right to sell back all overdue receivables to Deutsche Telekom. For some of the transactions, the buy-back purchase price corresponds to the nominal amount and is payable in the month following the buy-back. In other transactions, the purchase price equals the actual proceeds from collection or disposal and is payable in the month after Deutsche Telekom receives these proceeds from collection or disposal. Such buy-backs would not affect the allocation of the credit risk-related losses in any way, not even in the event of buy-back at nominal amount, as such losses would be passed back to the bank in line with the agreed risk allocation. All receivables sold have been derecognized. At the derecognition date, the fair value of the expected losses is expensed as financial liabilities. Please refer to the table on page 260 for the disclosures on the continuing involvement resulting from the receivables sold. One transaction expired as scheduled in the reporting period.

Factoring transactions involving the splitting of significant risks and rewards with control remaining at Deutsche Telekom

In addition, there are several factoring agreements in place under which Deutsche Telekom sells – on a revolving basis – trade receivables from consumers and business customers relating to both charges already due and charges from sales of handsets payable over a period of up to two years.

In two transactions, subsidiaries of Deutsche Telekom sell receivables to structured entities that are also subsidiaries of Deutsche Telekom and were established for the sole purpose of these factoring agreements. The required funding is provided to these structured entities in the context of Deutsche Telekom's general Group financing. These structured entities have no assets and liabilities other than those resulting from the purchase and sale of the receivables under factoring agreements. They resell the receivables to a second structured entity in each case. Deutsche Telekom does not consolidate the two second structured entities because it has no control over these entities' relevant activities. In one of the transactions, the second structured entity resells the ownership interests in the receivables to two banks and a third structured entity on a pro-rata basis. Deutsche Telekom does not consolidate this third structured entity either because it likewise does not control this entity's relevant activities. The structured entities not consolidated by Deutsche Telekom are financed by the external buyers of the receivables. In the other transaction, the second structured entity transfers the legal role of creditor for the receivables to a bank that performs this role on behalf of the investors who have beneficial ownership of the receivables (administrative agent). These investors are a bank and two other structured entities. Deutsche Telekom does not consolidate these other structured entities either because it likewise has no control over these entities' relevant activities. The two other structured entities are financed through the issue of commercial paper to third parties outside the Group or, alternatively, through a credit facility provided by a bank.

In a third transaction, receivables are sold directly to a structured entity. This structured entity holds the receivables and allocates the risks and rewards resulting from these to Deutsche Telekom and a bank on the basis of contractual arrangements. It is financed through the issue of commercial paper to third parties outside the Group or, alternatively, through a credit facility provided by a bank. Deutsche Telekom does not consolidate the structured entity because it does not control the relevant activities.

The receivables being sold are selected from the relevant portfolios, either in an automated process in compliance with the eligibility criteria set out in the receivables purchase agreement or based on the decision of the relevant structured entity taking an obligatory minimum volume into account. The increase in the contractual maximum volume compared with the previous year results from the possibility to sell additional credit classes in a transaction at otherwise unchanged conditions. Receivables are sold on a daily basis and billed on a monthly basis. The purchase price up to a specific amount will be paid out immediately upon sale; remaining portions of the purchase price will only be paid to the extent that the volume of receivables sold in the relevant portfolio decreases further accordingly or the characteristics of the receivables change. In all transactions, Deutsche Telekom is obligated to buy back aged receivables and receivables for which write-off is imminent at nominal value. Such buy-backs would not affect the allocation of the credit risk-related losses in any way, as the latter would be passed back to the buyers in line with the agreed risk allocation. The cash flows resulting from the buy-backs normally occur in the month following the buy-back. None of the structured entities has business activities other than the purchase or sale of trade receivables or other investments. In none of the transactions is Deutsche Telekom exposed to risks other than the credit risk and late-payment risk resulting from the sold receivables agreed in the respective agreement.

In other transactions, receivables are sold directly to buyers outside the Group without the involvement of structured entities. If more receivables are purchased in individual portfolios, the purchase price payment is deferred until the maximum program volume decreases further accordingly. In all those transactions, Deutsche Telekom has the right to decide whether receivables are sold and in which volume. In individual portfolios, receivables for which a write-off is imminent are sold back to Deutsche Telekom. Here the purchase price corresponds to the actual proceeds from collection or disposal and is payable after Deutsche Telekom receives these proceeds from collection or disposal. These buy-backs would affect neither the allocation of the credit risk-related losses nor Deutsche Telekom's liquidity situation. In a portfolio, the existing credit insurance reimburses losses relating to certain receivables to a specific maximum amount and thus reduces the exposure to loss.

The risks relevant for the risk assessment with respect to the sold receivables are based on the credit risk and the late-payment risk. Deutsche Telekom bears certain portions of the credit risk in the individual transactions. The other credit risk-related losses are borne by the respective buyers. The late-payment risk in all transactions continues to be borne in full by Deutsche Telekom. Substantially all the risks and rewards of ownership of the receivables were neither transferred nor retained (allocation of the material risks and rewards between Deutsche Telekom and the buyers). Deutsche Telekom continues to perform servicing for the receivables sold. Under the factoring agreements in which structured entities are engaged, buyers have the unilateral right to transfer the servicing to third parties for no specific reason. Although Deutsche Telekom is not authorized to use the receivables sold other than in its capacity as servicer, it retains control over the receivables sold because the buyers and the structured entities do not have the practical ability to resell the purchased receivables. At the time the receivables are sold, the fair value of the expected losses is expensed.

Expected future payments are presented as a component of the associated liability. In transactions with structured entities, certain portions of the purchase price are initially held back and, depending on the amount of the actual defaults, are only paid to Deutsche Telekom at a later date. To the extent that such portions of the purchase price are expected to be received in the future, they are recognized at fair value. Deutsche Telekom continues to recognize the trade receivables sold to the extent of its continuing involvement, i.e., in the maximum amount with which it is still liable for the credit risk and late-payment risk inherent in the receivables sold, and recognizes a corresponding associated liability presented in liabilities to banks. The receivables and the associated liability are then derecognized in the extent to which Deutsche Telekom's continuing involvement is reduced (particularly when payment is made by the customer). The carrying amount of the receivables is subsequently reduced by the extent to which the actual losses to be borne by Deutsche Telekom resulting from the credit risk and the late-payment risk exceed the losses initially expected. This amount is recognized as an expense.

Transfer of financial assets
millions of €

	Transfer of substantially all risks and rewards		Allocation of substantially all risks and rewards			
			Transfer of control	Retention of control		
				Partial transfer of the credit risk and full retention of the late-payment risk		
	Full transfer of the credit and late-payment risk	Full transfer of the credit risk and full retention of the late-payment risk	Partial transfer of the credit risk and retention of most of the late-payment risk	With the involvement of structured entities	Without the involvement of structured entities	Total
End of contract terms	2020–2022	2022	2019	2019–2023	2019–2022	
Contractual maximum volume	197	250	620	4,734	925	**6,726**
Purchase prices to be paid immediately	197	250	390	2,115	925	**3,877**
Volume of receivables sold as of the reporting date	133	285	393	2,949	904	**4,664**
Scope of volume of receivables sold in the reporting year	62–147	144–285	92–420	1,708–2,161	881–1,120	**0**
Provision for receivables management	0	2	0	0	4	**6**
CONTINUING INVOLVEMENT						
Maximum credit risk (before credit insurance)	0	0	87	584	46	**717**
Credit insurance	33	0	150	0	17	**200**
Maximum late-payment risk	0	1	5	75	3	**84**
Carrying amount of the continuing involvement (asset side)	0	0	0	659	49	**708**
Carrying amount of the associated liability	0	0	1	681	80	**762**
Fair value of the associated liability	0	0	1	22	31	**54**
BUY-BACK AGREEMENTS						
Nominal value of receivables that can be bought back at the nominal amount	0	0	379	2,822	0	**3,201**
Nominal value of receivables that can be bought back at the collected amount	0	0	15	127	814	**956**
PURCHASE PRICE DISCOUNTS RECOGNIZED IN PROFIT OR LOSS, PROGRAM FEES, AND PRO-RATA LOSS ALLOCATIONS						
Current reporting year	1	37	8	187	53	**286**
Cumulative since commencement of the agreement	3	206	68	824	290	**1,391**

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41 CAPITAL MANAGEMENT

Disclosures on capital management. The overriding aim of Deutsche Telekom's capital management is to strike a balance between the contrasting expectations of the following four stakeholders:

- Shareholders
- Providers of debt capital
- Employees
- "Entrepreneurs within the enterprise"

For further information, please refer to the section "Management of the Group" in the combined management report, page 38 et seq.

An important key performance indicator for the capital market communication with investors, analysts, and rating agencies is relative debt, i.e., net debt to adjusted EBITDA. This ratio stood at 2.4x at December 31, 2018 (December 31, 2017: 2.3x). The target corridor for relative debt has shifted from 2.00 to 2.50x to 2.25 to 2.75x on account of the mandatory first-time application of the IFRS 16 accounting standard as of January 1, 2019. Net debt is a non-GAAP figure not governed by International Financial Reporting Standards, and its definition and calculation may vary from one company to another. A further essential key performance indicator is the equity ratio, i.e., the ratio of shareholders' equity to total assets as shown in the consolidated statement of financial position. The equity ratio was 29.9 percent as of December 31, 2018 (December 31, 2017: 30.0 percent). The target corridor remains unchanged between 25 and 35 percent. In addition, Deutsche Telekom maintains a liquidity reserve covering all maturities of the next 24 months.

Calculation of net debt
millions of €

	Dec. 31, 2018	Dec. 31, 2017
Financial liabilities (current)	10,527	8,358
Financial liabilities (non-current)	51,748	49,171
FINANCIAL LIABILITIES	**62,275**	**57,529**
Accrued interest	(719)	(692)
Other	(928)	(781)
GROSS DEBT	**60,628**	**56,056**
Cash and cash equivalents	3,679	3,312
Available-for-sale financial assets/financial assets held for trading	0	7
Derivative financial assets	870	1,317
Other financial assets	654	629
NET DEBT	**55,425**	**50,791**

42 RELATED-PARTY DISCLOSURES

Federal Republic of Germany and other related parties. The Federal Republic of Germany is both a direct and an indirect shareholder (via KfW Bankengruppe) and holds approximately 31.9 percent (December 31, 2017: 31.9 percent) of the share capital of Deutsche Telekom AG. In previous years, this resulted in the Federal Republic of Germany representing a solid majority at the shareholders' meetings of Deutsche Telekom AG due to its level of attendance, giving it control over Deutsche Telekom. Thanks to higher levels of attendance, the Federal Republic has not had a majority of the voting rights at the shareholders' meetings of Deutsche Telekom AG since 2016. As such, it is no longer deemed to have control over Deutsche Telekom, but rather only a significant influence. Therefore, the Federal Republic and the companies controlled and jointly controlled by the Federal Republic, but not the companies over which the Federal Republic can exercise a significant influence are classified as related parties of Deutsche Telekom. In the course of business, Deutsche Telekom deals directly with these companies, and with authorities and other government agencies as an independent party. Deutsche Telekom participates in the spectrum auctions of the Federal Network Agency. The acquisition of mobile spectrum through licenses may result in build-out requirements.

The Federal Posts and Telecommunications Agency (Federal Agency) has been assigned certain tasks by law that affect cross-company issues at Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG. The Federal Agency's responsibilities include the continuation of the Civil Service Health Insurance Fund (Postbeamtenkrankenkasse), the Recreation Service (Erholungswerk), the Deutsche Bundespost Institution for Supplementary Retirement Pensions for Salaried Employees and Wage Earners (Versorgungsanstalt der Deutschen Bundespost), and the Welfare Service (Betreuungswerk) for Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG. The coordination and administrative tasks are performed on the basis of agency agreements. Up to and including the 2012 reporting year, Deutsche Telekom AG maintained a joint pension fund, Bundes-Pensions-Service für Post und Telekommunikation e.V., Bonn (Federal Pension Service for Post and Telecommunications – BPS-PT), together with Deutsche Post AG and Deutsche Postbank AG for civil-servant pension plans. The German Act on the Reorganization of the Civil Service Pension Fund (Gesetz zur Neuordnung der Postbeamtenversorgungskasse – PVKNeuG) transferred the functions of BPS-PT relating to civil-servant pensions (organized within the Civil Service Pension Fund) to the existing Federal Agency effective January 1, 2013. The civil-servant pension functions are therefore performed by the Civil Service Pension Fund as an integral part of the Federal Agency. This joint Civil Service Pension Fund works for the funds of all three companies and also handles the financial administration of the pension plan for the Federal Republic on a trust basis. For the 2018 financial year, Deutsche Telekom made payments in the amount of EUR 123 million (2017: EUR 94 million; 2016: EUR 84 million). Furthermore, payments are made to the Civil Service Pension Fund in accordance with the provisions of the Act on the Reorganization of the Civil Service Pension Fund (please also refer to Note 14 "Provisions for pensions and other employee benefits," page 201 et seq.).

The Federal Republic and the companies controlled and jointly controlled by the Federal Republic, are customers or suppliers of Deutsche Telekom and as such have mutual contractual relationships with Deutsche Telekom.

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

Joint ventures. In March 2018, the shareholders of the joint venture Toll Collect GmbH, which was accounted for using the equity method until August 31, 2018, resolved to distribute a dividend, Deutsche Telekom's share of which is EUR 0.1 billion.

On May 16, 2018, Daimler Financial Services AG, Deutsche Telekom AG, and the Federal Republic of Germany reached an agreement to cease the Toll Collect arbitration proceedings. As it had announced in advance, the Federal Republic of Germany exercised its option as of September 1, 2018 to purchase 100 percent of the shares in the operating company, Toll Collect GmbH, when the operating agreement expired on August 31, 2018. Even after the acquisition of Toll Collect GmbH by the Federal Republic of Germany, the consortium Toll Collect GbR – comprising Deutsche Telekom AG, Daimler Financial Services AG, and Compagnie Financière et Industrielle des Autoroutes S.A. (Cofiroute) – continues to exist with an unchanged ownership structure. The bank guarantees for third parties for a maximum amount of EUR 100 million that were issued during the term of the operating agreement expired as scheduled on October 15, 2018. The equity maintenance undertaking entered into by the aforementioned consortium members under the operating agreement remained in place until the Federal Republic of Germany assumed full control of Toll Collect GmbH, and was replaced as of August 31, 2018 by a guaranteed equity base of at least EUR 50 million for Toll Collect GmbH, depending on the date of transfer. For further information, please refer to the section "Changes in the composition of the Group and other transactions," page 176 et seq.

Revenue generated with Toll Collect totaled EUR 67 million (2017: EUR 57 million; 2016: EUR 52 million), in particular from data processing and telecommunications services as well as consulting services. As of December 31, 2018, receivables amounted to EUR 0 million (December 31, 2017: EUR 15 million) and liabilities to EUR 350 million (December 31, 2017: EUR 1 million).

There are otherwise no material revenue, receivables or liabilities from or to joint ventures.

Related individuals. In the reporting period, expenses for short-term benefits payable to members of the Board of Management and the Supervisory Board amounted to EUR 17.7 million (2017: EUR 17.1 million) and expenses for other long-term benefits amounted to EUR 5.2 million (2017: EUR 5.3 million). Service cost of EUR 2.8 million (2017: EUR 3.6 million) was recorded for Board of Management benefits. In addition, expenses for share-based payment for Board of Management members were incurred in the amount of EUR 1.5 million (2017: EUR 1.3 million). EUR 0.0 million (2017: EUR 4.3 million) was paid for termination benefits and recognized as an expense.

As of December 31, 2018, Deutsche Telekom recognized provisions for Board of Management and Supervisory Board compensation from short-term benefits of EUR 10.2 million (2017: EUR 7.2 million) and from other long-term benefits of EUR 11.3 million (2017: EUR 12.4 million). Furthermore, the present value of the defined benefit obligation (DBO) from the Board of Management pension amounts to EUR 23.9 million (2017: EUR 29.1 million).

The compensation of the Board of Management and the Supervisory Board totaled EUR 30.4 million in the reporting year (2017: EUR 32.7 million).

For further information, please refer to the "Compensation report" in the combined management report, page 132 et seq., and Note 43 "Compensation of the Board of Management and the Supervisory Board," pages 262 and 263.

Employees elected to the Supervisory Board of Deutsche Telekom AG continue to be entitled to a regular salary as part of their employment contract. The amount of the salary is the adequate compensation for their job or activity within the Company. Besides this, no major transactions took place with related individuals.

The members of the Board of Management and Supervisory Board of Deutsche Telekom AG are members of supervisory boards or management boards of other companies or are shareholders of other companies with which Deutsche Telekom AG maintains relations in the ordinary course of business. All related party transactions are performed on an arm's length basis

43 COMPENSATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

COMPENSATION OF THE BOARD OF MANAGEMENT

The presentation of the system used for compensation of the Board of Management and the disclosures required in accordance with § 314 (1) No. 6a sentences 5–8 HGB are a component of the combined management report, page 132 et seq.

Board of Management compensation for the 2018 financial year

Total compensation of the members of the Board of Management for the 2018 financial year amounted to EUR 24.6 million (2017: EUR 21.3 million). This includes a total of 212,687 entitlements to matching shares with a fair value of EUR 2.3 million on the date granted (2017: EUR 1.6 million).

Former members of the Board of Management

A total of EUR 8.1 million (2017: EUR 11.3 million) was included for payments to and entitlements for former members of the Board of Management as well as any surviving dependents. Provisions (measured in accordance with IAS 19) totaling EUR 198.6 million (2017: EUR 195.4 million) were recognized for current pensions a nd vested rights to pensions for this group of persons and their surviving dependents.

Other

The Company has not granted any advances or loans to current or former Board of Management members, nor were any other financial obligations to the benefit of this group of people entered into.

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COMPENSATION OF THE SUPERVISORY BOARD

The main features of the compensation system and the disclosure of the compensation of the individual members of the Supervisory Board are a component of the combined management report, page 132 et seq.

Total compensation of the members of the Supervisory Board for 2018 amounted to EUR 2,887,833.37 (plus VAT) and is comprised of fixed annual remuneration plus meeting attendance fees.

The Company has not granted any advances or loans to current or former Supervisory Board members, nor were any other financial obligations to the benefit of this group of people entered into.

44 DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH § 161 AKTG

In accordance with § 161 AktG, the Board of Management and the Supervisory Board of Deutsche Telekom AG have submitted the mandatory declaration of conformity and made it available to shareholders on Deutsche Telekom AG's website. The full text of the Declaration of Conformity can be found on the Deutsche Telekom website (www.telekom.com) under Investor Relations in the Management & Corporate Governance section.

45 EVENTS AFTER THE REPORTING PERIOD

Acquisition of Tele2 Holding N.V. 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. For further information, please refer to the section "Changes in the composition of the Group and other transactions," page 176 et seq.

OTE agrees 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.

Claims by partnering publishers of telephone directories. For information on the ruling of the Federal Court of Justice dated January 29, 2019, please refer to Note 36 "Contingencies," pages 230 and 231.

46 AUDITOR'S FEES AND SERVICES IN ACCORDANCE WITH § 314 HGB

PricewaterhouseCoopers Gesellschaft mit beschränkter Haftung, Wirtschaftsprüfungsgesellschaft (PwC) Frankfurt/Main, member of the German Chamber of Public Accountants in Berlin, has audited the consolidated financial statements of Deutsche Telekom since the Company's listing in 1996. Following a change within PwC in 2015, Thomas Tandetzki has been the responsible auditor in charge at PwC.

The following table provides a breakdown of the auditor's professional fees recognized as expenses in the 2018 financial year:

PricewaterhouseCoopers Gesellschaft mit beschränkter Haftung, Wirtschaftsprüfungsgesellschaft
millions of €

	2018
Auditing services	12
Other assurance services	3
Tax advisory services	0
Other non-audit services	1
	16

Professional fees for auditing services include in particular fees for the statutory auditing of annual and consolidated financial statements and the subsidiaries included in the consolidated financial statements, the review of the interim financial statements, auditing activities in connection with the implementation of new accounting provisions, and the auditing of information systems and processes, as well as fees for other auditing services.

The fees recognized under other assurance services relate primarily to services in connection with regulatory requirements stipulated by the Federal Network Agency and with comfort letters.

Other non-audit services mainly consist of professional services in connection with strategic projects.