SELECTED FINANCIAL DATA OF THE GROUP

millions of €

		Q2 2018	Q2 2017	Change %	H1 2018	H1 2017	Change %	FY 2017
REVENUE AND EARNINGS								
Net revenue		18,367	18,890	(2.8)	36,291	37,537	(3.3)	74,947
Of which: domestic	%	32.4	31.9		32.9	32.3		32.8
Of which: international	%	67.6	68.1		67.1	67.7		67.2
Profit from operations (EBIT)		2,352	2,830	(16.9)	4,523	5,601	(19.2)	9,383
Net profit (loss)		495	874	(43.4)	1,487	1,621	(8.3)	3,461
Net profit (loss) (adjusted for special factors)		1,238	1,199	3.3	2,428	2,138	13.6	6,039
EBITDA		5,556	5,986	(7.2)	10,825	11,949	(9.4)	23,969
EBITDA (adjusted for special factors)		5,928	5,944	(0.3)	11,477	11,495	(0.2)	22,230
EBITDA margin (adjusted for special factors)	%	32.3	31.5		31.6	30.6		29.7
Earnings per share basic/diluted	€	0.10	0.19	(47.4)	0.31	0.35	(11.4)	0.74
STATEMENT OF FINANCIAL POSITION								
Total assets					139,749	141,490	(1.2)	141,334
Shareholders' equity					41,403	38,594	7.3	42,470
Equity ratio	%				29.6	27.3		30.0
Net debt					54,772	55,249	(0.9)	50,791
CASH FLOWS								
Net cash from operating activities		4,392	4,204	4.5	8,689	8,559	1.5	17,196
Cash capex		(3,094)	(10,240)	69.8	(6,234)	(13,520)	53.9	(19,494)
Free cash flow (before dividend payments and spectrum investment)		1,514	1,301	16.4	2,896	2,530	14.5	5,497
Net cash used in investing activities		(2,589)	(7,212)	64.1	(6,233)	(10,703)	41.8	(16,814)
Net cash used in financing activities		(2,499)	(3,950)	36.7	(2,794)	(2,970)	5.9	(4,594)

millions

	June 30, 2018	Dec. 31, 2017	Change June 30, 2018/ Dec. 31, 2017 %	June 30, 2017	Change June 30, 2018/ June 30, 2018 %
NUMBER OF FIXED-NETWORK AND MOBILE CUSTOMERS					
Mobile customers	172.5	168.4	2.4	163.1	5.8
Fixed-network lines	27.6	27.9	(1.1)	28.1	(1.8)
Broadband customers [a, b]	19.3	18.9	2.1	18.6	3.8

[a] Excluding wholesale.
[b] Starting in Q2 2018, we will no longer report the number of retail broadband lines from a technical perspective but instead are reporting the number of broadband customers. Prior-year comparatives have been adjusted.

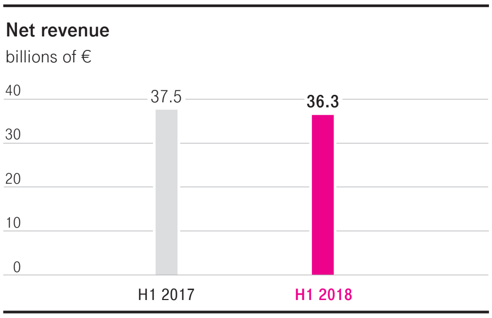
The key parameters used by Deutsche Telekom are defined in the section "Management of the Group" of the 2017 Annual Report, page 38 et seq.
The figures shown in this report were rounded in accordance with standard business rounding principles. As a result, the total indicated may not be equal to the precise sum of the individual figures. The new accounting standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" took effect as of January 1, 2018. Prior-year comparatives were not adjusted. For more information, please refer to section "Accounting policies" in the interim consolidated financial statements, page xx et seq.

TO OUR SHAREHOLDERS

DEUTSCHE TELEKOM AT A GLANCE

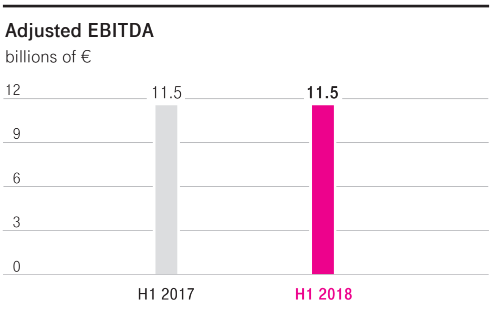
NET REVENUE

- Net revenue decreased by EUR 1.2 billion to EUR 36.3 billion. Adjusted for exchange rate effects and the slightly negative effects of changes in the composition of the Group, net revenue rose 2.2 percent.
- Our United States operating segment posted a decline in revenue of 5.2 percent; in U.S. dollars, the continuing success of our U.S. operations was evident in revenue growth of 6.0 percent.
- The business trend was stable in our Germany operating segment, with revenue down marginally by 1.1 percent due to the first-time application of the IFRS 15 accounting standard.
- Revenue edged up 1.2 percent at our Europe operating segment, while revenue decreased by 1.6 percent in our Systems Solutions operating segment. Revenue also declined in our Group Development operating segment, mainly as a result of the deconsolidation of Strato.



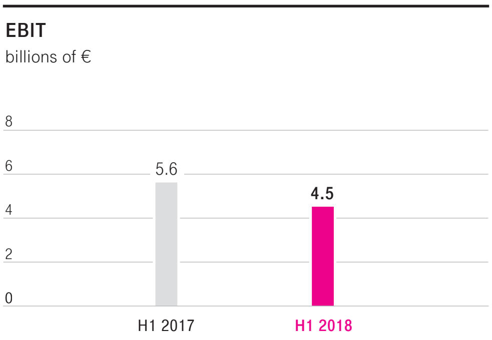
ADJUSTED EBITDA

- Adjusted EBITDA was stable. Excluding exchange rate effects and slightly negative effects from changes in the composition of the Group, adjusted EBITDA rose 5.2 percent.
- Adjusted EBITDA for our United States operating segment decreased by 2.8 percent; in U.S. dollars, it rose 8.6 percent.
- Our Germany and Europe operating segments posted increases in adjusted EBITDA of 1.6 percent and 1.5 percent respectively, while adjusted EBITDA declined in our Systems Solutions and Group Development operating segments.
- At 31.6 percent, the Group's adjusted EBITDA margin increased against the prior-year level of 30.6 percent. The EBITDA margin was 39.5 percent in Germany, 32.7 percent in Europe, and 28.3 percent in the United States.



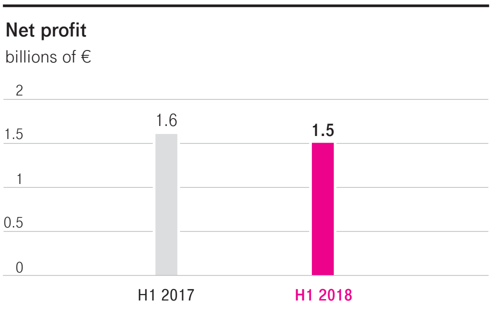
EBIT

- EBIT decreased by EUR 1.1 billion to EUR 4.5 billion.
- Negative special factors affecting EBIT were EUR 1.1 billion higher year-on-year. Special factors in connection with staff-related measures were EUR 0.4 billion higher than in the same period of last year. Additionally, the prior-year period had benefited from positive special factors from the sale of Strato (EUR 0.5 billion) and the sale of further shares in Scout24 AG (EUR 0.2 billion).
- At EUR 6.3 billion, depreciation, amortization and impairment losses were at the same level as in the prior-year period.

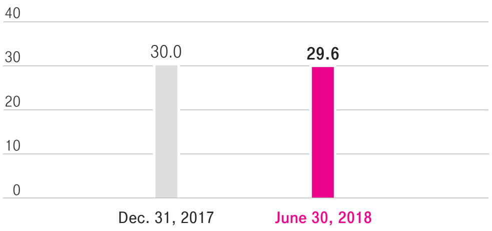


NET PROFIT

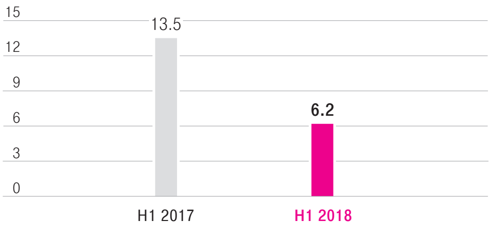
- Net profit decreased from EUR 1.6 billion to EUR 1.5 billion.
- At EUR 1.6 billion, the loss from financial activities was EUR 1.4 billion smaller than a year earlier, offsetting the effects of the reduction in EBIT. The loss in the prior-year period was attributable to the EUR 1.1 billion impairment of our financial stake in BT recognized in profit or loss, as well as to higher negative effects from the exercise and remeasurement of derivatives at T-Mobile US. While the settlement amount of EUR 0.6 billion agreed in the Toll Collect arbitration proceedings had a negative impact in the reporting period, finance costs improved by EUR 0.2 billion year-on-year.
- The tax expense of EUR 0.9 billion was EUR 0.3 billion higher than in the prior-year period.
- Profit attributable to non-controlling interests increased by EUR 0.2 billion.



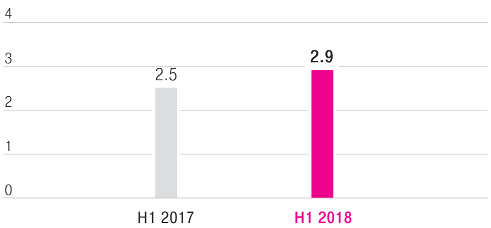
Equity ratio
%



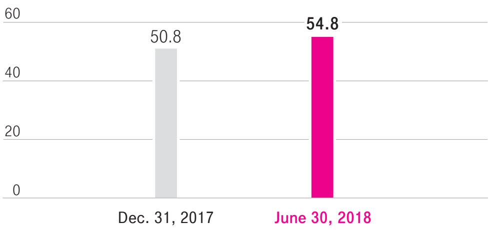
Cash Capex
billions of €



Free Cashflow
(before dividend payments and spectrum investment)
billions of €



Net debt
billions of €



EQUITY RATIO

- The equity ratio decreased by 0.4 percentage points to 29.6 percent.
- Total assets decreased by EUR 1.6 billion compared with the end of 2017,
- Shareholders’ equity decreased from EUR 42.5 billion as of December 31, 2017 to EUR 41.4 billion. Shareholders’ equity was reduced in particular by the dividend payment to Deutsche Telekom AG shareholders in the amount of EUR 3.1 billion, by EUR 0.9 billion for T-Mobile US’ share buy-back program, and by an impairment loss of EUR 0.7 billion on the financial stake in BT recognized directly in equity. By contrast, profit of EUR 2.1 billion and an effect of EUR 1.5 billion recognized directly in equity, attributable to the transition to IFRS 9 and IFRS 15, had an increasing effect. Currency translation effects recognized directly in equity increased shareholders' equity by EUR 0.5 billion.

müsste hier ein Punkt hin?

CASH CAPEX

- Cash capex (including spectrum investment) decreased from EUR 13.5 billion to EUR 6.2 billion.
- In the prior-year period, mobile spectrum licenses had been acquired for EUR 7.3 billion, mainly in the United States operating segment, compared with cash outflows in the reporting period of EUR 0.1 billion, primarily in the United States.
- Excluding the effects of spectrum acquisitions, cash capex declined by EUR 0.1 billion; adjusted for currency translation effects, cash capex was up year-on-year. Capital expenditures were focused primarily on the United States, Germany, and Europe operating segments and went toward the build-out and upgrading of our networks.

FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)

- Free cash flow was up by EUR 0.4 billion to EUR 2.9 billion.
- Net cash from operating activities increased by EUR 0.1 billion year-on-year. Lower net interest payments had a positive effect. The positive business development in our United States operating segment was adversely affected by currency translation effects.
- The year-on-year decrease of EUR 0.1 billion in cash capex (before spectrum investment) enhanced free cash flow.

NET DEBT

- Net debt increased from EUR 50.8 billion at the end of 2017 to EUR 54.8 billion.
- The positive effect of free cash flow (EUR 2.9 billion) only partially offset the increasing effect of the dividend payment – including to non-controlling interests – (EUR 3.1 billion), T-Mobile US’ share buy-back program (EUR 0.9 billion), further purchases of shares in T-Mobile US and OTE (EUR 0.4 billion) and the acquisition of Layer3 TV (EUR 0.3 billion). Exchange rate effects of EUR 0.7 billion also had a positive effect.

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

HIGHLIGHTS IN THE SECOND QUARTER OF 2018

2018 CAPITAL MARKETS DAY

We announced our new medium-term strategy and financial outlook at the Capital Markets Day in Bonn in May 2018. Through 2021 we expect growth to remain at the same consistently high level as forecast at our Capital Markets Day in 2015: Revenue is set to continue growing at a rate of 1 to 2 percent a year, adjusted EBITDA at a rate of 2 to 4 percent, and free cash flow at a rate of around 10 percent. We expect that all business units will contribute to earnings growth at the Group from 2019 onwards. Convergent products and services for consumers and business customers are at the core of our strategy. Our capital expenditure is to remain at a high level and will center on the ongoing build-out of broadband networks and upgrading to the LTE and 5G standards. Starting in 2019, the dividend will track the development in adjusted earnings per share. For 2018, we continue to expect a figure of around EUR 1.00 per share as announced at the Capital Markets Day in 2015 and expect this to rise to around EUR 1.20 per share through 2021.

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 in April 2018 to combine their companies. 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 business combination is expected to make a positive contribution to adjusted earnings per share at the Deutsche Telekom Group after the first three years. The new company will have a total customer base of some 127 million. Under the agreement, T-Mobile US will acquire all of the shares in Sprint. 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. This distribution of the T-Mobile US shares, along with clear corporate governance rules, means that Deutsche Telekom will continue to be able to include T-Mobile US in its consolidated financial statements. The additional buy-back authorization is subject to the business combination agreement with Sprint being terminated.

FINANCING

In the second quarter of 2018, Deutsche Telekom International Finance B.V. issued euro bonds with a total volume of EUR 2.9 billion and U.S. dollar bonds with a total value of USD 1.75 billion (EUR 1.4 billion). In April 2018, T-Mobile US repaid senior notes – for nominal amounts of USD 1.75 billion (EUR 1.4 billion) and USD 0.6 billion (EUR 0.5 billion) – before the due date.

SETTLEMENT IN THE TOLL COLLECT ARBITRATION PROCEEDINGS

Together with Daimler Financial Services AG we reached an agreement with the Federal Republic of Germany to end the toll collection arbitration proceedings. This agreement puts an end to a lengthy legal dispute regarding the implementation of heavy truck road tolls in Germany. 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 have both agreed to make final payments of EUR 550 million each.

T-MOBILE US SHARE BUY-BACK PROGRAM

In April 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.

INVESTMENTS IN NETWORKS

Fiber-optic rollout progresses apace. Internet at the speed of light for the Port of Hamburg, the Burgenlandkreis region, and the towns of Bautzen and Lüneburg – a whole host of large-scale fiber-optic projects in urban and rural areas alike have been given the green light. A comprehensive project to digitalize Stuttgart and five neighboring districts has been approved: This alone will bring gigabit connections to some 90 percent of the 1.38 million households and to all of the around 140,000 company sites and businesses covered by the project. Nationwide build-out of FTTH gathers speed. The number of households provided with new end-to-end fiber-optic lines (FTTH/FTTB) is set to increase steadily through 2021 to around two million per year. Given the right regulatory conditions, optical fiber will then be rolled out to some two million households a year from 2021 onwards. Meanwhile, we have also entered the third phase of our program to roll out fiber-optic infrastructure to business parks across Germany, which will benefit some 49,000 enterprises.

Supervectoring. The rollout of supervectoring, which will offer download speeds of 250 Mbit/s, is about to start. Eight million households will benefit immediately, a figure that will rise to 15 million by the end of 2018. We plan to have upgraded 95 percent of our 100 Mbit/s households to up to 250 Mbit/s by the end of 2019. Vectoring has already brought speeds of up to 100 Mbit/s (at least 50 Mbit/s) to over five million more households since the start of 2018; for the first time ever, it has also been possible to deploy vectoring technology in former development areas.

Foundation laid for 5G rollout in Germany. Europe's first 5G antennas, which fully support the communications standard of the future, have been transmitting data under real conditions via our network in Berlin. These antennas are based entirely on the future 5G standard for the 5G New Radio (5G NR) mobile communications component. Currently, we are building an entire 5G cluster in the heart of Berlin. At the beginning of this year, Deutsche Telekom, Intel, and Huawei provided the world's first demonstration of 5G NR interoperability. They proved for the first time that technical components of different vendors and one carrier can interact properly on the basis of the new 5G standard.

First European NB-IoT roaming tests concluded. In June 2018 we announced that, together with the Vodafone Group, we had successfully concluded the first international roaming tests in Europe using licensed Narrowband IoT technology. This service is to ensure seamless coverage and service continuity for millions of connections over low-power wide-area networks. The success of these tests marks a major milestone in the development of a stable roaming environment for mobile IoT networks.

New cell sites in operation. We also continue to drive forward the build-out of mobile networks in metropolitan and rural areas alike, with almost 300 new cell sites across Germany going into operation in June 2018 alone. We have increased the network density, modernized it, and filled in gaps. Coverage with our LTE network increased by 0.2 percentage points to reach 94.4 percent of the population. This percentage is set to increase to 98 percent by 2019. The expansion of LTE infrastructure lays important foundations for the future 5G network.

INNOVATIONS AND PARTNERSHIPS

Digitalization reaches all areas of healthcare. Hospital beds that independently communicate their whereabouts, ultrasound scanners that indicate when they are due for inspection, patient support using telemedicine services, and mobile apps: The digital revolution is changing the healthcare sector drastically and poses a complex challenge to everyone involved. Telekom Healthcare Solutions provides IT solutions that help users successfully take on the new tasks that digitalization brings. In April 2018 under the guiding theme "Set for a digital future" (Digital auf Zukunft programmiert), T-Systems showcased its latest developments, which include a tracking system to localize medical equipment and a secure platform for digital collaboration, at conhIT, the world's leading trade fair for health IT in Berlin.

"Shape the digital now." This was our slogan at Hannover Messe 2018, where we presented our modular solutions for industry. The focus was on practical and concrete implementation options for production planning, manufacturing, and logistics. Visitors were able to see products and services relating to cloud computing, the Internet of Things, connectivity, and security, and experience new trends such as digital twins, blockchains, and artificial intelligence. We also showcased the new PLM Cloud service, a cloud-based product lifecycle management (PLM) solution that was launched at the start of the year. Companies can use the PLM Cloud to transform what is probably their most important process, i.e., the development of new products from initial design through to test simulation, bring that process into the digital age, and thus accelerate their approach to innovation.

Public cloud – strategic partnerships. T-Systems and Microsoft are entering into a strategic partnership that will focus on driving forward public cloud services in four key areas: SAP applications, managed services on Microsoft Azure and Microsoft 365, digital solutions using artificial intelligence and mixed reality, and IoT. SAP certified the Open Telekom Cloud in time for Hannover Messe 2018, thus guaranteeing the performance of SAP HANA in the public cloud and enabling the solution to be integrated seamlessly into the SAP support processes. The additional service in the public cloud means companies can complement their IT landscape with SAP applications flexibly and easily by self-service and receive appropriate support where needed.

CORPORATE CUSTOMER DEALS

T-Systems wins major contract with the Sparda group. The group of Sparda-Banks has signed a seven-year outsourcing contract with T-Systems worth a figure in the mid-three-digit million euro range. We will take over the entire IT infrastructure of Sparda-Datenverarbeitung eG (SDV-IT), the Sparda-Banks group's central IT service provider, and migrate all mainframes and server landscapes to the high-security data centers at T-Systems. This traditional IT outsourcing contract is one of the biggest deals seen on the market in recent months.

Brandenburg's government administration to get high-speed network. Brandenburg has placed a major telecommunications order in the three-digit million euro range with T-Systems. We will provide the infrastructure and components for telephony and the wide-area network of the state's administration. In future, sites will get connection speeds of up to 10 Gbit/s using up to ten times more bandwidth than before. Brandenburg intends to have the network certified by the German Federal Office for Information Security (BSI).

hier fehlt ein Punkt in der Word

NEW PRODUCTS

Full-service Internet of Things bundles. Our new full-service bundles offer customers a quick and easy way to get started in the Internet of Things. The bundles contain everything a complete solution needs: hardware, mobile connectivity, cloud storage, and a user-friendly web portal. Standardized and reliable platforms – like our Cloud of Things IoT platform, which we operate in conjunction with Software AG – allow customers to deploy these IoT solutions quickly and easily as needed, no labor-intensive and costly installation required. The first complete bundles to be launched are Asset Tracking and Industrial Machine Monitoring. In May 2018, Hrvatski Telekom became the first provider in Croatia to make NB-IoT services available commercially.

AWARDS

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

Major awards in the second quarter of 2018

Best tested mobile network: P3 communications rates the T-Mobile Netherlands mobile network as best in test for the third time in succession

WoB Award 2018: The FidAR association to promote the advancement of women on supervisory boards honors Deutsche Telekom with an award for its implementation of equal gender participation

connect readers' choice 2018: Deutsche Telekom wins in eight categories and receives awards for its subsidiaries congstar and T-Mobile Austria

APRIL – JUNI

German Investor Relations Prize 2018: Deutsche Telekom once again wins the award for investor relations excellence in a DAX 30 ranking

Extel Survey 2018: Investor Relations at Deutsche Telekom are rated the best in Europe and its IR organization the best in the European telecoms sector

German Innovation Award: Partners Deutsche Telekom and Inmarsat win the Innovation Award for their European Aviation Network