DEUTSCHE TELEKOM
INTERIM GROUP REPORT
JANUARY 1 TO SEPTEMBER 30, 2020

LIFE IS FOR SHARING.

SELECTED FINANCIAL DATA OF THE GROUP

millions of €

		Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
REVENUE AND EARNINGS								
Net revenue		26,393	20,017	31.9	73,377	59,169	24.0	80,531
Of which: domestic	%	22.8	30.1		24.7	30.7		30.5
Of which: international	%	77.2	69.9		75.3	69.3		69.5
Profit from operations (EBIT)		3,107	3,058	1.6	8,704	7,665	13.6	9,457
Net profit (loss)		817	1,368	(40.3)	2,487	3,213	(22.6)	3,867
Net profit (loss) (adjusted for special factors)		1,509	1,420	6.3	4,072	3,932	3.6	4,948
EBITDA		10,615	7,314	45.1	27,581	20,476	34.7	27,120
EBITDA AL		9,133	6,302	44.9	23,638	17,523	34.9	23,143
EBITDA (adjusted for special factors)		11,102	7,490	48.2	29,936	21,654	38.2	28,708
EBITDA AL (adjusted for special factors)		9,692	6,478	49.6	26,065	18,701	39.4	24,731
EBITDA AL margin (adjusted for special factors)	%	36.7	32.4		35.5	31.6		30.7
Earnings per share (basic/diluted)	€	0.17	0.29	(41.4)	0.52	0.68	(23.5)	0.82
Adjusted earnings per share (basic/diluted)	€	0.32	0.30	6.7	0.86	0.83	3.6	1.04
STATEMENT OF FINANCIAL POSITION								
Total assets					265,292	174,327	52.2	170,672
Shareholders' equity					72,034	45,137	59.6	46,231
Equity ratio	%				27.2	25.9		27.1
Net debt					124,521	78,807	58.0	76,031
CASH FLOWS								
Net cash from operating activities		7,338	5,924	23.9	16,445	17,531	(6.2)	23,074
Cash capex		(4,763)	(3,180)	(49.8)	(12,880)	(11,206)	(14.9)	(14,357)
Cash capex (before spectrum investment)		(4,490)	(3,037)	(47.8)	(11,512)	(10,043)	(14.6)	(13,118)
Free cash flow (before dividend payments and spectrum investment)[a]		2,897	2,913	(0.5)	8,867	7,596	16.7	10,133
Free cash flow AL (before dividend payments and spectrum investment)[a]		1,634	2,147	(23.9)	5,347	5,250	1.8	7,013
Net cash used in investing activities		(4,048)	(2,886)	(40.3)	(15,302)	(10,236)	(49.5)	(14,230)
Net cash (used in) from financing activities		(6,573)	(505)	n.a.	4,661	(4,563)	n.a.	(7,141)

[a] Before interest payments for zero-coupon bonds and before termination of forward-payer swaps at T-Mobile US.

millions

	Sept. 30, 2020	Dec. 31, 2019	Change Sept. 30, 2020/ Dec. 31, 2019 %	Sept. 30, 2019	Change Sept. 30, 2020/ Sept. 30, 2019 %
FIXED-NETWORK AND MOBILE CUSTOMERS					
Mobile customers[a]	238.2	184.0	29.5	181.8	31.0
Fixed-network lines	27.3	27.5	(0.8)	27.7	(1.2)
Broadband customers[b]	21.5	21.0	2.4	20.9	3.1

[a] Including T-Mobile US wholesale customers.

[b] Excluding wholesale.

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

The IFRS 16 "Leases" accounting standard has been applied since the 2019 financial year. This led to a change in the definition of some of our financial performance indicators: Our operational performance is now measured on the basis of "EBITDA after leases" (EBITDA AL) (previously EBITDA). The "free cash flow" performance indicator was replaced by "free cash flow after leases" (free cash flow AL). The key parameters used by Deutsche Telekom are defined in the sections "Management of the Group" and "Summary of accounting policies" in the 2019 Annual Report.

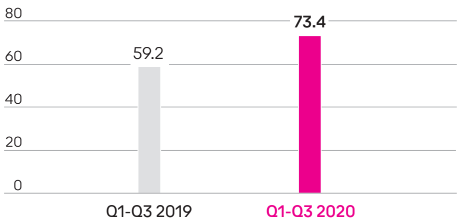
Sprint has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. This transaction affects the comparability of the figures for the current period with the prior-year figures. For further information on the transaction, please refer to the section "Changes in the composition of the Group" in the interim consolidated financial statements.

CONTENTS

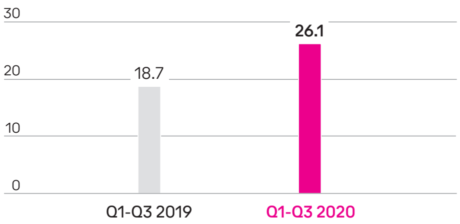
TO OUR SHAREHOLDERS

DEUTSCHE TELEKOM AT A GLANCE

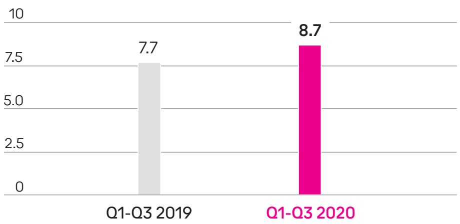
Net revenue
billions of €



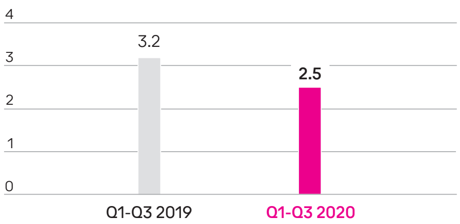
EBITDA AL (adjusted for special factors)
billions of €



EBIT
billions of €



Net profit
billions of €



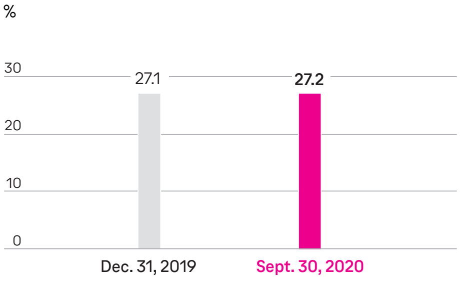
NET REVENUE
- Net revenue increased by 24.0 percent to EUR 73.4 billion. In organic terms, revenue increased by EUR 0.8 billion or 1.1 percent.
- Including the revenue contributions from the acquired entity Sprint and including exchange rate differences, our United States segment posted an increase in revenue of 48.6 percent. In organic terms, revenue was up 1.9 percent against the prior year.
- In our Germany and Europe segments, revenue on an organic basis remained on a par with the prior-year level. Revenue in the Europe segment was down 1.9 percent on account of exchange rate effects.
- Revenue in our Systems Solutions segment decreased year-on-year by 4.9 percent due primarily to the coronavirus-induced contraction of the IT market.
- In our Group Development segment, the 3.6 percent increase in revenue was driven mainly by the growth at T-Mobile Netherlands and DFMG.

EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)
- Adjusted EBITDA AL grew by 39.4 percent to EUR 26.1 billion. All segments, with the exception of Systems Solutions, contributed to this growth. Excluding exchange rate effects and changes in the composition of the Group, our adjusted EBITDA AL increased by EUR 1.8 billion or 7.5 percent.
- Adjusted EBITDA AL rose sharply by 83.5 percent in our United States segment as a result of the acquisition of Sprint and, in particular, the growth in service and terminal equipment revenues. In organic terms, adjusted EBITDA AL grew by 10.2 percent year-on-year.
- Our Germany segment recorded an increase in adjusted EBITDA AL of 1.8 percent and our Europe operating segment a slight increase of 0.2 percent. Adjusted EBITDA AL grew substantially in our Group Development segment, by 8.0 percent.
- At 35.5 percent, the Group's adjusted EBITDA AL margin increased by 3.9 percentage points against the prior-year level. The adjusted EBITDA AL margin was 39.4 percent in Germany, 35.4 percent in Europe, and 35.1 percent in the United States.

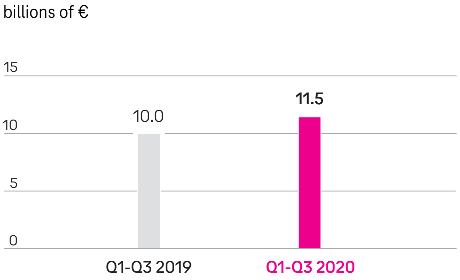
EBIT
- EBIT increased by EUR 1.0 billion year-on-year to EUR 8.7 billion, mainly as a result of the effects described under adjusted EBITDA AL.
- EBITDA AL was negatively affected by special factors of EUR 2.4 billion compared to expenses of EUR 1.2 billion in the prior-year period. Expenses of EUR 1.0 billion were recorded in connection with the business combination of T-Mobile US and Sprint; this contrasted with expenses of EUR 0.4 billion in the prior-year period. Further expenses of EUR 0.4 billion in the first half of 2020, primarily in connection with the coronavirus pandemic, had been classified as special factors in the United States segment. Other special factors in both periods were primarily attributable to staff-related measures.
- Depreciation and amortization were EUR 5.5 billion higher than in the prior-year period due in particular to the acquisition of Sprint.
- Impairment losses on non-current assets reduced EBIT by EUR 0.7 billion.

NET PROFIT
- Net profit decreased by EUR 0.7 billion to EUR 2.5 billion.
- Loss from financial activities increased by EUR 1.7 billion to EUR 3.2 billion, largely due to an increase in finance costs of EUR 1.3 billion as a result of the financial liabilities acquired from Sprint and the restructuring begun in connection with this business combination and the related increase in financing, including the handling charges incurred for a briefly utilized bridge loan facility, had a negative effect. Other financial income decreased by EUR 0.3 billion year-on-year to an expense of EUR 0.1 billion.
- The tax expense of EUR 1.5 billion was EUR 0.2 billion lower than in the prior-year period.
- Profit attributable to non-controlling interests increased from EUR 1.3 billion to EUR 1.6 billion.
- Adjusted earnings per share amounted to EUR 0.86 compared with EUR 0.83 in the prior-year period.

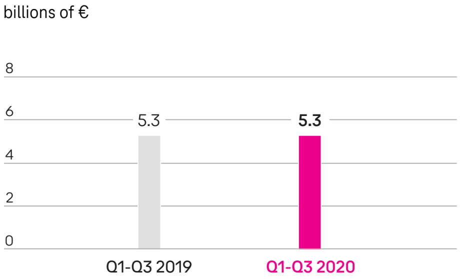
Equity ratio



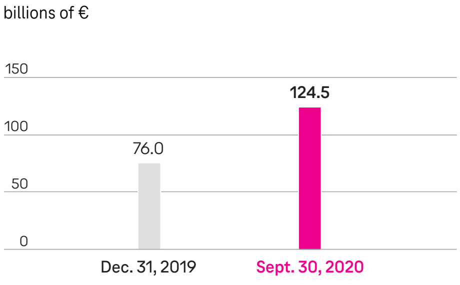
Cash capex
(before spectrum investment)



Free cash flow AL
(before dividend payments and spectrum investment)[a]



Net debt



EQUITY RATIO

- At 27.2 percent, the equity ratio remained almost stable at the end of the third quarter of 2020: Total assets/total liabilities and shareholders' equity increased by EUR 94.6 billion to EUR 265.3 billion, and shareholders' equity by EUR 25.8 billion to EUR 72.0 billion.
- Shareholders' equity increased by EUR 30.7 billion in connection with the business combination of T-Mobile US and Sprint. Profit after taxes (EUR 4.0 billion), income taxes relating to components of other comprehensive income (EUR 0.4 billion), and capital increases from share-based payment (EUR 0.4 billion) also had an increasing effect.
- The carrying amount was reduced in particular by dividend payments to shareholders (EUR 2.8 billion) and other shareholders of subsidiaries (EUR 0.2 billion), the remeasurement of defined benefit plans (EUR 1.9 billion), currency translation effects recognized directly in equity (EUR 3.9 billion), and actuarial losses from hedging instruments (EUR 1.0 billion).

CASH CAPEX (BEFORE SPECTRUM INVESTMENT)

- Cash capex (before spectrum investment) increased by EUR 1.5 billion to EUR 11.5 billion, largely on account of the inclusion of Sprint and the ongoing 5G network build-out in the United States. In Europe, we continued to invest in our fiber-optic network and are forging ahead with the build-out of our mobile communications infrastructure.
- Cash capex (including spectrum investment) increased by EUR 1.7 billion to EUR 12.9 billion. In the United States segment, FCC mobile licenses were acquired in the reporting period for a total of EUR 1.0 billion; the Europe and Group Development segments each acquired mobile spectrum licenses in the amount of EUR 0.2 billion, respectively, in the same period. The prior-year figure included EUR 1.0 billion for the acquisition of mobile spectrum licenses, which primarily related to the United States segment.

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

- Free cash flow AL increased slightly year-on-year.
- Excluding interest payments for zero-coupon bonds and the premature termination of forward-payer swaps in the United States segment, net cash from operating activities increased by EUR 2.7 billion. This was attributable in particular to the sustained positive performance of the segments, especially in the United States, which now includes Sprint.
- The increase was partially offset by EUR 1.5 billion higher cash capex (before spectrum investment) and in particular by higher interest payments, mainly as a result of the financial liabilities recognized and the restructuring begun in connection with acquisition of Sprint, and the related increase in financing. Our contractual termination of a revolving factoring agreement in the Germany segment, and higher repayments of lease liabilities primarily in the United States segment, also had a negative effect.

NET DEBT

- Net debt increased by EUR 48.5 billion to EUR 124.5 billion compared with the end of 2019.
- This increase was mainly attributable to the transfer of financial liabilities in connection with the business combination with Sprint (EUR 44.1 billion) and additions of lease liabilities (EUR 12.8 billion) primarily as a result of the modification of existing agreements with American Tower on the lease and use of cell sites in the United States. Other factors with an increasing effect were dividend payments (EUR 3.1 billion), including to non-controlling interests, as well as the acquisition of spectrum (EUR 1.4 billion) and forward-payer swaps concluded for borrowings at T-Mobile US (EUR 1.1 billion).
- Free cash flow (EUR 8.9 billion), exchange rate effects (EUR 4.4 billion) as well as the sale of Sprint's prepaid business to DISH (EUR 1.2 billion) in particular reduced net debt.

[a] Before interest payments for zero-coupon bonds and before termination of forward-payer swaps at T-Mobile US.

For further information, please refer to the section "Development of business in the Group" in the interim Group management report.

HIGHLIGHTS IN THE THIRD QUARTER OF 2020

INCREASE IN GUIDANCE FOR THE 2020 FINANCIAL YEAR

On account of the positive business trends both in our United States operating segment and outside of the United States – despite the challenging economic environment as a result of the coronavirus pandemic – we are raising our updated guidance from the second quarter of 2020 for the Group's adjusted EBITDA AL and free cash flow AL for the 2020 financial year. Instead of the most recent forecast figure of around EUR 34 billion, we now expect to post adjusted EBITDA AL of at least EUR 35 billion. We are raising our forecast for free cash flow AL from the previous figure of at least EUR 5.5 billion to at least EUR 6.0 billion.

For more information, please refer to the section "Forecast" in the interim Group management report.

BUSINESS AND OTHER TRANSACTIONS

Realignment of the B2B telecommunications business in the Germany operating segment. Consistent with our efforts to systematically implement the Group strategy pillar "Lead in business productivity," with effect from July 1, 2020, TC Services and Classified ICT, portfolio units previously assigned to the Systems Solutions operating segment, as well as Telekom Global Carrier (TGC) and Network Infrastructure (NWI), which had formerly been disclosed under the Europe operating segment and the Group Headquarters & Group Services segment respectively, have been combined in the Germany operating segment. As part of these transactions, the assets and liabilities assigned to the business areas were transferred to the Germany operating segment. In the Systems Solutions operating segment, the realignment of the B2B telecommunications business in combination with the effects of the coronavirus pandemic triggered ad hoc impairment testing, which identified a reduction in the business outlook for IT operations. The result was the recognition of a non-cash impairment loss of EUR 0.5 billion on non-current assets of the Systems Solutions cash-generating unit.

For further information on the realignment of the B2B telecommunications business and the different consummation dates required under company law, please refer to the section "Group organization, strategy, and management" in the interim Group management report and the section "Segment reporting" in the interim consolidated financial statements.

For further information on the ad hoc impairment testing, please refer to the section "Selected notes to the consolidated statement of financial position" in the interim consolidated financial statements.

Business combination of T-Mobile US and Sprint. T-Mobile US and Sprint combined their two businesses effective April 1, 2020 to form the "all-new," larger T-Mobile US. The transaction had previously worked its way through various approval processes involving numerous national and regional courts and authorities in the United States. As of July 1, 2020 a major prerequisite of the U.S. Department of Justice (DoJ) for approving the merger was duly fulfilled: the sale of Sprint's prepaid business to U.S. satellite TV operator DISH Network. A deal was also signed to sell spectrum to DISH.

For further information on the business combination of T-Mobile US and Sprint, please refer to the section "Group organization, strategy, and management" in the interim Group management report and the section "Changes in the composition of the Group" in the interim consolidated financial statements.

T-Mobile US and American Tower expand agreement to rent and use cell sites. On September 14, 2020, T-Mobile US and American Tower signed an agreement on the lease and use of cell sites. The agreement updates the existing agreements with American Tower to give T-Mobile US greater flexibility to combine the T-Mobile US and Sprint mobile networks and continue building out the 5G network.

BOARD OF MANAGEMENT

At the start of this year, Dr. Dirk Wössner, the Board of Management member for Germany, notified the Supervisory Board of Deutsche Telekom AG that he does not intend to extend his service contract beyond its expiration date of December 31, 2020. On June 18, 2020, the Supervisory Board of Deutsche Telekom AG appointed the current Board member for Europe, Srini Gopalan, as the new Board member for Germany effective November 1, 2020. Dr. Wössner resigned from his position effective midnight on October 31, 2020. On September 7, 2020, the Supervisory Board of Deutsche Telekom AG appointed Dominique Leroy to succeed Srini Gopalan as the Board member for Europe effective November 1, 2020.

INVESTMENTS IN NETWORKS

5G spectrum auctions. At the Netherlands' first-ever 5G spectrum auction, which ended on July 21, 2020, T-Mobile Netherlands purchased total spectrum of 70 MHz for which it paid EUR 400 million. T-Mobile US secured eight regional spectrum licenses for USD 6 million at a CBRS auction for 5G in the United States that ended on August 25, 2020. In Austria, T-Mobile Austria acquired total spectrum of 100 MHz for EUR 89 million at a further 5G auction that ended on September 11, 2020.

For more information on the spectrum auctions, please refer to the section "The economic environment" in the interim Group management report.

5G build-out in Germany. In the quarter just ended, we upgraded around 18 thousand further antennas with 5G technology and integrated them into our network as part of Germany's largest 5G campaign. Deutsche Telekom now offers 5G in over 3,000 towns, cities, and municipalities covering some 40 million people Germany-wide. That applies not only to major cities such as Frankfurt/Main or Munich, but also to smaller communities like Wallgau in Upper Bavaria, or Lampertswalde in Saxony. Even the antennas on top of Germany's highest peak, the Zugspitze, are now transmitting in 5G technology. In addition, at the Allianz Arena in Munich the first indoor 5G network is now offering high-speed internet throughout the subterranean areas and the FC Bayern Erlebniswelt museum.

For more details, please refer to our media information.

International network build-out. T-Mobile US covers some 25 million people across the United States with 5G over the 2.5 GHz band and plans to increase this number to 100 million by the end of 2020. The company is also working in parallel to expand the network using 600 MHz spectrum as quickly as possible. T-Mobile Austria is deploying innovative network technology to expedite the build-out of 5G in Austria and offers unlimited 5G internet at over 600 locations country-wide. In other words, T-Mobile Austria now reaches around 25 percent of Austrian households and businesses. In August 2020, Magyar Telekom in Hungary marked a further milestone with its 5G service, activating dozens of new cell towers and offering gigabit download speeds in 23 municipalities.

European campus networks. T-Mobile Polska has put Poland's first 5G- and LTE-based campus network into operation for the hub4industry consortium. Meanwhile, T-Mobile Czech Republic and VŠB – Technical University of Ostrava have completed work on the first 5G-ready private campus network.

Expansion of our LTE network. A total of 1,154 LTE sites across Germany have either been built from scratch or upgraded with LTE antennas since the start of 2020. Our LTE network covers 98.4 percent of German households as of the end of the third quarter of 2020. In the footprint countries of our Europe operating segment, we covered 97.3 percent of the population – around 107 million people – with LTE as of September 30, 2020.

Broadband build-out in Germany. Since the start of the year, some 3.4 million households in Germany have gained from Deutsche Telekom's broadband build-out. In the third quarter of 2020 alone, we increased internet speeds for around 890 thousand households. 33.2 million households can subscribe to a rate plan with up to 100 Mbit/s, and 24.5 million households can purchase a rate plan with speeds of up to 250 Mbit/s or higher. The number of households that can be connected by pure fiber-optic lines (FTTH/FTTB) increased by over 106 thousand in the third quarter of 2020 and now stands at 1.9 million.

COOPERATIONS AND PARTNERSHIPS

Digital pact with the federal state of Saxony-Anhalt. Under the agreement, Deutsche Telekom will continue to build out the region's broadband and mobile networks, connect all schools to the fiber-optic network, participate in innovative projects as a partner to universities, support municipal digitalization projects, and focus in particular on bringing 5G to the region. In return, Saxony-Anhalt will improve the framework conditions for all telecommunications companies by ensuring the availability of potential cell site locations, raising funds, and simplifying grant and approval processes.

Fiber-optic joint venture in Münster. Partners Telekom Deutschland and the city of Münster's public utility company Stadtwerke Münster signed a memorandum of understanding in July 2020 to make high-speed fiber-optic internet (FTTH) available to some 160 thousand households in Münster by 2030. This will involve connecting around 40 thousand buildings to the fiber-optic network. The agreement is a major innovation project for both parties that will combine our products and services with Stadtwerke Münster's strengths as a municipal utility company with longstanding experience in infrastructure realization.

5G labs open in Germany and the United States. Together with the Cologne University of Applied Sciences (TH Köln) and the University of Cologne's GATEWAY Excellenz Start-up Center, we opened the 5G Co:Creation Lab at TH Köln's Mülheim location. At the Lab, university-based start-up founders will have exclusive opportunities to cooperate with industry partners in testing and refining their ideas within a new, state-of-the-art 5G network. It is open both to the students at Cologne's universities and to start-up founders throughout the federal state of North Rhine-Westphalia. In the United States, partners T-Mobile US, Intel, and NASA founded the 5G Open Innovation Lab (5G OI Lab) in May of this year to provide developers access to platforms, businesses, and markets for testing new 5G use cases. In September 2020, 16 further companies were selected as the 5G OI Lab's second cohort. T-Mobile US is also running its 2020 Accelerator program, which offers companies the opportunity to work directly with the provider to develop and market 5G products.

For more details, please refer to our media information.

Cooperation for Gaia-X. OVHcloud and T-Systems have agreed to cooperate following the Gaia-X European cloud initiative's principles and to develop a joint Openstack public cloud platform. Their goal is to create a trusted public cloud offering for European markets and all sectors for which data sovereignty and GDPR compliance are key, including the public sector, essential infrastructure operators, and companies operating in strategic or sensitive areas of public interest.

For more details, please refer to our media information.

PRODUCTS, RATE PLANS, AND SERVICES

MagentaEINS Plus: fixed network and mobile communications in a single contract. With our MagentaEINS Plus offering, we are the first provider in the German market to bundle connectivity for home and on the move in a single contract with no minimum term. Customers and their communities nationwide can benefit from unlimited data volumes at home over their domestic internet connection and enjoy mobile surfing including 5G with up to 100 or 250 Mbit/s. EU roaming including Switzerland also comes bundled as well as one gigabyte of data outside the EU.

For more details, please refer to our media information.

Innovations in the cloud. The MagentaGaming cloud service combines network, software, and innovation: Our high-performance servers stream games directly from the cloud to the customer's computer or device. This service signals the end of long download times or the purchase of additional hardware. Voice telephony is also undergoing cloudification: In future, we will manage our customer lines centrally from cloud data centers based in Germany. Virtualizing these network functions both speeds up the fixed network and makes it much more efficient. For developers, we now offer the Cloud Topology Designer: A new tool for building applications for the Open Telekom Cloud, Google Cloud, and AWS using drag and drop.

Full-service packages for even more personalized service. Our new service packages make it easy for customers to optimize their at-home connectivity. The Concierge Service assigns a dedicated personal advisor offering professional home-networking support on the spot for consumers switching to Deutsche Telekom from another provider, moving house, or building their own home. After initial set-up, our Digital Home Service assists with all questions relating to remote working, home schooling, and the smart home.

AWARDS

The illustration below shows the main awards received in the third quarter of 2020.

- **Microsoft German Partner of the Year 2020**
  Deutsche Telekom honored for outstanding achievements in the areas of innovation and implementation of Microsoft solutions for customers.
- **Excellence in Challenges by Selectio**
  Hrvatski Telekom wins the prize for Croatia's "Leading HR consultancy" at the Excellence in Challenges Awards.
- **German Investor Relations Prize 2020**
  Deutsche Telekom wins awards for Best Investor Relations in DAX 30 and Best Investor Relations Manager.
- **J.D. Power Wireless Purchase Experience Study 2020**
  T-Mobile US recognized as #1 for Business Wireless Customer Satisfaction for the sixth time in succession in a study by J.D. Power.
- **Dr. Doeblin reputation survey**
  The economic research experts at Dr. Doeblin confirm that Germans rate Deutsche Telekom as one of the most reputable DAX companies.
- **Computer Bild readers' choice 2020**
  Deutsche Telekom's Wi-Fi packages once again win a prize in the "Provider" category at the 23rd Golden Computer Awards.

JULY – SEPTEMBER

- **Ookla Speedtest Awards 2020**
  The analysts at Ookla rate our subsidiaries COSMOTE and Hrvatski Telekom as having the fastest mobile networks in Greece and Croatia, respectively.
- **Best fixed-network provider 2020**
  Deutsche Telekom singled out as "Fixed-network provider of the year" for the fourth time in succession in Telecom Handel magazine's reader award.
- **connect hotline test of fixed-network providers 2020**
  Deutsche Telekom wins the connect magazine test (issue 9/2020) of fixed-network hotlines with a score of "very good."
- **Inside-digital.de readers' choice 2020**
  Deutsche Telekom voted best fixed-network and mobile provider.
- **PC Magazin and connect magazine's fixed-network broadband tests**
  Magenta Telekom wins the PC Magazin test and is rated Austria's best fixed network by connect magazine with the highest test score of "very good" (issue 11/2020).
- **Portfolio institutionell Award**
  The Telekom Pension Fund wins portfolio institutionell magazine's prize for the best CTA for the third time and for the first time receives an award for its sustainable investments.
- **Investors' Darling**
  Manager magazin (issue 10/2020) bestows the prize for CFO of the year on Christian P. Illek in its financial communication ranking.
- **Helden der Krise 2020 awards**
  As part of its "Helden der Krise" (heroes of the crisis) campaign, the F.A.Z.-Institut recognizes Deutsche Telekom's commitment to providing help during the crisis with an honor in the "Companies" section.
- **Best in test**
  The experts at Umlaut (formerly P3) rate our subsidiary Hrvatski Telekom's mobile communications network Croatia's best.

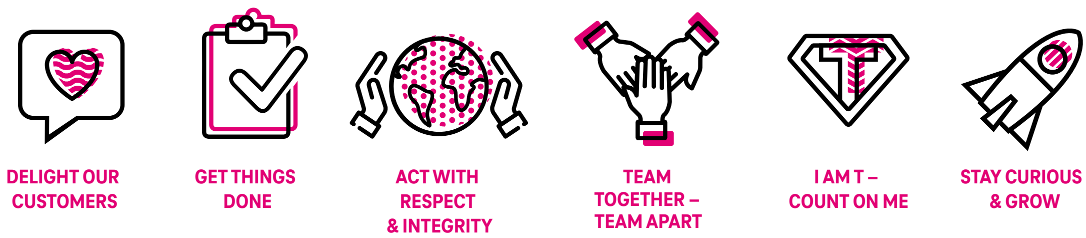
For more information on the aforementioned highlights in the third quarter of 2020, please refer to www.telekom.com/en/media/media-information

INTERIM GROUP MANAGEMENT REPORT

GROUP ORGANIZATION, STRATEGY, AND MANAGEMENT

With regard to our Group organization, strategy, and management, please refer to the explanations in the combined management report in the 2019 Annual Report. The following changes and/or additions were recorded from the Group's point of view:

Our responsible corporate governance and business success are based on our shared corporate values and our **updated Guiding Principles** from February 2020:



Business combination of T-Mobile US and Sprint. The business combination of T-Mobile US and Sprint was completed on April 1, 2020, forming the all-new, larger T-Mobile US. The transaction had previously worked its way through various approval processes involving numerous national and regional courts and authorities in the United States. Most recently, on April 16, 2020, the business combination was approved by the California Public Utilities Commission (CPUC). This merger is the culmination of Deutsche Telekom's successful strategy for its U.S. operations. The new T-Mobile US created by the business combination has market capitalization of around USD 142 billion (based on the share price of the new T-Mobile US on September 30, 2020) and a more comprehensive spectrum portfolio. This portfolio provides a much stronger basis for T-Mobile US to significantly expand nationwide coverage and to extend its mobile network capacities, which translates into clear potential for sustained customer growth. The planning for the merged entity remains based on expected cost and capital expenditure synergies with a net present value of USD 43 billion (after integration costs). The cost savings generated by these synergies are predicted to exceed the integration costs, starting three years after the transaction takes effect.

The business combination of T-Mobile US and Sprint took the form of an all-stock transaction. At the completion of the transaction, Deutsche Telekom held around 43.6 percent of the shares in T-Mobile US. However, under a proxy agreement reached with SoftBank, at the time the business combination took effect Deutsche Telekom controlled a majority of the voting power of around 68.3 percent of shares in the new T-Mobile US. On June 22, 2020, Deutsche Telekom received call options from SoftBank to buy around 101 million T-Mobile US shares, thus securing itself long-term access to the majority shareholding in T-Mobile US. In return, we granted SoftBank the option to immediately sell around 198 million shares. T-Mobile US profits from a transaction fee of USD 0.3 billion (EUR 0.3 billion), which it has already received. The sale of the shares held by SoftBank reduced the proportion of T-Mobile US shares for which we can exercise voting rights to around 52.5 percent as of August 5, 2020.

The structure of the new T-Mobile US must factor in the agreement reached with the U.S. Department of Justice (DoJ), one condition of which is that Sprint divests its prepaid business to satellite TV operator DISH for around USD 1.4 billion (EUR 1.2 billion). The sale of Sprint's prepaid business includes around 9.4 million customers. The agreement also includes the sale of part of the 800 MHz spectrum held by Sprint to DISH for approximately USD 3.6 billion (EUR 3.2 billion). As of July 1, 2020, the U.S. authorities' requirements regarding the divestiture of Sprint's prepaid business were duly met and the agreement to sell spectrum to DISH duly confirmed.

In the course of the business combination, a number of refinancing measures were implemented in the second and third quarters of 2020. On April 1, 2020, T-Mobile US raised a new term loan of USD 4 billion (EUR 3.6 billion). Senior secured notes, issued on April 9, 2020 for a total of USD 19 billion (EUR 17.5 billion), with terms of between 5 and 30 years and bearing interest of between 3.500 and 4.500 percent, were used to repay a short-term bridge loan facility taken out to finance the business combination on April 1, 2020. Moreover, T-Mobile US issued senior secured notes on June 24, 2020 for a total of USD 4.0 billion (EUR 3.6 billion) with terms of between 6 and 11 years and bearing interest of between 1.500 and 2.550 percent. In the third quarter of 2020, T-Mobile US repaid bonds in the amount of EUR 3.6 billion; some of them prematurely.

As announced in 2018, rating agency Standard & Poor’s downgraded Deutsche Telekom AG’s rating from BBB+ to BBB with a stable outlook on completion of the business combination of T-Mobile US and Sprint. We are therefore still a solid investment-grade company with access to the international capital markets.

Realignment of the B2B telecommunications business in the Germany operating segment. Consistent with Deutsche Telekom’s efforts to systematically implement the Group strategy pillar “Lead in business productivity,” TC Services and Classified ICT, portfolio units previously assigned to the Systems Solutions operating segment, as well as Telekom Global Carrier (TGC) and Network Infrastructure (NWI), which had formerly been disclosed under the Europe operating segment and the Group Headquarters & Group Services segment respectively, and which together form the business area designated Deutsche Telekom Global Carrier (DTGC), were combined in the Germany operating segment. Effective the start of the third quarter of 2020, the management of the Deutsche Telekom Group and hence also the reporting structure are both based on this new segment allocation. As part of these transactions, the assets and liabilities assigned to the business areas were transferred to the Germany operating segment. Prior-year comparatives in these segments (development of operations, customer development, headcount development, and order entry) were adjusted retrospectively. The transactions were consummated under company law on July 1, 2020 (TC Services and Classified ICT) and on October 1, 2020 (DTGC).

Changes in the composition of the Board of Management. At its meeting on May 22, 2019, the Supervisory Board of Deutsche Telekom AG resolved to dissolve the Data Privacy, Legal Affairs and Compliance (DRC) Board department effective December 31, 2019. The Internal Audit and Risk Management units were assigned to the Finance Board of Management department. Group Security Governance was assigned to the Board of Management department for Technology and Innovation. The Data Privacy, Legal Affairs, and Compliance units were assigned to the Human Resources Board of Management department and are led by Dr. Claudia Junker, who in her capacity as General Counsel and Executive Vice President reports directly to Birgit Bohle. Birgit Bohle has headed up the extended Human Resources and Legal Affairs Board department since January 1, 2020. Dr. Thomas Kremer left the Group for reasons of age effective March 31, 2020. Until his departure, Dr. Kremer supported the transition to the new structures as part of a designated mandate. Deutsche Telekom AG thus had eight Board of Management departments as of April 1, 2020.

At the start of this year Dr. Dirk Wössner, the Board of Management member for Germany, notified the Supervisory Board of Deutsche Telekom AG that he does not intend to extend his service contract beyond its expiration date of December 31, 2020. On June 18, 2020, the Supervisory Board of Deutsche Telekom AG appointed the current Board member for Europe, Srini Gopalan, as the new Board member for Germany effective November 1, 2020. Dr. Wössner resigned from his position effective midnight on October 31, 2020. On September 7, 2020, the Supervisory Board of Deutsche Telekom AG appointed Dominique Leroy to succeed Srini Gopalan as the Board member for Europe effective November 1, 2020.

THE ECONOMIC ENVIRONMENT

This section provides additional information on, and explains recent changes to, the economic situation as described in the combined management report of the 2019 Annual Report, focusing on macroeconomic developments in the first nine months of 2020, the outlook, the currently prevailing economic risks, and the regulatory environment. Given the almost total lack of historical experiences from which to draw comparisons with the current situation, the macroeconomic outlook is provided contingent on the understanding that the effects of the coronavirus crisis can only be quantified with a high degree of uncertainty.

MACROECONOMIC DEVELOPMENT

The global economy has been dominated by the coronavirus pandemic since spring 2020. While the measures introduced to contain the pandemic have catapulted the global economy into the deepest recession since the end of the Second World War, according to leading economic research institutes the worst is now behind us. In the October 2020 update to its outlook, the International Monetary Fund (IMF) announced it expected the global economy to contract by 4.4 percent in 2020, followed by growth of 5.2 percent in 2021. The global economy was likely to partially recover in 2021 but remain significantly below the level that had been projected before the emergence of the coronavirus crisis.

For the German economy, the IMF expects GDP to decline by 6.0 percent in the current year. The coronavirus crisis is affecting individual industry sectors to varying extents. The business climate in the information and communications technology (ICT) sector has brightened again: The Bitkom-ifo-Digitalindex, calculated on the basis of the business situation and expectations, increased again slightly in October 2020 compared with the previous months. Despite this, the index remains significantly below its pre-pandemic level.

The economies of our core markets in North America and Europe, too, will shrink this year, with the IMF predicting a contraction of 4.3 percent in the U.S. economy and of 8.3 percent in the eurozone. Nevertheless, the third quarter of 2020 saw another significant increase in economic activity: GDP rose by 7.4 percent year-on-year in the United States, by 8.2 percent in Germany, and by 12.7 percent in the eurozone.

OUTLOOK

Given the current course of the coronavirus pandemic across Europe and North America, economic recovery is likely to be a long, drawn out process. The return to tougher coronavirus restrictions has cast a shadow over the outlook for the fourth quarter of 2020 with a heightened risk of a double-dip recession. Economic activity is not expected to return to pre-pandemic levels (i.e., as at the end of 2019) until the start of 2022.

OVERALL ECONOMIC RISKS

Apart from the prevailing uncertainty relating to the further course of the coronavirus pandemic, there is a concomitant risk of companies encountering liquidity problems despite the relief measures implemented in many countries. Moreover, the risks emerging from the global economic situation, including those affecting the stability of the global financial markets, have continued to grow in the course of the coronavirus crisis. Further risks to economic development arise from the terms of the United Kingdom’s exit from the EU, as well as from the smoldering trade war between China and the United States.

REGULATION

Amendment of the German Telecommunications Act. In Germany, the market is still waiting for the official publication of the draft amendment to the German Telecommunications Act (Telekommunikationsgesetz, TKG). The revision is necessary in order to transpose European requirements from the European Electronic Communications Code into national law. The biggest changes affect consumer protection regulations, the regulation of “high-capacity networks” (including FTTH), spectrum regulation, and the regulations on universal service. In view of the Code’s implementation deadlines, the amended Act would have to be published by the end of 2020 at the latest. However, the German government anticipates a delay that is likely to run into the first half of 2021. The Code is also being transposed into national law in the countries of our European subsidiaries. Some countries are expected to complete this by December 21, 2020. In others, implementation is likely to take until 2021.

Roaming regulation. The European Commission launched a consultation procedure on the future regulation of international roaming in summer 2020. The current regulation applies price caps through 2022 on the roaming charges that European mobile network operators can bill peer operators for the use of roaming services. In addition to the future regulation of these charges, the Commission also consulted on whether and which rules will apply in the future to roaming for the Internet of Things (IoT) and to roaming access to value-added services and emergency call numbers.

European Commission sets termination rates from 2021. On August 25, 2020, the European Commission published a draft Delegated Act setting single maximum Union-wide mobile (MTR) and fixed-network (FTR) termination rates. The Commission proposes a phased reduction of MTRs to a uniform level of 0.2 eurocents/min. by 2024. FTRs are to be reduced sooner, to 0.07 eurocents/min. EU-wide by 2022. The finalized Act is expected to be published in late 2020 and enter into force in the first quarter of 2021.

AWARDING OF SPECTRUM

T-Mobile US successfully bid on total spectrum of 691 MHz at the U.S. auction in March 2020 and received the 5G licenses it bought for USD 873 million in April 2020. A further CBRS auction in the United States for spectrum in the 3,550 to 3,650 MHz band ended on August 25, 2020. T-Mobile US secured eight licenses for which it paid a net sum of USD 6 million.

Further spectrum was awarded in the first three quarters of 2020 as follows: In Hungary, a total of 160 MHz purchased by Magyar Telekom at auction in March 2020 for around EUR 152 million (translated into euros) was assigned to the subsidiary in April 2020. In the Netherlands, an auction started on June 29, 2020 for spectrum in the 700 MHz, 1,500 MHz, and 2,100 MHz bands. The auction ended with the completion of the allotment phase on July 21, 2020. T-Mobile Netherlands successfully bid on a total spectrum of 70 MHz in all three bands for an aggregate amount of EUR 400 million. In Austria the auction for spectrum in the 700, 1,500, and 2,100 MHz bands ended on September 11, 2020. T-Mobile Austria acquired total spectrum of 100 MHz in all three bands for EUR 89 million.

In Greece, the regulatory authority EETT launched award proceedings for spectrum in the 700, 2,100, 3,400 to 3,800 MHz, and 26,000 MHz bands. At present, we have no information regarding a new start date for the auction of spectrum in the 3,400 to 3,800 MHz bands in Poland that was postponed to the fourth quarter. Hungary is planning an auction for 900 and 1,800 MHz that is scheduled for spring 2021. Croatia intends to hold its spectrum auction in the first half of 2021 and is considering the inclusion of additional spectrum bands, while Slovakia has called a halt to its award planning with no new date set at present. The Czech Republic is expected to start award proceedings for spectrum in the 700 and 3,400 to 3,600 MHz bands in November 2020.

The following table provides an overview of the main ongoing and planned spectrum awards and auctions as well as license extensions. It also indicates spectrum to be awarded in the near future in various countries.

	Expected start of award procedure	Expected end of award procedure	Frequency ranges (MHz)	Award process	Updated information
Greece	Q3 2020	Q1 2021	700 / 2,100 / 3,400–3,800 / 26,000	Auction (SMRA[a])	Start of award proceedings on Oct. 30, 2020
Croatia	Q1 2021	Q2 2021	700 / 3,400–3,800 / 26,000, additional bands possible	Auction, details tbd	Delayed due to coronavirus pandemic
Poland	Q4 2020	Q1 2021	3,400–3,800	Auction (SMRA[a]), details tbd	Restarted due to coronavirus pandemic
Poland	Q3 2022	Q4 2022	700 / 2,100 / 26,000	Auction, details tbd	Planned for 2022, tbd
Romania	Q4 2020	Q2 2021	700 / 800 / 1,500 / 2,600 / 3,400–3,800 / 26,000	Auction, details tbd	
Slovakia	Open	Open	700 / 900 / 1,500 / 1,800	Auction (SMRA[a]), details tbd	Award planning halted, reasons and new start date tbd
Czech Republic	Q4 2020	Q4 2020	700 / 3,400–3,600	Auction (SMRA[a]), details tbd	Restart expected for November 2020
Hungary	Q4 2020	Q1 2021	900 / 1,500 / 1,800 / 2,300	Auction (clock auction), expected	1,500 / 2,300 MHz expected to follow at a later date
United States	Q4 2020	Q2 2021	3,700–4,000	Auction (clock auction)	Start: Dec. 8, 2020
United States	Q3 2021	Q4 2021	2,500–2,700	Auction (SMRA[a])	tbd

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

DEVELOPMENT OF BUSINESS IN THE GROUP

Sprint has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. As a result of the change in the composition of the Group during the course of the year, the remeasured assets and liabilities were recognized as of this date, and all income and expenses generated from the date of first-time consolidation are included in Deutsche Telekom's consolidated income statement. This affects the comparability of the figures for the current reporting period with the prior-year figures.

For further information on the business combination of T-Mobile US and Sprint, please refer to the section "Group organization, strategy, and management."

Our B2B telecommunications business was realigned with effect from July 1, 2020. A new B2B unit was created in the Germany operating segment, and the assets and liabilities previously assigned to the Systems Solutions, Europe, and Group Headquarters & Group Services segments have been transferred to the new unit. Prior-year comparatives in these segments (development of operations, customer development, headcount development, and order entry) were adjusted retrospectively.

For further information on the realignment of the B2B telecommunications business and on the different consummation dates required under to company law, please refer to the section "Group organization, strategy, and management."

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

In the first three quarters of 2020, we generated net revenue of EUR 73.4 billion, which was up 24.0 percent or EUR 14.2 billion year-on-year. In organic terms, i.e., assuming a comparable composition of the Group in the prior-year period and excluding exchange rate effects, revenue developed positively, with growth of EUR 0.8 billion or 1.2 percent. For a comparison on an organic basis, net revenue in the prior-year period was raised by EUR 13.7 billion to account for effects of changes in the composition of the Group – primarily from the acquisition of Sprint in the United States operating segment – and net exchange rate effects of EUR -0.4 billion were taken into account.

Our United States operating segment in particular contributed to the positive revenue trend with an increase of 48.6 percent. Adjusted for the acquisition of Sprint and exchange rate effects, revenue was up 1.9 percent against the prior-year level. Revenue in our home market of Germany was virtually on a par with the prior-year level, increasing by just 0.1 percent. This slight increase was mainly due to the positive trend in our fixed-network business on the back of revenue growth from broadband and wholesale products. The coronavirus pandemic had a negative impact on roaming, visitor, and terminal equipment revenues, and resulted in delays or postponements to current orders in B2B telecommunications business. In our Europe operating segment, revenue decreased by 1.9 percent, mainly due to exchange rate effects. In organic terms, revenue remained stable at the level of the prior-year period, despite the deterioration in economic conditions due to the coronavirus pandemic. The fixed-network business performed well, recording increases in broadband and TV revenues. Revenues from mobile business decreased slightly, primarily driven by declines in roaming revenues as a result of travel restrictions, some of which are still in place, and in low-margin terminal equipment business. These negative effects have been partially offset by increases in higher-margin service revenues. Total revenue in our Systems Solutions operating segment decreased by 4.9 percent year-on-year, reflecting the coronavirus-induced decline of the IT market in Western Europe. The upward revenue trend in our growth areas public cloud and security was not sufficient to fully offset the declines in traditional IT and project business. The development of our growth area digital solutions was particularly affected by the impact of the coronavirus pandemic on the automotive industry. Total revenue in our Group Development operating segment increased by 3.6 percent year-on-year, thanks to the operational growth of our two subsidiaries, T-Mobile Netherlands and DFMG.

For further information on revenue development in our segments, please refer to the section "Development of business in the operating segments."

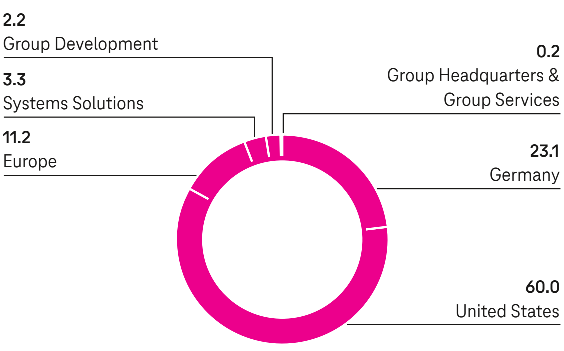
Contribution of the segments to net revenue

millions of €

	Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
NET REVENUE	**19,943**	**27,041**	**26,393**	**20,017**	**31.9**	**73,377**	**59,169**	**24.0**	**80,531**
Germany	5,830	5,850	5,839	5,905	(1.1)	17,520	17,507	0.1	23,730
United States	10,157	17,297	16,569	10,006	65.6	44,024	29,629	48.6	40,420
Europe	2,759	2,706	2,880	2,929	(1.7)	8,344	8,507	(1.9)	11,587
Systems Solutions	1,066	1,069	961	1,087	(11.6)	3,095	3,254	(4.9)	4,424
Group Development	708	716	719	704	2.1	2,142	2,068	3.6	2,797
Group Headquarters & Group Services	634	651	625	635	(1.6)	1,910	1,967	(2.9)	2,627
Intersegment revenue	(1,210)	(1,248)	(1,199)	(1,248)	3.9	(3,657)	(3,763)	2.8	(5,055)

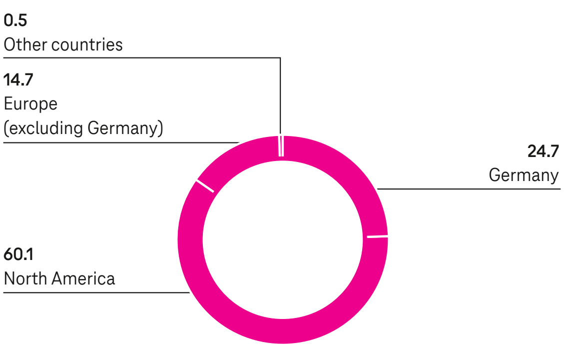
Contribution of the segments to net revenue[a]

%



Breakdown of revenue by region

%



[a] For further information on net revenue, please refer to the section "Segment reporting" in the interim consolidated financial statements.

At 60.0 percent, our United States operating segment provided by far the largest contribution to net revenue of the Group and thanks to the acquisition of Sprint was up 9.9 percentage points above the level in the prior-year period. In this connection, the proportion of net revenue generated internationally also increased significantly from 69.3 percent to 75.3 percent.

ADJUSTED EBITDA AL, EBITDA AL

Adjusted EBITDA AL increased year-on-year by EUR 7.4 billion or 39.4 percent to EUR 26.1 billion in the first three quarters of 2020. But even in organic terms, adjusted EBITDA AL increased by EUR 1.8 billion or 7.5 percent. For a comparison on an organic basis, adjusted EBITDA AL in the prior-year period was raised by EUR 5.7 billion to account for effects of changes in the composition of the Group and net exchange rate effects of EUR -0.1 billion were taken into account.

All segments, with the exception of the Systems Solutions operating segment, made a positive contribution to this development: Adjusted EBITDA AL of our United States operating segment increased significantly, particularly on the back of higher service and terminal equipment revenues in connection with the acquisition of Sprint. In organic terms, adjusted EBITDA AL grew by 10.2 percent year-on-year. These increases were offset by higher operating expenses, primarily in connection with the acquisition of Sprint. Our Germany operating segment contributed to this result thanks to a slightly positive revenue trend, and improved cost efficiency with 1.8 percent higher adjusted EBITDA AL. Adjusted EBITDA AL in our Europe operating segment increased by 0.2 percent. Assuming constant exchange rates, this increase was as much as 2.1 percent. The main factor in this trend was savings in indirect costs. In our Systems Solutions operating segment, adjusted EBITDA AL declined by 1.7 percent, driven mainly by the decrease in earnings in traditional IT and project business, partly due to the effects of the coronavirus pandemic. The increase of 8.0 percent in adjusted EBITDA AL in our Group Development operating segment was driven by revenue growth, synergies from the acquisition of Tele2 Netherlands, and efficient management of costs at T-Mobile Netherlands. The GD Towers business also continued to post consistent growth on the back of rising volumes.

Contribution of the segments to adjusted Group EBITDA AL

millions of €

	Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	**6,544**	**9,829**	**9,692**	**6,478**	**49.6**	**26,065**	**18,701**	**39.4**	**24,731**
Germany	2,241	2,284	2,373	2,343	1.3	6,898	6,774	1.8	9,083
United States	3,160	6,304	5,994	2,874	n.a.	15,458	8,424	83.5	11,134
Europe	936	952	1,064	1,061	0.3	2,953	2,948	0.2	3,910
Systems Solutions	49	57	67	80	(16.3)	173	176	(1.7)	250
Group Development	269	283	284	269	5.6	836	774	8.0	1,033
Group Headquarters & Group Services	(103)	(27)	(90)	(143)	37.1	(220)	(361)	39.1	(650)
Reconciliation	(8)	(24)	0	(4)	(100.0)	(32)	(35)	8.6	(29)

EBITDA AL increased by EUR 6.1 billion or 34.9 percent year-on-year to EUR 23.6 billion, with special factors changing from EUR -1.2 billion to EUR -2.4 billion. Expenses incurred in connection with staff-related measures increased by EUR 0.2 billion compared with the prior-year period to EUR 0.9 billion. In addition, expenses of EUR 1.1 billion were recorded as special factors under effects of deconsolidations, disposals, and acquisitions. These expenses were incurred in connection with the approval process for the business combination of T-Mobile US and Sprint, with acquisition and integration costs, with restructuring costs to realize cost efficiencies from the business combination, and with a reduction in the useful life of leased network technology for cell sites. EUR 0.2 billion related to the derecognition of a billing software for postpaid customers, which was still in development, in the United States operating segment. A transaction fee of EUR 0.3 billion received from SoftBank in return for support in the immediate sale by SoftBank of T-Mobile US shares had an offsetting effect. In the prior year, expenses of EUR 0.3 billion had been recorded as special factors in connection with gains/losses from deconsolidations, disposals, and acquisitions. In the Europe operating segment, the sale of the Romanian fixed-network business planned since October 2020 resulted in a reversal of impairment losses on property, plant and equipment of EUR 50 million recorded as a special factor in the course of the year. Other special factors affecting EBITDA AL amounted to EUR -0.5 billion and mainly relate to expenses incurred in the United States operating segment in the first half of 2020 in connection with the coronavirus pandemic.

For further information on the development of (adjusted) EBITDA AL in our segments, please refer to the section “Development of business in the operating segments.”

A reconciliation of the definition of EBITDA with the new “after leases” indicator (EBITDA AL) can be found in the following table:

millions of €	Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
EBITDA	6,940	10,026	10,615	7,314	45.1	27,581	20,476	34.7	27,120
Depreciation of right-of-use assets[a]	(831)	(1,218)	(1,264)	(811)	(55.9)	(3,311)	(2,354)	(40.7)	(3,181)
Interest expenses on recognized lease liabilities[a]	(189)	(224)	(219)	(201)	(9.0)	(632)	(599)	(5.5)	(796)
EBITDA AL	**5,921**	**8,585**	**9,133**	**6,302**	**44.9**	**23,638**	**17,523**	**34.9**	**23,143**
Special factors affecting EBITDA AL	(623)	(1,245)	(560)	(176)	n.a.	(2,427)	(1,178)	n.a.	(1,589)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	**6,544**	**9,829**	**9,692**	**6,478**	**49.6**	**26,065**	**18,701**	**39.4**	**24,731**

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

EBIT

Group EBIT increased from EUR 7.7 billion to EUR 8.7 billion, up EUR 1.0 billion or 13.6 percent against the prior-year period. This increase is partly due to the effects described under adjusted EBITDA AL and EBITDA AL. At EUR 18.2 billion, depreciation and amortization were EUR 5.5 billion higher than in the prior-year period. This increase is mainly attributable to Sprint, which has been included since April 1, 2020. Impairment losses on non-current assets reduced EBIT by EUR 0.7 billion. A total of EUR 0.5 billion of this related to the Systems Solutions operating segment and the Group Headquarters & Group Services segment, and EUR 0.2 billion to the Europe operating segment.

For further information on the impairment losses recognized following ad hoc testing, please refer to the section “Selected notes to the consolidated statement of financial position” in the interim consolidated financial statements.

PROFIT BEFORE INCOME TAXES

Profit before income taxes decreased from EUR 6.2 billion in the prior year to EUR 5.5 billion, with loss from financial activities increasing by EUR 1.7 billion to EUR 3.2 billion. This increase is primarily due to a EUR 1.3 billion increase in finance costs to EUR 3.1 billion, mainly due to the financial liabilities recognized and the restructuring begun in connection with the acquisition of Sprint, and the related increase in financing, including the handling charges incurred for a briefly utilized bridge loan facility. Other financial income decreased by EUR 0.3 billion year-on-year to an expense of EUR 0.1 billion, due in part to an increase in interest expense from the measurement of provisions and liabilities as well as to lower gains/losses from financial instruments compared with the prior-year period, partly due to measurement effects in connection with derivatives.

NET PROFIT, ADJUSTED NET PROFIT

Net profit decreased year-on-year from EUR 3.2 billion to EUR 2.5 billion. Tax expense came to EUR 1.5 billion compared with EUR 1.7 billion in the prior-year period. Profit attributable to non-controlling interests increased from EUR 1.3 billion to EUR 1.6 billion, mainly in our United States operating segment. Excluding special factors, which had a negative overall effect of EUR 1.6 billion on net profit, adjusted net profit in the first three quarters of 2020 amounted to EUR 4.1 billion, up against the level in the prior-year period of EUR 3.9 billion.

For further information on tax expense, please refer to the section “Income taxes” in the interim consolidated financial statements.

The following table presents a reconciliation of net profit to net profit adjusted for special factors:

millions of €	Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
NET PROFIT (LOSS)	**916**	**754**	**817**	**1,368**	**(40.3)**	**2,487**	**3,213**	**(22.6)**	**3,867**
Special factors affecting EBITDA AL	(623)	(1,245)	(560)	(176)	n.a.	(2,427)	(1,178)	n.a.	(1,589)
Staff-related measures	(342)	(262)	(289)	(132)	n.a.	(893)	(726)	(23.0)	(913)
Non-staff-related restructuring	(8)	(8)	(6)	(11)	45.5	(22)	(59)	62.7	(81)
Effects of deconsolidations, disposals, and acquisitions	(145)	(655)	(293)	(30)	n.a.	(1,093)	(315)	n.a.	(462)
Reversals of impairment losses	0	0	50	0	n.a.	50	0	n.a.	0
Other	(128)	(319)	(22)	(3)	n.a.	(470)	(77)	n.a.	(132)
Special factors affecting net profit	254	720	(133)	124	n.a.	843	461	82.9	510
Impairment losses	0	0	(630)	0	n.a.	(630)	(48)	n.a.	(368)
Profit (loss) from financial activities	(21)	(8)	0	0	n.a.	(28)	(1)	n.a.	(4)
Income taxes	167	325	386	79	n.a.	878	374	n.a.	461
Non-controlling interests	108	403	111	45	n.a.	623	136	n.a.	421
SPECIAL FACTORS	**(368)**	**(525)**	**(692)**	**(52)**	**n.a.**	**(1,584)**	**(719)**	**n.a.**	**(1,081)**
NET PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)	**1,284**	**1,278**	**1,509**	**1,420**	**6.3**	**4,072**	**3,932**	**3.6**	**4,948**

EARNINGS PER SHARE, ADJUSTED EARNINGS PER SHARE

Earnings per share is calculated as net profit divided by the adjusted weighted average number of ordinary shares outstanding, which totaled 4,743 million as of September 30, 2020. This resulted in adjusted earnings per share of EUR 0.52, compared with EUR 0.68 in the first nine months of 2019. Adjusted earnings per share, adjusted for special factors affecting net profit, amounted to EUR 0.86 compared with EUR 0.83 in the prior-year period.

SPECIAL FACTORS

The following table presents a reconciliation of EBITDA AL, EBIT, and net profit/loss to the respective figures adjusted for special factors:

millions of €	EBITDA AL Q1-Q3 2020	EBIT Q1-Q3 2020	EBITDA AL Q1-Q3 2019	EBIT Q1-Q3 2019	EBITDA AL FY 2019	EBIT FY 2019
EBITDA AL/EBIT	**23,638**	**8,704**	**17,523**	**7,665**	**23,143**	**9,457**
GERMANY	**(534)**	**(534)**	**(375)**	**(375)**	**(453)**	**(453)**
Staff-related measures	(474)	(474)	(357)	(357)	(418)	(418)
Non-staff-related restructuring	(13)	(13)	(23)	(23)	(38)	(38)
Effects of deconsolidations, disposals and acquisitions	(25)	(25)	0	0	0	0
Impairment losses	0	0	0	0	0	0
Other	(22)	(22)	5	5	4	4
UNITED STATES	**(1,407)**	**(1,407)**	**(441)**	**(441)**	**(544)**	**(544)**
Staff-related measures	(32)	(32)	(6)	(6)	(17)	(17)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(955)	(955)	(435)	(435)	(527)	(527)
Impairment losses	0	0	0	0	0	0
Other	(420)	(420)	0	0	0	0
EUROPE	**(60)**	**(220)**	**(107)**	**(107)**	**(141)**	**(461)**
Staff-related measures	(99)	(99)	(91)	(91)	(111)	(111)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(2)	(2)	(10)	(10)	(23)	(23)
Impairment losses	0	(160)	0	0	0	(320)
Reversals of impairment losses	50	50	0	0	0	0
Other	(9)	(9)	(5)	(5)	(8)	(8)

millions of €	EBITDA AL Q1-Q3 2020	EBIT Q1-Q3 2020	EBITDA AL Q1-Q3 2019	EBIT Q1-Q3 2019	EBITDA AL FY 2019	EBIT FY 2019
SYSTEMS SOLUTIONS	**(158)**	**(583)**	**(220)**	**(247)**	**(310)**	**(338)**
Staff-related measures	(129)	(129)	(89)	(89)	(154)	(154)
Non-staff-related restructuring	(2)	(2)	(4)	(4)	(4)	(4)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	(11)	(11)
Impairment losses	0	(426)	0	(27)	0	(27)
Other	(26)	(26)	(126)	(126)	(141)	(141)
GROUP DEVELOPMENT	**(55)**	**(55)**	**109**	**109**	**97**	**97**
Staff-related measures	(9)	(9)	(16)	(16)	(19)	(19)
Non-staff-related restructuring	0	0	0	0	(1)	(1)
Effects of deconsolidations, disposals and acquisitions	(45)	(45)	126	126	111	111
Impairment losses	0	0	0	0	0	0
Other	(2)	(2)	0	0	4	4
GROUP HEADQUARTERS & GROUP SERVICES	**(214)**	**(258)**	**(145)**	**(145)**	**(237)**	**(237)**
Staff-related measures	(149)	(149)	(166)	(166)	(195)	(195)
Non-staff-related restructuring	(7)	(7)	(32)	(32)	(38)	(38)
Effects of deconsolidations, disposals and acquisitions	(67)	(67)	4	4	(13)	(13)
Impairment losses	0	(44)	0	0	0	0
Other	10	10	49	49	9	9
GROUP	**(2,427)**	**(3,058)**	**(1,178)**	**(1,228)**	**(1,589)**	**(1,959)**
Staff-related measures	(893)	(893)	(726)	(726)	(913)	(913)
Non-staff-related restructuring	(22)	(22)	(59)	(59)	(81)	(81)
Effects of deconsolidations, disposals and acquisitions	(1,093)	(1,093)	(315)	(315)	(462)	(462)
Impairment losses	0	(630)	0	(50)	0	(370)
Reversals of impairment losses	50	50	0	0	0	0
Other	(470)	(470)	(77)	(77)	(132)	(132)
EBITDA AL/EBIT (ADJUSTED FOR SPECIAL FACTORS)	**26,065**	**11,762**	**18,701**	**8,893**	**24,731**	**11,416**
Profit (loss) from financial activities (adjusted for special factors)		(3,176)		(1,487)		(2,192)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		**8,586**		**7,407**		**9,223**
Income taxes (adjusted for special factors)		(2,342)		(2,036)		(2,454)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		**6,245**		**5,371**		**6,770**
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		4,072		3,932		4,948
Non-controlling interests (adjusted for special factors)		2,173		1,439		1,822

EMPLOYEES

Headcount development

	Sept. 30, 2020	Dec. 31, 2019	Change	Change %
NUMBER OF FTEs IN THE GROUP	**227,584**	**210,533**	**17,051**	**8.1**
Of which: civil servants (in Germany, with an active service relationship)	11,012	12,153	(1,141)	(9.4)
Germany	66,899	69,117	(2,218)	(3.2)
United States	70,831	47,312	23,519	49.7
Europe	41,826	44,410	(2,584)	(5.8)
Systems Solutions	28,572	29,800	(1,228)	(4.1)
Group Development	2,662	2,603	59	2.3
Group Headquarters & Group Services	16,794	17,292	(498)	(2.9)

The Group's headcount increased by 8.1 percent compared with the end of 2019, mainly due to the integration of Sprint employees in the United States. The number of full-time equivalents increased by 49.7 percent as of September 30, 2020 compared to December 31, 2019 primarily due to the integration of Sprint employees. In our Germany operating segment, employees continued to take up socially responsible instruments in connection with staff restructuring, such as dedicated or phased retirement, which resulted in a decrease in the headcount of 3.2 percent against year-end 2019. In our Europe operating segment, the headcount was down 5.8 percent compared with the end of the prior year, with staff levels decreasing in Hungary, Romania, and Greece in particular. The total headcount in our Systems Solutions operating segment was down 4.1 percent against year-end 2019, primarily as a result of efficiency enhancement measures. The headcount in Germany decreased by 3.8 percent and in our national companies by 10.5 percent. Nearshoring and offshoring activities resulted in a 1.8 percent increase in the headcount at our international production sites. In the Group Development operating segment, the 2.3 percent increase in the number of employees can be attributed to the insourcing of activities previously carried out externally to achieve cost savings at T-Mobile Netherlands. The headcount in the Group Headquarters & Group Services segment was down 2.9 percent compared with the end of 2019, mainly due to ongoing staff restructuring at Vivento.

FINANCIAL POSITION OF THE GROUP

Condensed consolidated statement of financial position

millions of €

	Sept. 30, 2020	%	Dec. 31, 2019	%	Sept. 30, 2019
ASSETS					
Trade receivables	12,960	4.9	10,846	6.4	9,919
Intangible assets	120,873	45.6	68,202	40.0	69,645
Property, plant and equipment	61,594	23.2	49,548	29.0	49,982
Right-of-use assets	31,756	12.0	17,998	10.5	18,474
Current and non-current financial assets	9,293	3.5	7,250	4.2	7,270
Deferred tax assets	7,861	3.0	2,704	1.6	3,529
Non-current assets and disposal groups held for sale	44	0.0	97	0.1	177
Other assets	20,911	7.9	14,027	8.2	15,331
TOTAL ASSETS	**265,292**	**100.0**	**170,672**	**100.0**	**174,327**
LIABILITIES					
Current and non-current financial liabilities	107,856	40.7	66,349	38.9	69,658
Current and non-current lease liabilities	33,853	12.8	19,835	11.6	20,314
Trade and other payables	8,318	3.1	9,431	5.5	8,896
Provisions for pensions and other employee benefits	8,481	3.2	5,831	3.4	6,702
Deferred tax liabilities	17,706	6.7	8,954	5.2	9,683
Liabilities directly associated with non-current assets and disposal groups held for sale	0	0.0	29	0.0	0
Other liabilities	17,044	6.4	14,012	8.2	13,937
Shareholders' equity	72,034	27.2	46,231	27.1	45,137
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**265,292**	**100.0**	**170,672**	**100.0**	**174,327**

Total assets/total liabilities and shareholders' equity amounted to EUR 265.3 billion as of September 30, 2020, up by EUR 94.6 billion against December 31, 2019. This significant increase is mainly due to the change in the composition of the Group in connection with the acquisition of Sprint in the United States operating segment. The acquired and remeasured assets and liabilities of Sprint were included in all items of the statement of financial position upon consummation of the transaction on April 1, 2020.

For further information on the business combination of T-Mobile US and Sprint, please refer to the section "Changes in the composition of the Group" in the interim consolidated financial statements.

On the assets side, **trade receivables** amounted to EUR 13.0 billion, up by EUR 2.1 billion against the 2019 year-end. EUR 2.8 billion of this increase is attributable to the inclusion of Sprint as of April 1, 2020. Excluding this effect, receivables in the United States operating segment declined, mainly due to the marketing of lower-priced terminal equipment in connection with new contracts under the Equipment Installment Plan (EIP) and coronavirus-induced higher bad debt allowances. In the Germany operating segment, receivables increased as a result of the contractual termination of a revolving factoring agreement for receivables from consumers and business customers. In the other operating segments, receivables declined slightly overall. Exchange rate effects, primarily from the translation from U.S. dollars into euros, also reduced the carrying amounts.

The carrying amounts of **intangible assets** and **property, plant and equipment** increased by EUR 64.7 billion overall to EUR 182.5 billion, mainly on account of the assets of EUR 73.7 billion acquired in connection with the business combination of T-Mobile US and Sprint, which also includes preliminary goodwill arising from the transaction of EUR 8.4 billion. Capital expenditure totaling EUR 14.9 billion, especially to upgrade and build out the network in our United States operating segment, in connection with the broadband/fiber-optic build-out, the IP transformation, and mobile infrastructure in the Germany and Europe operating segments, also increased the carrying amounts. This also includes, in the United States operating segment, FCC spectrum licenses of EUR 1.0 billion – primarily acquired at a frequency auction that ended in March 2020 – and in the Group Development and Europe operating segments, spectrum licenses totaling EUR 0.5 billion – mainly in the Netherlands and Hungary. Depreciation and amortization reduced the net carrying amounts by EUR 14.5 billion in total. Negative exchange rate effects of EUR 7.8 billion, primarily from the translation of U.S. dollars into euros, reduced the carrying amounts, as did disposals of EUR 1.3 billion. The latter included EUR 0.2 billion in the United States for the derecognition of billing software for postpaid customers, which was still in development. Due to the migration of Sprint contract customers to the T-Mobile US billing software, it was decided that this software was not suitable for the joint customer base and would not be put into operation. In addition, the following impairment losses reduced the carrying amounts by a total of EUR 0.6 billion and the following reversal of impairment losses increased the carrying amounts by EUR 50 million:

In the Systems Solutions operating segment, the realignment of the B2B telecommunications business in combination with the effects of the coronavirus pandemic triggered ad hoc impairment testing of assets, which identified a reduction in the business outlook for IT operations. The result was the recognition of a non-cash impairment loss of EUR 0.5 billion on non-current assets of the Systems Solutions cash-generating unit. EUR 426 million of the impairment loss related to the Systems Solutions operating segment. Another EUR 44 million related to software recognized in the Group Headquarters & Group Services segment which is subject to use by the Systems Solutions operating segment and is allocated to the Systems Solutions cash-generating unit for the purposes of impairment testing.

An ad hoc impairment test was also conducted in the Europe operating segment on account of the sale of the Romanian fixed-network business planned since October 2020. In this context, the associated loss of the existing MVNO agreements results in the recognition of an impairment loss totaling EUR 160 million on non-current assets of the Romanian mobile business, which will remain within the Group. In the Romanian fixed-network business, the planned sale resulted in a reversal of impairment losses recognized in the past on property, plant and equipment of EUR 50 million.

Right-of-use assets with regard to leases increased by EUR 13.8 billion compared with December 31, 2019 to EUR 31.8 billion. In connection with the business combination with Sprint, right-of-use assets of EUR 6.3 billion were recognized. Another EUR 9.4 billion came from the agreement concerning the lease and use of cell sites concluded between T-Mobile US and American Tower on September 14, 2020. This was a modification to existing agreements with American Tower. The agreement gives T-Mobile US greater flexibility in the course of merging the mobile networks of T-Mobile US and Sprint and of the 5G network build-out.

Current and non-current financial assets increased by EUR 2.0 billion to EUR 9.3 billion. The acquisition of Sprint resulted in an increase of EUR 0.4 billion. Derivatives without a hedging relationship increased by EUR 0.7 billion, mainly in connection with new additions of embedded derivatives and embedded derivatives transferred in connection with the acquisition of Sprint at T-Mobile US, including their subsequent measurement and the subsequent measurement of the stock options to buy shares in T-Mobile US received from SoftBank in June 2020. Derivatives with a hedging relationship increased by EUR 1.3 billion, primarily due to the increase in positive fair values from interest rate swaps in fair value hedges. In addition, other financial assets increased by EUR 0.4 billion in connection with grants receivable from funding projects for the broadband build-out in Germany. In connection with cash collateral, in particular in connection with forward-payer swaps concluded for borrowings at T-Mobile US, which were terminated prematurely in April 2020, the carrying amount of other financial assets decreased by EUR 0.5 billion.

The increase of EUR 6.9 billion in **other assets** to EUR 20.9 billion was also mainly due to the inclusion of Sprint as of April 1, 2020. Cash and cash equivalents increased by EUR 5.2 billion.

On the liabilities and shareholders' equity side, current and non-current **financial liabilities** increased by EUR 41.5 billion compared with the end of 2019 to a total of EUR 107.9 billion. EUR 39.8 billion of this resulted from the transfer of liabilities from Sprint. Immediately after the transaction, liabilities of the former Sprint totaling USD 9.8 billion (EUR 8.9 billion) were repaid. Since then, a number of refinancing measures have been implemented in connection with the business combination. On April 1, 2020, T-Mobile US raised a new term loan of USD 4 billion (EUR 3.7 billion). Senior secured notes, issued on April 9, 2020 for a total of USD 19 billion (EUR 17.3 billion) were used to repay a briefly utilized bridge loan facility. Furthermore, T-Mobile US issued senior secured notes on June 24, 2020 for a total of USD 4.0 billion (EUR 3.6 billion). In the course of the third quarter of 2020, T-Mobile US repaid a number of bonds with a total value of EUR 3.6 billion, some of them prematurely. Furthermore, bonds with a total volume of EUR 1.6 billion when translated into euros were issued in the Group in various currencies in the first half of 2020. Bonds in various currencies with a total volume of EUR 6.3 billion when translated into euros were repaid. A Deutsche Bundespost treasury note (zero-coupon bond) issued in the past with a carrying amount of EUR 1.4 billion fell due on December 31, 2019 and was repaid on that date by a bank using its own funds. The payment by Deutsche Telekom AG to this bank was made on the following bank working day of January 2, 2020. Financial liabilities increased by EUR 1.2 billion in connection with collateral received for derivative financial instruments.

Current and non-current **lease liabilities** increased by EUR 14.0 billion to EUR 33.9 billion compared with December 31, 2019. EUR 6.8 billion of this increase is attributable to the inclusion of Sprint. In connection with the modification of existing leases that T-Mobile US agreed with American Tower, lease liabilities increased by EUR 9.4 billion. Exchange rate effects, in particular from the translation of U.S. dollars into euros, lowered the carrying amount by EUR 1.0 billion.

Trade and other payables decreased by EUR 1.1 billion to EUR 8.3 billion, due in particular to lower liabilities to terminal equipment vendors and declines in liabilities for purchased services in the United States operating segment. Liabilities also decreased in the other operating segments. Exchange rate effects, especially from the translation from U.S. dollars into euros, also decreased the carrying amount. The inclusion of Sprint increased the carrying amount by EUR 2.9 billion.

Provisions for pensions and other employee benefits increased from EUR 5.8 billion as of December 31, 2019 to EUR 8.5 billion, mainly due to a decline in the prices of plan assets, interest rate adjustments, and the change in the composition of the Group in connection with the acquisition of Sprint.

Other liabilities increased by EUR 3.0 billion compared with December 31, 2019 to EUR 17.0 billion, due in particular to higher current and non-current other liabilities, contract liabilities, and other provisions. The inclusion of Sprint increased other liabilities by EUR 0.7 billion. In addition, other liabilities increased by EUR 0.3 billion due to existing build-out obligations in connection with grants receivable from funding projects for the broadband build-out in the Germany operating segment. The carrying amounts of contract liabilities and other provisions also increased in particular as a result of the inclusion of Sprint.

Shareholders' equity increased from EUR 46.2 billion as of December 31, 2019 to EUR 72.0 billion. The business combination of T-Mobile US and Sprint consummated on April 1, 2020 resulted in an increase in shareholders' equity of EUR 30.7 billion as of the date of first-time consolidation. Profit of EUR 4.0 billion and capital increases from share-based payments of EUR 0.4 billion also increased the carrying amount. Shareholders' equity was reduced in connection with dividend payments for the 2019 financial year to Deutsche Telekom AG shareholders in the amount of EUR 2.8 billion and to other shareholders of subsidiaries in the amount of EUR 0.2 billion. Other comprehensive income also reduced shareholders' equity by EUR 6.2 billion. The main factors in this negative other comprehensive income were the currency translation effects recognized directly in equity (EUR 3.9 billion), the remeasurement of defined benefit plans (EUR 1.9 billion), and losses from hedging instruments, mainly from forward-payer swaps concluded for borrowings at T-Mobile US, which were terminated prematurely in April 2020 and for which the cumulative changes in value must be reversed over the terms of the loans (EUR 1.0 billion). By contrast, income taxes relating to components of other comprehensive income of EUR 0.4 billion had a positive impact on other comprehensive income.

For further information on the statement of financial position, please refer to the section "Selected notes to the consolidated statement of financial position" in the interim consolidated financial statements.

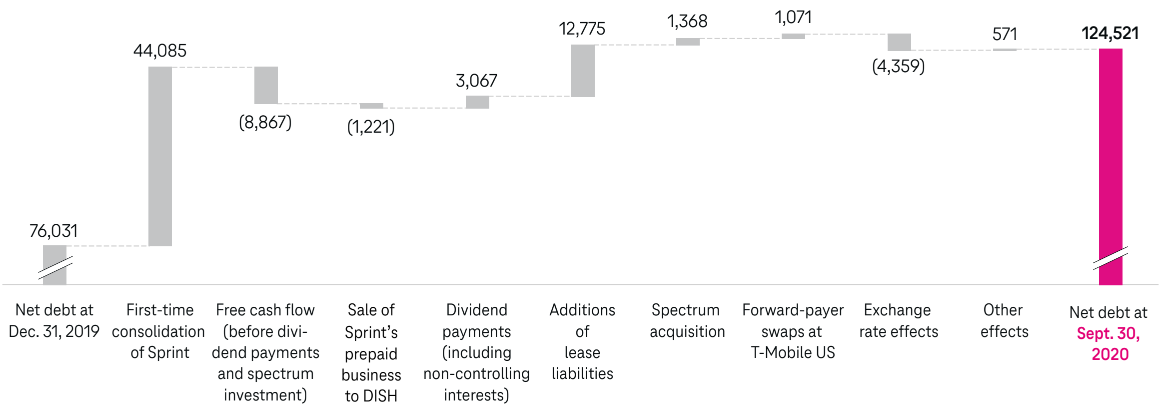
Calculation of net debt

millions of €

	Sept. 30, 2020	Dec. 31, 2019	Change	Change %	Sept. 30, 2019
Financial liabilities (current)	12,419	11,463	956	8.3	14,148
Financial liabilities (non-current)	95,437	54,886	40,551	73.9	55,510
Lease liabilities	33,853	19,835	14,018	70.7	20,314
FINANCIAL LIABILITIES AND LEASE LIABILITIES	**141,708**	**86,184**	**55,524**	**64.4**	**89,971**
Accrued interest	(1,115)	(748)	(367)	(49.1)	(731)
Other	(721)	(739)	18	2.4	(775)
GROSS DEBT	**139,872**	**84,697**	**55,175**	**65.1**	**88,465**
Cash and cash equivalents	10,642	5,393	5,249	97.3	6,461
Derivative financial assets	4,342	2,333	2,009	86.1	2,927
Other financial assets	367	940	(573)	(61.0)	270
NET DEBT	**124,521**	**76,031**	**48,490**	**63.8**	**78,807**

Changes in net debt

millions of €



Other effects of EUR 0.6 billion included effects from the measurement of embedded derivatives at T-Mobile US and a large number of smaller effects.

Calculation of free cash flow AL

millions of €

	Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
NET CASH FROM OPERATING ACTIVITIES	**3,960**	**5,148**	**7,338**	**5,924**	**23.9**	**16,445**	**17,531**	**(6.2)**	**23,074**
Interest payments for zero-coupon bonds	1,600	0	0	0	n.a.	1,600	0	n.a.	0
Termination of forward-payer swaps at T-Mobile US	0	2,158	0	0	n.a.	2,158	0	n.a.	0
NET CASH FROM OPERATING ACTIVITIES[a]	**5,560**	**7,306**	**7,338**	**5,924**	**23.9**	**20,203**	**17,531**	**15.2**	**23,074**
Cash capex	(3,570)	(4,547)	(4,763)	(3,180)	(49.8)	(12,880)	(11,206)	(14.9)	(14,357)
Spectrum investment	217	878	273	143	90.9	1,368	1,164	17.5	1,239
CASH CAPEX (BEFORE SPECTRUM INVESTMENT)	**(3,353)**	**(3,669)**	**(4,490)**	**(3,037)**	**(47.8)**	**(11,512)**	**(10,043)**	**(14.6)**	**(13,118)**
Proceeds from the disposal of intangible assets (excluding goodwill) and property, plant and equipment	87	41	49	26	88.5	176	108	63.0	176
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)[a]	**2,294**	**3,677**	**2,897**	**2,913**	**(0.5)**	**8,867**	**7,596**	**16.7**	**10,133**
Principal portion of repayment of lease liabilities[b]	(1,007)	(1,251)	(1,263)	(766)	(64.9)	(3,521)	(2,346)	(50.1)	(3,120)
FREE CASH FLOW AL (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)[a]	**1,287**	**2,425**	**1,634**	**2,147**	**(23.9)**	**5,347**	**5,250**	**1.8**	**7,013**

[a] Before interest payments for zero-coupon bonds and before termination of forward-payer swaps at T-Mobile US.

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

Free cash flow AL (before dividend payments and spectrum investment) increased by EUR 0.1 billion year-on-year to EUR 5.3 billion. The following effects impacted on this development:

Excluding interest payments for zero-coupon bonds and the premature termination of forward-payer swaps concluded for borrowings at T-Mobile US, **net cash from operating activities** increased by EUR 2.7 billion. In particular, the sustained strong performance of the operating segments, especially the United States, including Sprint, had an increasing effect on net cash from operating activities. Higher (net) interest payments, which were up by EUR 1.5 billion in total, mainly as a result of the financial liabilities recognized and the restructuring begun in connection with the acquisition of Sprint, and the related increase in financing, including the handling charges incurred for a briefly utilized bridge loan facility, had a negative effect. Income tax payments decreased by EUR 0.1 billion compared with the prior-year period. Factoring agreements of EUR 0.6 billion had a negative impact on net cash from operating activities in the first three quarters of 2020, mainly as a result of the contractual termination of a revolving factoring agreement in the Germany operating segment. In the prior-year period, factoring agreements had had a positive effect of EUR 0.3 billion.

Cash capex (before spectrum investment) increased by EUR 1.5 billion to EUR 11.5 billion, largely on account of the inclusion of Sprint and the ongoing 5G network build-out in the United States. In the Germany operating segment, cash capex decreased by EUR 0.4 billion.

The increase in repayments of lease liabilities was due in particular to payments for leases in the United States operating segment, partly as a result of the inclusion of Sprint, and partly as a result of payments for new leases concluded in 2019 for network technology and cell sites in connection with the 5G network build-out.

For further information on the statement of cash flows, please refer to the section "Notes to the consolidated statement of cash flows" in the interim consolidated financial statements.

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS

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

Our B2B telecommunications business was realigned with effect from July 1, 2020. A new B2B unit was created in the Germany operating segment, and the assets and liabilities previously assigned to the Systems Solutions, Europe, and Group Headquarters & Group Services segments have been transferred to the new unit. Prior-year comparatives in these segments (development of operations, customer development, headcount development, and order entry) were adjusted retrospectively.

For further information on the realignment of the B2B telecommunications business, please refer to the sections "Group organization, strategy, and management" and "Segment reporting" in the interim consolidated financial statements.

GERMANY

CUSTOMER DEVELOPMENT

thousands	Sept. 30, 2020	June 30, 2020	Change Sept. 30, 2020/ June 30, 2020 %	Dec. 31, 2019	Change Sept. 30, 2020/ Dec. 31, 2019 %	Sept. 30, 2019	Change Sept. 30, 2020/ Sept. 30, 2019 %
Mobile customers	47,844	47,395	0.9	46,189	3.6	45,598	4.9
Contract customers	25,744	25,505	0.9	25,291	1.8	25,138	2.4
Prepaid customers	22,100	21,889	1.0	20,898	5.8	20,460	8.0
Fixed-network lines	17,602	17,649	(0.3)	17,824	(1.2)	17,996	(2.2)
Of which: retail IP-based	17,509	17,509	0.0	17,479	0.2	17,158	2.0
Retail broadband lines	13,997	13,900	0.7	13,730	1.9	13,683	2.3
Of which: optical fiber	9,246	9,012	2.6	8,529	8.4	8,231	12.3
Television (IPTV, satellite)	3,787	3,724	1.7	3,618	4.7	3,544	6.9
Unbundled local loop lines (ULLs)	4,235	4,361	(2.9)	4,638	(8.7)	4,770	(11.2)
Wholesale broadband lines	7,633	7,552	1.1	7,372	3.5	7,282	4.8
Of which: optical fiber	6,287	6,155	2.1	5,863	7.2	5,719	9.9

Total

In Germany we continue to be market leader both in terms of fixed-network and mobile revenues. This success is attributable to our high-performance networks. We offer best customer experience with award-winning network quality – in the fixed network as in mobile communications – and with a broad product portfolio and excellent service. We want to offer our customers a seamless and technology-neutral telecommunications experience. To this end we market not only fixed-network and mobile products, but also convergence products such as our brand-new MagentaEINS Plus rate plan, introduced on September 22, 2020. This new offering bundles our connectivity services for home and on the move in a single contract. Our MagentaEINS convergence product remains very popular among customers, with more than 4.9 million subscribers at the end of the third quarter of 2020. That's an increase of 4.5 percent against year-end 2019.

We continued to see strong demand for our fiber-optic-based lines. As of the end of September 2020, the total number of lines had increased to over 15.5 million. In other words, we connected a further 1.1 million lines to our fiber-optic network in Germany in the first nine months of 2020. With the progress made in fiber-optic rollout and vectoring technology, we also successfully drove forward the marketing of higher bandwidths.

Mobile communications

We won a further 1.7 million mobile customers in the first nine months of 2020. Of these, a total of 453 thousand were high-value contract customers under our Telekom and congstar brands. Sustained high demand for mobile rate plans with included data volumes continues to drive this trend. The number of mobile contract customers with resellers (service providers) increased slightly, primarily due to the volatile developments at some of our service providers. We have added 1.2 million prepaid customers since the start of the year, largely on the back of our automotive offerings targeted specifically at business customers.

The StreamOn option, with which customers can stream certain music, gaming, or video services without reducing their included data allowance, remains very popular. At the end of the third quarter of 2020, more than 3.7 million customers were using this option, up by 34 percent year-on-year.

Fixed network
Due to the persistently challenging development in the fixed-network market, primarily owing to aggressive pricing offers of competitors, we are pursuing new paths in marketing. Our focus is on convergence offerings and further development of such products: We offer MagentaTV with exclusive access to a wide range of additional content in the Megathek library and via popular streaming services, and with TV lines and fiber-optic-based lines and, since September 2020, our MagentaEINS Plus rate plan. Our brand-new convergence product offers customers Germany-wide unlimited data volume plus added benefits for the community and no minimum contract term.

The number of broadband lines increased by 267 thousand or 1.9 percent compared with year-end 2019. After completing the IP migration for all consumers in Germany, broadband customer additions were up significantly compared with 123 thousand additions in the first three quarters of 2019. We added 169 thousand TV customers in the first nine months of 2020, increasing the customer base by 4.7 percent compared with the end of the prior year. In traditional fixed-network business, the number of lines declined by 222 thousand. This marked a considerable reduction in line losses compared with the prior-year period, which had been affected in particular by the migration of consumers to IP.

Wholesale
At the end of September 2020, fiber-optic-based lines accounted for 53.0 percent of all lines – 4.2 percentage points higher than at the end of 2019. This growth was driven largely by high demand for our contingent model. The number of unbundled local loop lines decreased by 403 thousand compared with the end of the prior year, partly as a result of the shift to higher-value fiber-optic-based lines and partly from consumers switching to cable providers. In addition, our wholesale customers are migrating their retail customers to their own fiber-optic-based lines. The total number of wholesale lines at the end of the third quarter of 2020 was around 11.9 million.

DEVELOPMENT OF OPERATIONS

millions of €		Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
TOTAL REVENUE		5,830	5,850	5,839	5,905	(1.1)	17,520	17,507	0.1	23,730
Consumers		2,869	2,897	2,875	2,903	(1.0)	8,642	8,589	0.6	11,602
Business Customers		2,170	2,154	2,168	2,203	(1.6)	6,492	6,547	(0.8)	8,954
Wholesale		742	749	744	742	0.3	2,235	2,202	1.5	2,944
Other		49	51	52	56	(7.1)	152	169	(10.1)	230
Profit from operations (EBIT)		952	1,067	1,075	1,304	(17.6)	3,093	3,178	(2.7)	4,327
EBIT margin	%	16.3	18.2	18.4	22.1		17.7	18.2		18.2
Depreciation, amortization and impairment losses		(1,091)	(1,102)	(1,109)	(982)	(12.9)	(3,303)	(3,252)	(1.6)	(4,341)
EBITDA		2,043	2,169	2,184	2,286	(4.5)	6,396	6,430	(0.5)	8,668
Special factors affecting EBITDA		(207)	(124)	(203)	(67)	n.a.	(534)	(375)	(42.4)	(453)
EBITDA (adjusted for special factors)		2,250	2,293	2,387	2,352	1.5	6,930	6,805	1.8	9,121
EBITDA AL		2,034	2,160	2,170	2,277	(4.7)	6,364	6,400	(0.6)	8,630
Special factors affecting EBITDA AL		(207)	(124)	(203)	(67)	n.a.	(534)	(375)	(42.4)	(453)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)		2,241	2,284	2,373	2,343	1.3	6,898	6,774	1.8	9,083
EBITDA AL margin (adjusted for special factors)	%	38.4	39.0	40.6	39.7		39.4	38.7		38.3
CASH CAPEX		(1,043)	(910)	(961)	(1,080)	11.0	(2,914)	(3,391)	14.1	(4,414)

Total revenue
In the first nine months of 2020, we generated total revenue of EUR 17.5 billion, which was up by 0.1 percent year-on-year and thus virtually on a par with the prior-year level. This increase was mainly due to the positive trend in our fixed-network business on the back of growth in broadband revenues of 5.5 percent and in wholesale products of 2.0 percent. Overall, revenue was affected during the year by the effects of the coronavirus pandemic, such as temporary travel restrictions and the deteriorated economic situation. This had a negative impact on roaming, visitor, and terminal equipment revenues, and resulted in delays or postponements to current orders in B2B telecommunications business. By contrast, variable revenue components developed positively. The growth in fixed-network business was sufficient to offset the overall decline in revenues.

Revenue from **Consumers** grew by 0.6 percent year-on-year. Volume-driven declines in revenue from voice components continue to strongly impact on traditional fixed-network business. By contrast, revenue from broadband business increased by 4.5 percent. The growth in mobile business of 1.5 percent reflected the effects of the negative trends in roaming and visitor revenues in consequence of the coronavirus pandemic.

Revenue from **Business Customers** declined by 0.8 percent. IT revenues increased by 3.7 percent and mobile revenues declined by 1.3 percent compared with the prior-year period. Business customer operations were also affected by the aforementioned negative impact of the coronavirus crisis, particularly in mobile business. Volume losses, primarily from the migration of fixed-network lines to IP, had a further negative effect, continuing to drive the decline in traditional voice telephony.

The B2B telecommunications business, which was integrated into the Germany operating segment effective July 1, 2020, reported a decline in revenue as of the end of the third quarter of 1.9 percent year-on-year. This is attributable to the deteriorated economic situation in consequence of the coronavirus pandemic and to market-related factors such as price erosion and competitive pressure in solutions business.

For further information on the realignment of the B2B telecommunications business, please refer to the section "Group organization, strategy, and management."

Wholesale revenue was up at the end of the third quarter of 2020 by 1.5 percent year-on-year. The positive trend in the number of fiber-optic-based lines, driven mainly by the contingency model, continued in 2020 with an increase of 9.9 percent compared with the end of September 2019 and partially offset the decrease in revenues from declining volumes of unbundled local loop lines. The positive effect of the coronavirus pandemic on voice revenue in the first half of 2020 was not sustained throughout the third quarter of 2020.

Adjusted EBITDA AL, EBITDA AL

EBITDA AL adjusted for special factors increased by EUR 124 million or 1.8 percent year-on-year to EUR 6.9 billion. Our adjusted EBITDA AL margin increased to 39.4 percent, up from 38.7 percent in the prior-year period. The main reasons for this increase are a sound operational development, driven by high-value revenue growth and enhanced cost efficiency. Lower personnel costs resulting mainly from the smaller headcount and the ongoing implementation of efficiency enhancement and digitalization measures reduced costs. Higher expenses recognized as special factors for socially responsible instruments in connection with the staff restructuring, in particular the dedicated retirement program, had an offsetting effect. EBITDA AL remained more or less stable in the first nine months of 2020 at EUR 6.4 billion or 0.6 percent below the prior-year level.

EBIT

Profit from operations was down 2.7 percent year-on-year to EUR 3.1 billion, partly as a result of the slightly lower EBITDA level together with higher depreciation, amortization and impairment losses year-on-year, mainly on account of higher depreciation of property, plant and equipment.

Cash capex

Cash capex decreased by 14.1 percent year-on-year, mainly as a result of the changed accounting treatment of grants receivable from funding projects for the broadband build-out as of the start of the third quarter of 2019. As part of our integrated network strategy, we continue to invest in the broadband and fiber-optic rollout, and in our mobile infrastructure. The number of households connected by pure fiber-optic lines increased to 1.9 million in the third quarter of 2020. In addition, thanks to our integrated network strategy our customers benefited from greater coverage with fast mobile broadband. As of September 30, 2020, we supplied 98.4 percent of households in Germany with LTE.

UNITED STATES
CUSTOMER DEVELOPMENT

thousands

	Sept. 30, 2020	June 30, 2020	Change Sept. 30, 2020/ June 30, 2020 %	Dec. 31, 2019	Change Sept. 30, 2020/ Dec. 31, 2019 %	Sept. 30, 2019	Change Sept. 30, 2020/ Sept. 30, 2019 %
Branded customers[a]	100,362	107,720	(6.8)	67,895	47.8	66,503	50.9
Postpaid customers[b]	79,732	77,753	2.5	47,034	69.5	45,720	74.4
Postpaid phone customers	65,794	65,105	1.1	40,346	63.1	39,344	67.2
Other postpaid customers	13,938	12,648	10.2	6,689	n.a.	6,376	n.a.
Prepaid customers[b, c]	20,630	29,967	(31.2)	20,860	(1.1)	20,783	(0.7)

Adaptations of the customer base

thousands

	July 1, 2020	Adjustment of customer definition for Sprint's prepaid business as of July 1, 2020[c]	June 30, 2020	Apr. 1, 2020	Adjustment of customer definition at Sprint as of Apr. 1, 2020[b]	Sprint additions	Mar. 30, 2020
Branded customers[a]	98,327	(9,393)	107,720	106,290	(4,853)	42,600	68,543
Postpaid customers[b]	77,753	0	77,753	76,641	(5,514)	34,344	47,811
Postpaid phone customers	65,105	0	65,105	64,852	(1,861)	25,916	40,797
Other postpaid customers	12,648	0	12,648	11,789	(3,653)	8,428	7,014
Prepaid customers[b, c]	20,574	(9,393)	29,967	29,649	661	8,256	20,732

[a] Starting in Q1 2020, T-Mobile US discontinued reporting of wholesale customers due to the expansion of machine-to-machine (M2M) and Internet of Things (loT) products and instead will continue to focus on postpaid and prepaid customer reporting.

[b] Includes customers acquired in connection with the Sprint Merger and certain customer base adjustments.

[c] In connection with obtaining regulatory approval for the Sprint Merger, on July 1, 2020, substantially all prepaid customers acquired were subsequently acquired by DISH. Upon closing of the transaction with DISH, we entered into a Mobile Virtual Network Operator (MVNO) agreement to provide network services to customers of their prepaid business for a period of up to seven years. As a result, we included a base adjustment to reduce prepaid customers by 9.4 million in the third quarter of 2020. The prepaid customers included in our total customers as of June 30, 2020 include the customers subsequently acquired by DISH and are expected to be different than the customers included under the MVNO agreement, and classified as wholesale customers, due to differences in customer reporting policies.

Branded customers

At September 30, 2020, the United States operating segment (T-Mobile US) had 100.4 million customers, compared to 67.9 million customers at December 31, 2019. Net customer additions were 4.1 million for the nine months ended September 30, 2020, compared to 3.5 million net customer additions for the nine months ended September 30, 2019, due to the factors described below.

Postpaid net customer additions were 3.9 million for the nine months ended September 30, 2020, compared to 3.2 million postpaid net customer additions for the nine months ended September 30, 2019. The increase resulted from higher postpaid other net customer additions primarily due to higher gross additions from connected devices primarily due to educational institution additions and lower churn, partially offset by lower switching activity in the industry from reduced store traffic due to temporary retail store closures arising from the coronavirus pandemic. This increase was partially offset by lower postpaid phone net customer additions primarily due to lower switching activity in the industry from reduced store traffic due to temporary retail store closures arising from the coronavirus pandemic and an increase in churn from the inclusion of the customer base acquired in the Sprint Merger.

Prepaid net customer additions were 247 thousand for the nine months ended September 30, 2020, compared to 262 thousand prepaid net customer additions for the nine months ended September 30, 2019. The decrease was primarily due to lower switching activity in the industry from reduced store traffic due to temporary retail store closures arising from the coronavirus pandemic, partially offset by lower churn.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
TOTAL REVENUE		10,157	17,297	16,569	10,006	65.6	44,024	29,629	48.6	40,420
Profit from operations (EBIT)		1,509	1,959	2,395	1,444	65.9	5,863	4,285	36.8	5,488
EBIT margin	%	14.9	11.3	14.5	14.4		13.3	14.5		13.6
Depreciation, amortization and impairment losses		(2,084)	(4,589)	(4,528)	(1,976)	n.a.	(11,201)	(5,681)	(97.2)	(7,777)
EBITDA		3,593	6,548	6,923	3,421	n.a.	17,064	9,965	71.2	13,265
Special factors affecting EBITDA		(274)	(892)	(168)	(142)	(18.3)	(1,334)	(441)	n.a.	(544)
EBITDA (adjusted for special factors)		3,867	7,441	7,091	3,563	99.0	18,398	10,406	76.8	13,809
EBITDA AL		2,886	5,412	5,753	2,732	n.a.	14,051	7,983	76.0	10,590
Special factors affecting EBITDA AL		(274)	(892)	(240)	(142)	(69.0)	(1,407)	(441)	n.a.	(544)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)		3,160	6,304	5,994	2,874	n.a.	15,458	8,424	83.5	11,134
EBITDA AL margin (adjusted for special factors)	%	31.1	36.4	36.2	28.7		35.1	28.4		27.5
CASH CAPEX		(1,708)	(2,679)	(2,744)	(1,329)	n.a.	(7,131)	(5,314)	(34.2)	(6,369)

Total revenue

Total revenue for the United States operating segment of EUR 44.0 billion in the nine months ended September 30, 2020, increased by 48.6 percent, compared to EUR 29.6 billion in the nine months ended September 30, 2019. In U.S. dollars, T-Mobile US' total revenues increased by 49.0 percent year-over year primarily due to increased service revenues as well as increased equipment revenues. The components of these changes are described below.

Service revenues increased for the nine months ended September 30, 2020 primarily due to higher average postpaid customers driven by customers acquired in the Sprint Merger, the growing success of new customer segments and rate plans as well as continued growth in existing and new markets, growth in other connected devices, primarily due to growth in educational institution customers, as well as wearable products. The increase in service revenues was also driven by higher postpaid phone ARPU and higher roaming and other service revenues primarily from the inclusion of wireline operations acquired in the Sprint Merger.

Equipment revenues increased for the nine months ended September 30, 2020 primarily due to the Sprint Merger including increases in lease revenues due to a higher number of customer devices under lease, an increase in revenues primarily related to the liquidation of returned devices, and an increase in equipment sales from leased devices, primarily due to an increase in purchased leased devices. In addition to these revenues primarily due to the Sprint Merger, there was an increase in device sales revenue, excluding purchased leased devices.

Other revenues were essentially flat for the nine months ended September 30, 2020.

Adjusted EBITDA AL, EBITDA AL

In euros, adjusted EBITDA AL increased by 83.5 percent to EUR 15.5 billion in the nine months ended September 30, 2020, compared to EUR 8.4 billion in the nine months ended September 30, 2019. The adjusted EBITDA AL margin increased to 35.1 percent in the nine months ended September 30, 2020, compared to 28.4 percent in the nine months ended September 30, 2019. In U.S. dollars, adjusted EBITDA AL increased by 84.2 percent during the same period. Adjusted EBITDA AL increased primarily due to higher service revenues and equipment revenues as discussed above. These increases were partially offset by increases in expenses primarily due to the Sprint Merger including those associated with backhaul agreements, other tower expenses, employee-related and benefit-related costs primarily due to increased headcount, external labor and professional services, lease and rent costs, and advertising. Additional increases in expenses primarily due to the Sprint Merger include those associated with costs related to the liquidation of returned devices, leased device cost of equipment sales, primarily due to an increase in purchased leased devices, repair and maintenance costs, and legal-related expenses for risk provisioning and commitments. In addition to these costs primarily due to the Sprint Merger, were increases in expenses primarily due to the continued build-out of our nationwide 5G network, costs associated with our restructuring activities, device cost of equipment sales, excluding purchased leased devices, higher cost devices used for device insurance claims fulfillment, bad debt primarily due to the estimated macro-economic impacts of the coronavirus pandemic, and commission expense primarily due to higher gross customer additions. The impact from commission costs capitalization and amortization, including a benefit from new costs capitalized as result of the Sprint Merger, reduced adjusted EBITDA AL by USD 69 million in the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019.

EBITDA AL for the nine months ended September 30, 2020, included special factors of EUR -1.4 billion compared to special factors of EUR -0.4 billion for the nine months ended September 30, 2019. The change in special factors was primarily due to an increase of EUR 0.6 billion in Merger-related costs including transaction costs, including legal and professional services related to the completion of the Merger; EUR 0.6 billion of restructuring costs, including severance, store rationalization and network decommissioning; and integration costs to achieve synergies in network, retail, IT, and back office operations. Also, EUR 0.4 billion in third-party commissions and cleaning-related expenses associated with the coronavirus pandemic, EUR 0.2 billion postpaid billing system disposal, and EUR 0.1 billion in accelerated amortization of right-of-use assets. These increases were partially offset by the EUR 0.3 billion transaction fee received from SoftBank. Overall, EBITDA AL increased by 76.0 percent to EUR 14.1 billion in the nine months ended September 30, 2020, compared to EUR 8.0 billion in the nine months ended September 30, 2019, due to the factors described above, including special factors.

EBIT

EBIT increased to EUR 5.9 billion in the nine months ended September 30, 2020, compared to EUR 4.3 billion in the nine months ended September 30, 2019. In U.S. dollars, EBIT increased by 37.3 percent during the same period primarily due to higher EBITDA AL. In U.S. dollars, depreciation and amortization increased by 98.2 percent primarily due to higher depreciation expense from assets acquired in the Sprint Merger, excluding leased devices, and network expansion from the continued build-out of our nationwide 5G network, higher depreciation expense on leased devices resulting from a higher total number of customer devices under lease, primarily from customers acquired in the Sprint Merger, and higher amortization from intangible assets acquired in the Sprint Merger.

Cash capex

Cash capex increased to EUR 7.1 billion in the nine months ended September 30, 2020, compared to EUR 5.3 billion in the nine months ended September 30, 2019. In U.S. dollars, cash capex increased by 34.5 percent primarily due to network integration related to the Sprint Merger and the continued build-out of our nationwide 5G network and an increase in spectrum purchases.

EUROPE
CUSTOMER DEVELOPMENT

thousands

		Sept. 30, 2020	June 30, 2020	Change Sept. 30, 2020/ June 30, 2020 %	Dec. 31, 2019	Change Sept. 30, 2020/ Dec. 31, 2019 %	Sept. 30, 2019	Change Sept. 30, 2020/ Sept. 30, 2019 %
EUROPE, TOTAL	Mobile customers	45,743	45,665	0.2	46,165	(0.9)	46,501	(1.6)
	Contract customers[a]	26,699	26,528	0.6	26,245	1.7	26,023	2.6
	Prepaid customers[a]	19,044	19,137	(0.5)	19,920	(4.4)	20,478	(7.0)
	Fixed-network lines[b]	9,062	9,040	0.2	9,105	(0.5)	9,069	(0.1)
	Of which: IP-based[b]	8,381	8,322	0.7	8,311	0.8	8,208	2.1
	Broadband customers	6,866	6,806	0.9	6,672	2.9	6,599	4.0
	Television (IPTV, satellite, cable)	4,986	4,960	0.5	4,945	0.8	4,919	1.4
	Unbundled local loop lines (ULLs)/wholesale PSTN	2,262	2,265	(0.1)	2,294	(1.4)	2,291	(1.3)
	Wholesale broadband lines[c]	639	602	6.1	533	19.9	512	24.8
GREECE	Mobile customers	7,071	7,172	(1.4)	7,365	(4.0)	7,505	(5.8)
	Fixed-network lines	2,584	2,575	0.3	2,638	(2.0)	2,625	(1.6)
	Broadband customers	2,141	2,112	1.4	2,033	5.3	1,993	7.4
ROMANIA	Mobile customers	4,691	4,710	(0.4)	4,916	(4.6)	5,051	(7.1)
	Fixed-network lines	1,467	1,487	(1.3)	1,560	(6.0)	1,608	(8.8)
	Broadband customers	934	959	(2.6)	1,014	(7.9)	1,040	(10.2)
HUNGARY	Mobile customers	5,425	5,398	0.5	5,369	1.0	5,323	1.9
	Fixed-network lines	1,742	1,722	1.2	1,703	2.3	1,690	3.1
	Broadband customers	1,299	1,271	2.2	1,231	5.5	1,209	7.4
POLAND	Mobile customers	11,071	11,021	0.5	10,954	1.1	10,908	1.5
	Fixed-network lines	31	29	6.9	18	72.2	19	63.2
	Broadband customers	29	24	20.8	18	61.1	11	n.a.
CZECH REPUBLIC	Mobile customers	6,181	6,239	(0.9)	6,265	(1.3)	6,282	(1.6)
	Fixed-network lines[b]	593	583	1.7	533	11.3	477	24.3
	Broadband customers	361	356	1.4	320	12.8	305	18.4
CROATIA	Mobile customers	2,292	2,232	2.7	2,274	0.8	2,359	(2.8)
	Fixed-network lines	888	893	(0.6)	908	(2.2)	914	(2.8)
	Broadband customers	623	622	0.2	621	0.3	622	0.2
SLOVAKIA	Mobile customers	2,412	2,399	0.5	2,428	(0.7)	2,432	(0.8)
	Fixed-network lines	862	861	0.1	860	0.2	855	0.8
	Broadband customers	598	591	1.2	576	3.8	565	5.8
AUSTRIA	Mobile customers	5,098	4,990	2.2	5,019	1.6	5,024	1.5
	Fixed-network lines	560	556	0.7	549	2.0	548	2.2
	Broadband customers	625	620	0.8	612	2.1	609	2.6
OTHER[d]	Mobile customers	1,502	1,505	(0.2)	1,576	(4.7)	1,617	(7.1)
	Fixed-network lines	335	333	0.6	335	0.0	334	0.3
	Broadband customers	256	252	1.6	249	2.8	245	4.5

[a] M2M cards (machine-to-machine) were reclassified Group-wide as of January 1, 2020 and assigned exclusively to the prepaid customer segment. The portion of M2M cards which had previously been recognized in the contract customer segment was reclassified accordingly. Comparative figures have been adjusted retrospectively.

[b] The prior-year comparatives for IP-based fixed-network lines in the Czech Republic were adjusted as part of the standardization of the underlying customer definition.

[c] The prior-year comparatives for wholesale broadband lines in Croatia and Greece were adjusted as part of the standardization of the underlying customer definition.

[d] "Other": national companies of North Macedonia, Montenegro, and the lines of the GTS Central Europe group in Romania. We sold the national company in Albania as of May 7, 2019.

Total
At the start of the second quarter of 2020, customer development in the markets of our Europe segment was affected by the travel restrictions and temporary shop closures imposed in response to the coronavirus pandemic. In the summer months, however, this tense situation appeared generally to ease, although not to the extent that pre-coronavirus normality was restored. By making greater use of digitalized services, such as our service app and service center services, in customer acquisition and retention, we managed to shore up sales and service and thereby largely offset the negative effects of the coronavirus pandemic through our convergent products and our network infrastructure. Our MagentaOne convergent product portfolio in particular enjoyed high popularity, generating double-digit growth in FMC customers of 14.3 percent. We are continuously building out our fixed-network infrastructure with state-of-the-art fiber-optic-based lines (FTTH, FTTB, and FTTC), with the national companies in Greece, Hungary, and Slovakia seeing the greatest rollout progress in the first nine months of 2020. Since the start of the year, the number of broadband customers has increased by 2.9 percent.

In mobile business, we recorded growth in high-value contract customers, almost offsetting the decline in the prepaid customer base. In 5G, we reached the first milestone a year ago with the market launch in Austria. At the start of April 2020, Hungary also launched, following the successful 5G auction. Poland was the third national company to launch 5G commercially, also in the second quarter of 2020. The plan is to add more 5G networks following the spectrum auctions still anticipated in various countries in 2020.

Mobile communications
In the Europe operating segment, we had 45.7 million mobile customers in the first nine months of 2020, a marginal decline of 0.9 percent compared with the end of 2019. The number of high-value contract customers rose by 1.7 percent (and compared with the third quarter of the prior year by as much as 2.6 percent). The contract customer bases increased in most of our national companies, with particularly strong growth recorded in Romania, Austria, Poland, Hungary, and Greece. Overall, contract customers account for 58.4 percent of the total customer base. In addition to our innovative services and rate plans, we launched a new product portfolio – in line with the “more for more” principle. After we had initially offered this new portfolio in some countries last year, other countries were added during the reporting year. Our customers can now select high-value add-on services – e.g., more data – for a small additional monthly fee. The new portfolio also satisfies the growing demand for data volume driven by video streaming and gaming services. In addition, thanks to our integrated network strategy our customers benefited from greater coverage with fast mobile broadband. As of September 30, 2020, we covered 97.3 percent of the population in the countries of our operating segment with LTE, reaching around 107 million people in total.

By contrast, the prepaid customer base declined in line with expectations, also in part on account of the negative effects of the coronavirus pandemic. This is partly due to the fact that our market approach is focused on contract rate plans and on offering our prepaid customers attractive high-value rate plans. A proportion of these prepaid customers have already taken up this offer. Furthermore, inactive SIM cards are deactivated from the customer base at regular intervals.

Fixed network
Broadband business continued to grow despite the coronavirus pandemic, with the customer base increasing by 2.9 percent compared with the end of the prior year to a total of 6.9 million (compared with the prior-year quarter, it grew by as much as 4.0 percent). The customer bases of our national companies in Greece, Hungary, the Czech Republic, and Slovakia in particular saw substantial growth. By continuing to invest in innovative fiber-optic-based technologies, we are systematically building out our fixed-network infrastructure. Thus, we increased household coverage with optical fiber at our four largest national companies to 3.8 million households as of September 30, 2020. The number of IP-based lines increased to account for 92.5 percent of all fixed-network lines by the end of September 2020. The total number of fixed-network lines in our Europe operating segment was on a par with the prior-year level at 9.1 million.

The TV and entertainment business had a total of 5.0 million customers as of September 30, 2020, up slightly compared with the end of the prior year (and by as much as 1.4 percent compared with the same quarter of the prior year). With both telecommunications providers and OTT players offering TV services, the TV market is already saturated in many countries of our segment.

FMC – fixed-mobile convergence
Our portfolio of convergent products, MagentaOne, was highly popular with consumers across all of our national companies. At the end of the first nine months of 2020, we had 5.5 million FMC customers; this corresponds to growth of 10.4 percent compared with the end of the prior year (21.9 percent compared with the same quarter of the prior year). Our national companies in Greece, Hungary, and Austria in particular contributed to this double-digit growth. We have also seen accelerated growth in the marketing of our MagentaOne Business product to business customers.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
TOTAL REVENUE		2,759	2,706	2,880	2,929	(1.7)	8,344	8,507	(1.9)	11,587
Greece		707	692	763	771	(1.0)	2,162	2,188	(1.2)	2,943
Romania		237	229	244	243	0.4	710	691	2.7	980
Hungary		427	405	429	456	(5.9)	1,262	1,370	(7.9)	1,872
Poland		360	359	365	373	(2.1)	1,084	1,087	(0.3)	1,486
Czech Republic		266	255	268	274	(2.2)	789	796	(0.9)	1,088
Croatia		214	215	247	252	(2.0)	675	711	(5.1)	960
Slovakia		186	186	190	199	(4.5)	562	574	(2.1)	785
Austria		313	317	330	318	3.8	960	939	2.2	1,276
Other[a]		66	64	73	72	1.4	204	225	(9.3)	298
Profit (loss) from operations (EBIT)		348	365	382	457	(16.4)	1,095	1,113	(1.6)	1,109
EBIT margin	%	12.6	13.5	13.3	15.6		13.1	13.1		9.6
Depreciation, amortization and impairment losses		(659)	(642)	(823)	(691)	(19.1)	(2,124)	(2,060)	(3.1)	(3,114)
EBITDA		1,007	1,007	1,205	1,148	5.0	3,219	3,173	1.4	4,223
Special factors affecting EBITDA		(39)	(51)	30	(22)	n.a.	(60)	(107)	43.9	(141)
EBITDA (adjusted for special factors)		1,046	1,058	1,175	1,171	0.3	3,279	3,279	0.0	4,364
EBITDA AL		897	901	1,094	1,038	5.4	2,893	2,842	1.8	3,769
Special factors affecting EBITDA AL		(39)	(51)	30	(22)	n.a.	(60)	(107)	43.9	(141)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)		936	952	1,064	1,061	0.3	2,953	2,948	0.2	3,910
Greece		288	285	326	337	(3.3)	899	910	(1.2)	1,212
Romania		34	36	50	36	38.9	120	90	33.3	141
Hungary		114	125	139	149	(6.7)	377	408	(7.6)	551
Poland		96	97	98	98	0.0	290	290	0.0	383
Czech Republic		110	105	109	107	1.9	324	328	(1.2)	448
Croatia		76	82	95	104	(8.7)	253	278	(9.0)	360
Slovakia		79	80	88	85	3.5	247	247	0.0	327
Austria		123	124	136	136	0.0	383	368	4.1	467
Other[a]		17	19	23	9	n.a.	59	29	n.a.	20
EBITDA AL margin (adjusted for special factors)	%	33.9	35.2	36.9	36.2		35.4	34.7		33.7
CASH CAPEX		(438)	(562)	(431)	(385)	(11.9)	(1,431)	(1,295)	(10.5)	(1,816)

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

a "Other": national companies of North Macedonia, Montenegro, and the GTS Central Europe group in Romania, as well as the Europe Headquarters. We sold the national company in Albania as of May 7, 2019.

Total revenue

Our Europe operating segment generated total revenue of EUR 8.3 billion as of September 30, 2020, a year-on-year decrease of 1.9 percent. In organic terms, i.e., assuming constant exchange rates and adjusted for the sale of Telekom Albania, revenue remained on a par with the prior-year level, despite the deterioration in economic conditions due to the coronavirus pandemic.

The fixed-network business proved to be solid once again in the third quarter: for example, we recorded an increase in organic revenue from broadband business in part as a result of the ongoing build-out of our networks. In many places, we have been rated the telecommunications company with the best network (e.g., Connect readers' choice 2020, Ookla tests in Greece and Croatia). Thanks to the wide range of services we offer, the TV business also recorded slight growth rates. Both the systems solutions business and the wholesale business increased compared with the prior year, driven in part by higher revenue in Romania. We recorded a slight organic decline in mobile revenues compared with the prior year. This was primarily driven by declines in roaming revenues as a result of the travel restrictions, some of which are still in place, as well as in the low-margin terminal equipment business. These negative effects have been partially offset by increases in higher-margin service revenues (excluding roaming).

Looking at the development by country, our national companies in Poland, Austria, Romania, and the Czech Republic recorded the organic best development of revenue in the first nine months of 2020. This offset the decline in revenue in Croatia, Greece, and Slovakia in particular.

Revenue from **Consumers** declined by 1.6 percent compared with the prior-year period. Lower revenue from mobile terminal equipment business and from roaming was only partially offset by gains in higher-margin service revenues (excluding roaming). In the fixed network, revenue from broadband/TV business increased thanks to our innovative TV and entertainment offerings as well as the continuous rollout of fiber-optic technology. This offset the decline in revenue from voice telephony. In addition, the higher number of FMC customers had a positive impact on revenue.

Revenue from **Business Customers** remained more or less unchanged in the first nine months of 2020 compared with the prior-year period, mainly due to successful ICT deals, for example with our corporate customers in Greece and Croatia, but also thanks to EU funding initiatives such as public sector digitalization. Lower roaming revenues, primarily as a result of coronavirus-induced travel restrictions, were almost fully offset by sustained demand for faster internet connections and the associated collaboration solutions.

Adjusted EBITDA AL, EBITDA AL

Our Europe operating segment generated adjusted EBITDA AL of EUR 3.0 billion in the first nine months of 2020, which was on a par with the prior-year level. In organic terms, i.e., assuming constant exchange rates and adjusted for the sale of Telekom Albania, adjusted EBITDA AL increased by 2.1 percent, thus continuing to make a positive contribution to earnings. In addition to the positive revenue contribution, savings in indirect costs (primarily due to lower personnel, marketing, and travel costs) contributed to this development.

Looking at the development by country, the increase in adjusted organic EBITDA AL was largely attributable to the positive trends at our national companies in Romania, Austria, and Poland. Contrasting developments were reported primarily at the national company in Croatia, where decreases in mobile revenues, especially from roaming and sales of terminal equipment, as well as decreases in voice telephony in fixed-network business, were only partially offset by positive revenue effects from the systems solutions as well as the broadband and TV business.

EBITDA AL increased by 1.8 percent year-on-year to EUR 2.9 billion. The expense arising from special factors was slightly below the prior-year level, partly on account of the fixed-network business in Romania, the sale of which has been planned since October 2020. This resulted in an ad hoc reversal of impairment losses that had previously been recognized on property, plant and equipment in the amount of EUR 50 million. In organic terms, EBITDA AL grew by 3.7 percent.

Development of operations in selected countries

Greece. In Greece, revenue declined in the first nine months of 2020, coming in at EUR 2.2 billion, 1.2 percent lower than in the prior-year period. In mobile business in particular, service revenues declined due mainly to the developments in roaming. Sales of mobile terminal equipment increased again slightly year-on-year. Business with the convergent product portfolio also contributed to growth thanks to higher customer numbers. In the fixed-network business, revenues continued to increase: the broadband business posted particularly strong growth as a result of the ongoing rollout of fiber-optic lines and vectoring. The systems solutions business also recorded clear growth, while the wholesale business remained at the prior-year level.

In the first nine months of 2020, adjusted EBITDA AL in Greece stood at EUR 899 million, a slight decrease of 1.2 percent against the prior-year period, with a decrease in revenue being partially offset by lower overall costs.

Hungary. In the first nine months of 2020, revenue in Hungary stood at EUR 1.3 billion, down by 7.9 percent year-on-year, largely driven by negative exchange rate effects. In organic terms, revenue decreased only slightly by 0.7 percent, primarily due to a decline in revenue from systems solutions business, which was unable to replicate the order volume recorded in the prior year, especially in the public sector. This was contrasted by further increases in revenues from both broadband and TV business, driven by a larger and higher-value customer base. The mobile business also posted an increase against the prior-year period, mainly driven by higher revenue from the sale of mobile terminal equipment. Service revenues (excluding roaming) also increased, due in part to much higher data usage. This offset the lower roaming revenues resulting from the temporary travel restrictions that had been imposed. Our MagentaOne convergence products also continued to perform well, with substantial customer additions and corresponding revenue.

Adjusted EBITDA AL stood at EUR 377 million, down 7.6 percent year-on-year. In organic terms, adjusted EBITDA AL was more or less stable compared with the prior-year period. Savings, particularly in indirect costs, due in part to lower personnel costs, partially offset the decline in revenue.

Poland. In Poland, revenue stood at EUR 1.1 billion as of September 30, 2020, unchanged against the prior-year level. In organic terms, revenue increased by 2.6 percent. This growth is based on both higher mobile and fixed-network revenue. Higher service revenues in the mobile business were sufficient to offset the declines, particularly in terminal equipment sales and roaming revenues. The increase in high-value service revenues was attributable to both volume-driven increases in revenues from voice telephony and a higher-value customer base. In the fixed network, systems solutions in particular performed well. There was also slight growth in the fixed-network core business, which overall offset the negative effects from the decline in wholesale business.

Adjusted EBITDA AL came in at EUR 290 million, on a par with the prior-year level. In organic terms, adjusted EBITDA AL increased by 2.7 percent, mainly on the back of a higher net margin.

Czech Republic. In the first nine months of 2020, revenue in the Czech Republic stood at EUR 789 million, down 0.9 percent on the prior-year level. In organic terms, revenue increased by 1.6 percent. The fixed-network business was a strong driver of growth, recording substantial year-on-year increases in broadband and TV business in particular. The continuous investments in new fiber-optic networks paid off with a higher number of customers. Mobile business remained on a par with the prior-year level. The declines in roaming revenues and in low-margin terminal equipment sales were almost fully offset by the increase in higher-margin service revenues. Our MagentaOne and MagentaOne Business convergence products also continued to perform very well, with rising customer numbers and corresponding revenue.

Adjusted EBITDA AL decreased by 1.2 percent year-on-year to EUR 324 million. In organic terms, earnings increased by 1.3 percent against the previous year: the positive organic revenue contribution was partially offset by slight overall increases in direct and indirect costs.

Austria. Revenue in Austria totaled EUR 960 million as of September 30, 2020. This increase of 2.2 percent was mainly attributable to higher mobile terminal equipment sales. Business with higher-margin service revenues also contributed positively to revenue. The Magenta product portfolio, which was launched in May last year, has been very well received by our customers. This allowed us to fully offset the sharp decline in roaming revenues. Since the launch of the Magenta brand, we now also offer convergent products in addition to mobile broadband internet services. The positive response of our customers to our convergence products can also be seen in the development of fixed-network operations: the broadband business in particular generated positive growth rates, among other things as a result of a larger customer base.

Adjusted EBITDA AL increased substantially by 4.1 percent year-on-year to EUR 383 million. In addition to the positive revenue effects, lower indirect costs also contributed to this growth.

EBIT
EBIT in our Europe operating segment remained more or less stable in the first three quarters of 2020 at EUR 1.1 billion. In connection with the sale of the Romanian fixed-network business planned since October 2020, an ad hoc impairment loss of EUR 160 million was recognized on non-current assets of the Romanian mobile business which is to remain in the Group. This impairment was the result of the discontinuance of the previously existing MVNO agreements. Depreciation and amortization were down slightly on the prior-year period.

Cash capex
As of September 30, 2020, our Europe operating segment reported cash capex of EUR 1.4 billion, up 10.5 percent year-on-year. This increase is partly due to a rise in cash outflows for the acquisition of spectrum licenses in Hungary. Moreover, we continue to invest in the provision of broadband and fiber-optic technology and in 5G as part of our integrated network strategy.

SYSTEMS SOLUTIONS
ORDER ENTRY

millions of €	Q1-Q3 2020	H1 2020	FY 2019	Q1-Q3 2019	Change Q1-Q3 2020/ Q1-Q3 2019 %
ORDER ENTRY	2,503	1,801	4,740	3,276	(23.6)

Development of business
The first nine months of 2020 were dominated by the ongoing strategic development of our systems solutions business with a focus on growth and future viability, as well as our extensive transformation program, and the effects of the coronavirus pandemic.

Under the transformation program we realigned our organization and workflows, adjusted capacities, and developed a new strategy for our portfolio. Stand-alone portfolio units assume responsibility not only for our growth areas but also for our traditional IT business. Consistent with our efforts to implement the Group's strategy pillar "Lead in business productivity," on July 1, 2020, we combined our B2B telecommunications operations in our Germany operating segment.

Furthermore, the effects of the coronavirus pandemic on the global economy continue to impact on the financial position of our business customers. In some cases, this led to delays in current projects and the postponement of deal closures, especially in the areas of traditional IT and digital solutions. As a result, order entry in our Systems Solutions operating segment decreased year-on-year by 23.6 percent in the first nine months of 2020, which was below our expectations.

DEVELOPMENT OF OPERATIONS

millions of €		Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
TOTAL REVENUE		1,066	1,069	961	1,087	(11.6)	3,095	3,254	(4.9)	4,424
Of which: external revenue		841	830	745	838	(11.1)	2,416	2,525	(4.3)	3,423
Loss from operations (EBIT)		(68)	(81)	(468)	(60)	n.a.	(618)	(323)	(91.3)	(425)
Special factors affecting EBIT		(39)	(59)	(486)	(57)	n.a.	(583)	(247)	n.a.	(338)
EBIT (adjusted for special factors)		(30)	(22)	17	(3)	n.a.	(34)	(76)	55.3	(87)
EBIT margin (adjusted for special factors)	%	(2.8)	(2.1)	1.8	(0.3)		(1.1)	(2.3)		(2.0)
Depreciation, amortization and impairment losses		(109)	(110)	(500)	(112)	n.a.	(720)	(367)	(96.2)	(479)
EBITDA		41	29	32	52	(38.5)	102	43	n.a.	54
Special factors affecting EBITDA		(39)	(59)	(60)	(57)	(5.3)	(158)	(220)	28.2	(310)
EBITDA (adjusted for special factors)		79	88	92	109	(15.6)	260	263	(1.1)	364
EBITDA AL		10	(2)	8	23	(65.2)	15	(43)	n.a.	(60)
Special factors affecting EBITDA AL		(39)	(59)	(60)	(57)	(5.3)	(158)	(220)	28.2	(310)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)		49	57	67	80	(16.3)	173	176	(1.7)	250
EBITDA AL margin (adjusted for special factors)	%	4.6	5.3	7.0	7.4		5.6	5.4		5.7
CASH CAPEX		(32)	(60)	(71)	(61)	(16.4)	(163)	(219)	25.6	(356)

Total revenue

Total revenue in our Systems Solutions operating segment in the first nine months of 2020 decreased by 4.9 percent year-on-year to EUR 3.1 billion, reflecting the coronavirus-induced decline of the IT market in Western Europe. The upward revenue trend in our growth areas public cloud and security was not sufficient to fully offset the declines in traditional IT and project business. The development of the digital solutions business was particularly affected by the impact of the coronavirus pandemic on the automotive industry.

Adjusted EBITDA AL, EBITDA AL

In the first nine months of 2020, adjusted EBITDA AL in our Systems Solutions operating segment decreased only slightly by 1.7 percent year-on-year to EUR 173 million. The decrease in earnings in traditional IT business and in project business, partly due to the effects of the coronavirus pandemic, were largely offset by efficiency enhancement effects from our transformation program and strong growth in our growth areas (especially public cloud, Internet of Things (IoT), and security). EBITDA AL increased by EUR 58 million compared with the prior year to EUR 15 million, thanks to the streamlining of the portfolio in 2019. As a result, special factors were down EUR 62 million on the prior year, at EUR -158 million.

Adjusted EBIT, EBIT

Adjusted EBIT in our Systems Solutions operating segment in the first nine months of 2020 improved by EUR 42 million year-on-year, coming in at EUR -34 million, mainly as a result of declines in depreciation and amortization. The realignment of the B2B telecommunications business in combination with the effects of the coronavirus pandemic triggered ad hoc impairment testing, which identified a reduction in the business outlook for IT operations. This resulted in the recognition of a non-cash impairment loss of around EUR 0.4 billion on non-current assets in the systems solutions business, which reduced EBIT to EUR -0.6 billion.

Cash capex

Cash capex in the Systems Solutions operating segment stood at EUR 163 million in the first nine months of 2020, compared with EUR 219 million in the prior-year period. This was due to a reduced need for investments in traditional IT business and in the area of digital solutions, which was impacted by the effects of the coronavirus pandemic on the automotive industry. Going forwards, we will continue to focus our investments on developing our growth business.

GROUP DEVELOPMENT

CUSTOMER DEVELOPMENT

thousands		Sept. 30, 2020	June 30, 2020	Change Sept. 30, 2020/ June 30, 2020 %	Dec. 31, 2019	Change Sept. 30, 2020/ Dec. 31, 2019 %	Sept. 30, 2019	Change Sept. 30, 2020/ Sept. 30, 2019 %
NETHERLANDS	Mobile customers	5,761	5,741	0.3	5,610	2.7	5,528	4.2
	Fixed-network lines	661	644	2.6	619	6.8	601	10.0
	Broadband customers	647	628	3.0	605	6.9	586	10.4

The number of mobile customers and fixed-network lines in the Netherlands continued to increase steadily on the back of the positive development of operational business. Despite the deteriorated economic situation in consequence of the coronavirus pandemic as well as intense competition, we recorded customer additions in mobile business thanks to our rate plans, which offer large inclusive data volumes through to unlimited data. The number of customers in the fixed-network consumer portfolio also continued to grow.

DEVELOPMENT OF OPERATIONS

millions of €		Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
TOTAL REVENUE		708	716	719	704	2.1	2,142	2,068	3.6	2,797
Of which: Netherlands		476	480	484	479	1.0	1,441	1,398	3.1	1,910
Of which: GD Towers		247	248	248	239	3.8	743	714	4.1	945
Profit from operations (EBIT)		139	123	154	270	(43.0)	417	498	(16.3)	615
Depreciation, amortization and impairment losses		(194)	(192)	(190)	(208)	8.7	(576)	(607)	5.1	(812)
EBITDA		333	316	344	479	(28.2)	993	1,105	(10.1)	1,427
Special factors affecting EBITDA		(7)	(37)	(11)	134	n.a.	(55)	109	n.a.	97
EBITDA (adjusted for special factors)		340	353	355	345	2.9	1,049	996	5.3	1,330
Of which: Netherlands		157	163	163	153	6.5	482	437	10.3	591
Of which: GD Towers		195	195	199	197	1.0	589	577	2.1	771
EBITDA AL		262	246	273	402	(32.1)	781	883	(11.6)	1,130
Special factors affecting EBITDA AL		(7)	(37)	(11)	134	n.a.	(55)	109	n.a.	97
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)		269	283	284	269	5.6	836	774	8.0	1,033
Of which: Netherlands		136	143	141	132	6.8	419	372	12.6	502
Of which: GD Towers		145	145	149	142	4.9	439	420	4.5	563
EBITDA AL margin (adjusted for special factors)	%	38.0	39.5	39.5	38.2		39.0	37.4		36.9
CASH CAPEX		(119)	(117)	(330)	(99)	n.a.	(566)	(291)	(94.5)	(452)

Total revenue

Total revenue in our Group Development operating segment increased in the first three quarters of 2020 by 3.6 percent year-on-year to EUR 2.1 billion, thanks to the operational growth of our two subsidiaries, T-Mobile Netherlands and DFMG. In the Netherlands, both mobile and fixed-network business contributed to the increase in revenue. The GD Towers unit also recorded a year-on-year increase in revenue, driven by volume-based growth at DFMG.

Adjusted EBITDA AL, EBITDA AL

Adjusted EBITDA AL increased by 8.0 percent year-on-year to EUR 836 million. This growth was attributable to the aforementioned positive revenue trend at T-Mobile Netherlands, synergies from the takeover of Tele2 Netherlands, and efficient cost management in the company. The GD Towers business continued to post consistent growth on the back of rising volumes. By contrast, EBITDA decreased by 11.6 percent to EUR 781 million. This was due to negative special factors of EUR 55 million arising in part from consulting services in connection with the business combination of T-Mobile US and Sprint and the integration of Tele2 Netherlands at T-Mobile Netherlands. The prior-year figure included positive net special factors of EUR 109 million, mainly resulting from the allocation of our share of 11 percent in Ströer SE & Co. KGaA to Deutsche Telekom Trust e.V.

EBIT

EBIT decreased by 16.3 percent year-on-year to EUR 417 million, mainly as a result of the special factors described under adjusted EBITDA AL. Depreciation, amortization and impairment losses were down on the prior-year period.

Cash capex

Cash capex increased by EUR 275 million year-on-year to EUR 566 million, mainly due to the acquisition of mobile licenses by T-Mobile Netherlands. It also grew as a result of additional investments for the 5G build-out and those required to integrate Tele2 Netherlands and higher capital expenditure at DFMG in connection with building out mobile infrastructure in Germany.

GROUP HEADQUARTERS & GROUP SERVICES

DEVELOPMENT OF OPERATIONS

millions of €	Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
TOTAL REVENUE	634	651	625	635	(1.6)	1,910	1,967	(2.9)	2,627
Loss from operations (EBIT)	(365)	(345)	(430)	(352)	(22.2)	(1,140)	(1,050)	(8.6)	(1,631)
Depreciation, amortization and impairment losses	(295)	(325)	(358)	(285)	(25.6)	(978)	(846)	(15.6)	(1,143)
EBITDA	(69)	(20)	(73)	(67)	(9.0)	(162)	(204)	20.6	(488)
Special factors affecting EBITDA	(58)	(81)	(75)	(22)	n.a.	(214)	(145)	(47.6)	(237)
EBITDA (adjusted for special factors)	(11)	62	2	(45)	n.a.	52	(59)	n.a.	(251)
EBITDA AL	(161)	(108)	(164)	(165)	0.6	(434)	(506)	14.2	(887)
Special factors affecting EBITDA AL	(58)	(81)	(75)	(22)	n.a.	(214)	(145)	(47.6)	(237)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)	(103)	(27)	(90)	(143)	37.1	(220)	(361)	39.1	(650)
CASH CAPEX	(230)	(240)	(223)	(232)	3.9	(693)	(730)	5.1	(1,010)

Total revenue

Total revenue in our Group Headquarters & Group Services segment decreased in the reporting period by 2.9 percent year-on-year, mainly as a result of lower revenue from land and buildings, largely due to the ongoing optimization of space.

Adjusted EBITDA AL, EBITDA AL

Adjusted EBITDA AL in the Group Headquarters & Group Services segment improved by EUR 141 million year-on-year in the reporting period to EUR -220 million. This increase was mainly due to lower operating expenses at our Group Services, higher income from real estate sales, and the reduced headcount at Vivento as a result of the continued staff restructuring. Furthermore, lower IT-related costs at Deutsche Telekom IT had a positive impact. By contrast, lower revenue from land and buildings had a negative impact on adjusted EBITDA AL.

Overall, EBITDA AL was negatively impacted in the reporting period by special factors amounting to EUR 214 million, especially for staff-related measures. This contrasts with special factors of EUR 145 million in the prior-year period, also in particular for staff-related measures.

EBIT

The year-on-year decline in EBIT of EUR 90 million to EUR -1,140 million was largely a result of two contrasting effects: the increase in depreciation, amortization and impairment losses on the one hand, and the positive development of EBITDA AL on the other. The increase in depreciation, amortization and impairment losses is mainly attributable to the increased volume of output in connection with the introduction of agile processes and shorter project runtimes at Deutsche Telekom IT. An impairment loss was also recognized in the amount of EUR 44 million on software used by the Systems Solutions operating segment. This was a consequence of the ad hoc impairment testing carried out in the Systems Solutions cash-generating unit. By contrast, depreciation, amortization and impairment losses from land and buildings decreased as a result of our continued optimization of the real estate portfolio.

Cash capex

Cash capex decreased by EUR 37 million year-on-year, primarily owing to lower investment in technology and innovation.

EVENTS AFTER THE REPORTING PERIOD

Please refer to the section “Events after the reporting period” in the interim consolidated financial statements.

FORECAST

The statements in this section reflect the current views of our management. The business combination of T-Mobile US and Sprint has a material impact on our results of operations and financial position. The forecasts published in the combined management report in the 2019 Annual Report did not contain the possible effects of the transaction. In the Interim Group Report as of June 30, 2020 we published our guidance already taking the business combination of T-Mobile US and Sprint as of April 1, 2020 into account.

Contrary to the forecasts published in the Interim Group Report as of June 30, 2020, we now expect to post stronger-than-expected increases in the Group’s adjusted EBITDA AL and free cash flow AL for the 2020 financial year despite the challenging economic environment in consequence of the coronavirus pandemic. We now expect adjusted EBITDA AL for the Group of at least EUR 35 billion, up from the previous forecast of around EUR 34 billion, for the 2020 financial year. This latest upward revision is partly attributable to stronger-than-expected business performance in the United States operating segment, where we now anticipate adjusted EBITDA AL to come in at around USD 23.5 billion or around USD 1.0 billion higher than our previous forecast, and partly to business outside of the United States, where we expect adjusted EBITDA AL of EUR 14.0 billion, up from the previous guidance of EUR 13.9 billion. We thus expect overall business performance to more than offset the negative effects in our Systems Solutions operating segment, where we anticipate that the pandemic-driven difficult market climate in terms of new business will cause us to fall short of our original guidance for revenue, adjusted EBITDA AL, and order entry.

Due to our raised guidance for adjusted EBITDA AL, we are also raising our Group forecast for full-year free cash flow AL from the previous figure of at least EUR 5.5 billion to at least EUR 6.0 billion in 2020.

For cash capex, our most recent guidance continues to apply: We expect cash capex (before spectrum investment) for the United States operating segment of around USD 11 billion; among other factors, this is attributable to the investments expected in connection with the integration of the two companies. We expect cash capex (before spectrum investment) for the Group in 2020 to come in at around EUR 17 billion.

The realignment of the B2B telecommunications business did not result in any changes in the forecasts published in the 2019 Annual Report in the affected operating segments apart from retroactively adjusted original values.

For details on the realignment of the B2B telecommunications business, please refer to the section “Group organization, strategy, and management.”

All other statements made remain valid.

For more information about the coronavirus pandemic and the associated business risks, please refer to the section “Risks and opportunities.” We also look at the economic trends in the section “The economic environment.” Readers are also referred to the Disclaimer at the end of this report.

RISKS AND OPPORTUNITIES

This section provides important additional information and explains recent changes in the risks and opportunities as described in the combined management report of the 2019 Annual Report. Readers are also referred to the Disclaimer at the end of this report.

The coronavirus pandemic has developed into a global economic crisis. Higher demand for certain telecommunications services means the impact of the crisis is being felt less severely by the telecommunications industry than by other industries. There is still a great deal of uncertainty regarding the extent to which business activities and thus the results of operations and financial position of Deutsche Telekom could be affected overall as the coronavirus pandemic unfolds. Possible factors could include the introduction of new travel restrictions, the closure of Telekom Shops, disrupted supply chains, further declines in roaming and visitor volumes, falling terminal equipment sales, or a drop in the number of new contracts being taken out. In addition, corporate customer business may decline further, for example, due to delayed or changed customer decisions. The possibility of an increase in the number of consumers and business customers defaulting on their payments cannot be ruled out either. Deutsche Telekom has put in place cost-saving measures to mitigate potential effects on earnings. The coronavirus pandemic has a negative impact on the Group's economic business risks. In the United States, Germany, and Europe operating segments, the risk significance was regraded from "low" to "medium" in the first three quarters of 2020.

The business combination of T-Mobile US and Sprint was consummated on April 1, 2020. Implementing the business combination poses complex challenges for T-Mobile US, which must be successfully overcome in order to realize the predicted synergies and to meet the conditions imposed by the authorities. The combination of the two companies to form the new T-Mobile US affects all operational areas; for instance, the integration of the mobile networks and the IT and technology environments, customer management, sales, HR management, logistics, and the control environment. At the same time, it will be necessary to fulfill multiple conditions, including those agreed with the antitrust and regulatory authorities such as the Federal Communications Commission (FCC), the U.S. Department of Justice (DoJ), the supervisory authorities in various U.S. states, and the Committee on Foreign Investment in the United States (CFIUS). With the divestiture of Sprint's prepaid business and the confirmation of an agreement to sell spectrum to DISH, on July 1, 2020, we fulfilled a major prerequisite of the U.S. authorities for approving the merger. Following the first half of 2020, we increased the risk significance in the risk category "Risks relating to the market and environment, United States" to "high" to reflect the challenges posed by the integration.

ASSESSMENT OF THE AGGREGATE RISK POSITION

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

millions of €

	Sept. 30, 2020	Dec. 31, 2019	Change	Change %	Sept. 30, 2019
ASSETS					
CURRENT ASSETS	**32,725**	**24,689**	**8,036**	**32.5**	**24,563**
Cash and cash equivalents	10,642	5,393	5,249	97.3	6,461
Trade receivables	12,960	10,846	2,114	19.5	9,919
Contract assets	1,926	1,876	50	2.7	1,882
Current recoverable income taxes	213	481	(268)	(55.7)	446
Other financial assets	2,650	3,254	(604)	(18.6)	2,614
Inventories	2,342	1,568	774	49.4	1,598
Other assets	1,948	1,175	773	65.8	1,465
Non-current assets and disposal groups held for sale	44	97	(53)	(54.6)	177
NON-CURRENT ASSETS	**232,568**	**145,983**	**86,585**	**59.3**	**149,764**
Intangible assets	120,873	68,202	52,671	77.2	69,645
Property, plant and equipment	61,594	49,548	12,046	24.3	49,982
Right-of-use assets	31,756	17,998	13,758	76.4	18,474
Capitalized contract costs	2,133	2,075	58	2.8	1,988
Investments accounted for using the equity method	550	489	61	12.5	397
Other financial assets	6,643	3,996	2,647	66.2	4,656
Deferred tax assets	7,861	2,704	5,157	n.a.	3,529
Other assets	1,159	970	189	19.5	1,092
TOTAL ASSETS	**265,292**	**170,672**	**94,620**	**55.4**	**174,327**
LIABILITIES					
CURRENT LIABILITIES	**35,109**	**32,913**	**2,196**	**6.7**	**35,249**
Financial liabilities	12,419	11,463	956	8.3	14,148
Lease liabilities	5,134	3,987	1,147	28.8	4,146
Trade and other payables	8,318	9,431	(1,113)	(11.8)	8,896
Income tax liabilities	558	463	95	20.5	387
Other provisions	3,490	3,082	408	13.2	2,697
Other liabilities	3,525	2,850	675	23.7	3,299
Contract liabilities	1,666	1,608	58	3.6	1,676
Liabilities directly associated with non-current assets and disposal groups held for sale	0	29	(29)	(100.0)	0
NON-CURRENT LIABILITIES	**158,149**	**91,528**	**66,621**	**72.8**	**93,941**
Financial liabilities	95,437	54,886	40,551	73.9	55,510
Lease liabilities	28,718	15,848	12,870	81.2	16,167
Provisions for pensions and other employee benefits	8,481	5,831	2,650	45.4	6,702
Other provisions	5,018	3,581	1,437	40.1	3,489
Deferred tax liabilities	17,706	8,954	8,752	97.7	9,683
Other liabilities	2,375	1,972	403	20.4	1,894
Contract liabilities	414	456	(42)	(9.2)	496
TOTAL LIABILITIES	**193,259**	**124,441**	**68,818**	**55.3**	**129,190**
SHAREHOLDERS' EQUITY	**72,034**	**46,231**	**25,803**	**55.8**	**45,137**
Issued capital	12,189	12,189	0	0.0	12,189
Treasury shares	(46)	(47)	1	2.1	(47)
	12,143	**12,142**	**1**	**0.0**	**12,142**
Capital reserves	62,610	55,029	7,581	13.8	54,992
Retained earnings including carryforwards	(39,398)	(38,709)	(689)	(1.8)	(39,520)
Total other comprehensive income	(2,927)	(622)	(2,305)	n.a.	(351)
Net profit (loss)	2,487	3,867	(1,380)	(35.7)	3,213
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	**34,916**	**31,707**	**3,209**	**10.1**	**30,475**
Non-controlling interests	37,118	14,524	22,594	n.a.	14,662
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**265,292**	**170,672**	**94,620**	**55.4**	**174,327**

Sprint has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. This transaction affects the comparability of the figures for the current period with the prior-year figures. For further information on the transaction, please refer to the section "Changes in the composition of the Group."

CONSOLIDATED INCOME STATEMENT

millions of €

	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
NET REVENUE	**26,393**	**20,017**	**31.9**	**73,377**	**59,169**	**24.0**	**80,531**
Of which: interest income calculated using the effective interest method	61	85	(28.2)	218	264	(17.4)	345
Other operating income	254	389	(34.7)	1,073	846	26.8	1,121
Changes in inventories	(1)	24	n.a.	29	79	(63.3)	29
Own capitalized costs	702	600	17.0	2,029	1,779	14.1	2,418
Goods and services purchased	(11,065)	(8,916)	(24.1)	(31,307)	(26,540)	(18.0)	(36,956)
Personnel costs	(4,618)	(4,013)	(15.1)	(14,233)	(12,576)	(13.2)	(16,723)
Other operating expenses	(1,050)	(787)	(33.4)	(3,386)	(2,282)	(48.4)	(3,301)
Impairment losses on financial assets	(197)	(127)	(55.1)	(671)	(268)	n.a.	(452)
Gains (losses) from the write-off of financial assets measured at amortized cost	(52)	7	n.a.	(137)	(39)	n.a.	(42)
Other	(801)	(667)	(20.1)	(2,578)	(1,975)	(30.5)	(2,807)
EBITDA	**10,615**	**7,314**	**45.1**	**27,581**	**20,476**	**34.7**	**27,120**
Depreciation, amortization and impairment losses	(7,508)	(4,256)	(76.4)	(18,876)	(12,811)	(47.3)	(17,663)
PROFIT FROM OPERATIONS	**3,107**	**3,058**	**1.6**	**8,704**	**7,665**	**13.6**	**9,457**
Finance costs	(1,100)	(591)	(86.1)	(3,100)	(1,784)	(73.8)	(2,364)
Interest income	105	90	16.7	298	248	20.2	348
Interest expense	(1,205)	(681)	(76.9)	(3,398)	(2,033)	(67.1)	(2,712)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(1)	6	n.a.	(7)	107	n.a.	87
Other financial income (expense)	111	(30)	n.a.	(96)	190	n.a.	81
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(990)**	**(615)**	**(61.0)**	**(3,204)**	**(1,488)**	**n.a.**	**(2,197)**
PROFIT (LOSS) BEFORE INCOME TAXES	**2,116**	**2,442**	**(13.3)**	**5,501**	**6,178**	**(11.0)**	**7,260**
Income taxes	(495)	(623)	20.5	(1,463)	(1,662)	12.0	(1,993)
PROFIT (LOSS)	**1,621**	**1,819**	**(10.9)**	**4,038**	**4,516**	**(10.6)**	**5,268**
PROFIT (LOSS) ATTRIBUTABLE TO							
Owners of the parent (net profit (loss))	817	1,368	(40.3)	2,487	3,213	(22.6)	3,867
Non-controlling interests	804	451	78.3	1,550	1,303	19.0	1,401

Sprint has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. This transaction affects the comparability of the figures for the current period with the prior-year figures. For further information on the transaction, please refer to the section "Changes in the composition of the Group."

EARNINGS PER SHARE

		Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	817	1,368	(40.3)	2,487	3,213	(22.6)	3,867
Adjusted weighted average number of basic/diluted ordinary shares outstanding	millions	4,743	4,743	0.0	4,743	4,743	0.0	4,743
EARNINGS PER SHARE BASIC/DILUTED	€	**0.17**	**0.29**	**(41.4)**	**0.52**	**0.68**	**(23.5)**	**0.82**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	Q3 2020	Q3 2019	Change	Q1-Q3 2020	Q1-Q3 2019	Change	FY 2019
PROFIT (LOSS)	**1,621**	**1,819**	**(198)**	**4,038**	**4,516**	**(478)**	**5,268**
Items not subsequently reclassified to profit or loss (not recycled)							
Gains (losses) from the remeasurement of equity instruments	(12)	22	(34)	47	56	(9)	99
Gains (losses) from the remeasurement of defined benefit plans	(515)	(545)	30	(1,870)	(1,527)	(343)	(603)
Share of profit (loss) of investments accounted for using the equity method	0	0	0	0	0	0	0
Income taxes relating to components of other comprehensive income	142	147	(5)	154	307	(153)	134
	(385)	**(375)**	**(10)**	**(1,670)**	**(1,164)**	**(506)**	**(369)**
Items subsequently reclassified to profit or loss (recycled), if certain reasons are given							
Exchange differences on translating foreign operations							
Recognition of other comprehensive income in income statement	0	0	0	0	(8)	8	(8)
Change in other comprehensive income (not recognized in income statement)	(2,845)	1,072	(3,917)	(3,889)	1,252	(5,141)	463
Gains (losses) from the remeasurement of debt instruments							
Recognition of other comprehensive income in income statement	0	(5)	5	212	(47)	259	(47)
Change in other comprehensive income (not recognized in income statement)	51	5	46	(144)	34	(178)	34
Gains (losses) from hedging instruments (designated risk components)							
Recognition of other comprehensive income in income statement	151	(112)	263	292	(133)	425	(148)
Change in other comprehensive income (not recognized in income statement)	(173)	(173)	0	(1,255)	(877)	(378)	(483)
Gains (losses) from hedging instruments (hedging costs)							
Recognition of other comprehensive income in income statement	1	1	0	2	2	0	2
Change in other comprehensive income (not recognized in income statement)	7	0	7	(21)	(25)	4	(9)
Share of profit (loss) of investments accounted for using the equity method							
Recognition of other comprehensive income in income statement	0	(6)	6	0	(7)	7	(7)
Change in other comprehensive income (not recognized in income statement)	1	0	1	1	11	(10)	11
Income taxes relating to components of other comprehensive income	(5)	70	(75)	252	265	(13)	155
	(2,812)	**851**	**(3,663)**	**(4,552)**	**467**	**(5,019)**	**(38)**
OTHER COMPREHENSIVE INCOME	**(3,197)**	**476**	**(3,673)**	**(6,222)**	**(698)**	**(5,524)**	**(407)**
TOTAL COMPREHENSIVE INCOME	**(1,576)**	**2,295**	**(3,871)**	**(2,184)**	**3,818**	**(6,002)**	**4,861**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO							
Owners of the parent	(908)	1,512	(2,420)	(1,460)	2,317	(3,777)	3,514
Non-controlling interests	(668)	783	(1,451)	(724)	1,501	(2,225)	1,347

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

millions of €

	Issued capital and reserves attributable to owners of the parent						
	Equity contributed			Consolidated shareholders' equity generated		Total other comprehensive income	
	Issued capital	Treasury shares	Capital reserves	Retained earnings including carryforwards	Net profit (loss)	Translation of foreign operations	Revaluation surplus
BALANCE AT JANUARY 1, 2019	**12,189**	**(49)**	**54,646**	**(37,392)**	**2,166**	**(1,120)**	**(28)**
Transfer resulting from change in accounting standards				221			
Changes in the composition of the Group							
Transactions with owners			78			(5)	
Unappropriated profit (loss) carried forward				2,166	(2,166)		
Dividends				(3,320)			
Capital increase at Deutsche Telekom AG							
Capital increase from share-based payment			268				
Share buy-back/shares held in a trust deposit		1		4			
Profit (loss)					3,213		
Other comprehensive income				(1,213)		788	
TOTAL COMPREHENSIVE INCOME							
Transfer to retained earnings				13			6
BALANCE AT SEPTEMBER 30, 2019	**12,189**	**(47)**	**54,992**	**(39,520)**	**3,213**	**(336)**	**(23)**
BALANCE AT JANUARY 1, 2020	**12,189**	**(47)**	**55,029**	**(38,709)**	**3,867**	**(808)**	**(21)**
Transfer resulting from change in accounting standards							
Changes in the composition of the Group							
Transactions with owners			7,371			(350)	0
Unappropriated profit (loss) carried forward				3,867	(3,867)		
Dividends				(2,846)			
Capital increase at Deutsche Telekom AG							
Capital increase from share-based payment			210				
Share buy-back/shares held in a trust deposit		1		0			
Profit (loss)					2,487		
Other comprehensive income				(1,706)		(1,809)	
TOTAL COMPREHENSIVE INCOME							
Transfer to retained earnings				(4)			5
BALANCE AT SEPTEMBER 30, 2020	**12,189**	**(46)**	**62,610**	**(39,398)**	**2,487**	**(2,967)**	**(16)**

Issued capital and reserves attributable to owners of the parent						Total	Non-controlling interests	Total shareholders' equity
Total other comprehensive income								
Equity instruments at fair value through other comprehensive income (IFRS 9)	Debt instruments measured at fair value through other comprehensive income (IFRS 9)	Hedging instruments: designated risk components (IFRS 9)	Hedging instruments: hedging costs (IFRS 9)	Investments accounted for using the equity method	Taxes			
84	**2**	**519**	**58**	**(4)**	**(165)**	**30,907**	**12,530**	**43,437**
	0					221	125	346
						0	245	245
0	0	3			(1)	76	340	416
						0	0	0
						(3,320)	(236)	(3,555)
						0	0	0
						268	157	425
						5	0	5
						3,213	1,303	4,516
56	(9)	(683)	(23)	4	184	(895)	198	(698)
						2,317	**1,501**	**3,818**
(19)				0		0	0	0
121	**(6)**	**(162)**	**36**	**0**	**18**	**30,475**	**14,662**	**45,137**
101	**(6)**	**130**	**51**	**0**	**(69)**	**31,707**	**14,524**	**46,231**
							17,329	17,329
0	12	379			(109)	7,303	5,999	13,301
						(2,846)	(215)	(3,061)
						210	205	416
						1		1
						2,487	1,550	4,038
47	19	(661)	(20)	1	183	(3,947)	(2,275)	(6,222)
						(1,460)	**(724)**	**(2,184)**
0		0		(1)				
148	**25**	**(153)**	**32**	**0**	**4**	**34,916**	**37,118**	**72,034**

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	FY 2019
PROFIT (LOSS) BEFORE INCOME TAXES	**2,116**	**2,442**	**5,501**	**6,178**	**7,260**
Depreciation, amortization and impairment losses	7,508	4,256	18,876	12,811	17,663
(Profit) loss from financial activities	990	615	3,204	1,488	2,197
(Profit) loss on the disposal of fully consolidated subsidiaries	0	0	(9)	12	9
(Income) loss from the sale of stakes accounted for using the equity method	0	(142)	0	(143)	(143)
Other non-cash transactions	251	118	645	432	569
(Gains) losses from the disposal of intangible assets and property, plant and equipment	71	41	249	82	112
Change in assets carried as operating working capital	(859)	77	(1,220)	423	(814)
Change in other operating assets	(59)	(35)	(323)	(427)	(248)
Change in provisions	134	104	(128)	(292)	203
Change in liabilities carried as operating working capital	(1,085)	(519)	(2,960)	(945)	(440)
Change in other operating liabilities	(145)	(256)	38	207	(325)
Income taxes received (paid)	(332)	(176)	(406)	(546)	(758)
Dividends received	2	2	6	15	15
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	(17)	0	(2,207)	0	(3)
CASH GENERATED FROM OPERATIONS	**8,577**	**6,528**	**21,266**	**19,294**	**25,297**
Interest paid	(1,388)	(917)	(5,782)	(2,984)	(3,924)
Interest received	150	312	961	1,221	1,701
NET CASH FROM OPERATING ACTIVITIES	**7,338**	**5,924**	**16,445**	**17,531**	**23,074**
Cash outflows for investments in					
Intangible assets	(1,098)	(762)	(4,154)	(3,601)	(4,375)
Property, plant and equipment	(3,665)	(2,417)	(8,726)	(7,606)	(9,982)
Non-current financial assets	(150)	(276)	(525)	(355)	(417)
Payments for publicly funded investments in the broadband build-out[a]	(123)	(236)	(337)	(236)	(401)
Proceeds from public funds for investments in the broadband build-out[a]	76	106	152	106	341
Changes in cash and cash equivalents in connection with the acquisition of control of subsidiaries and associates	(1)	(29)	(4,649)	(277)	(261)
Proceeds from disposal of					
Intangible assets	0	0	2	0	0
Property, plant and equipment	48	26	175	108	176
Non-current financial assets	13	37	86	71	251
Changes in cash and cash equivalents in connection with the loss of control of subsidiaries and associates	1,085	(1)	1,106	31	62
Net change in short-term investments and marketable securities and receivables	(216)	665	1,574	1,523	376
Other	(17)	0	(6)	(2)	(1)
NET CASH USED IN INVESTING ACTIVITIES	**(4,048)**	**(2,886)**	**(15,302)**	**(10,236)**	**(14,230)**
Proceeds from issue of current financial liabilities	94	12	19,012	10,758	10,778
Repayment of current financial liabilities	(4,917)	(1,999)	(31,091)	(14,419)	(16,533)
Proceeds from issue of non-current financial liabilities	0	2,662	26,113	5,695	6,278
Repayment of non-current financial liabilities	0	(14)	(1,699)	(18)	(21)
Dividend payments (including to other shareholders of subsidiaries)	(193)	(152)	(3,067)	(3,561)	(3,561)
Principal portion of repayment of lease liabilities	(1,476)	(977)	(4,206)	(2,837)	(3,835)
Cash inflows from transactions with non-controlling entities	23	1	47	2	13
Cash outflows from transactions with non-controlling entities	(103)	(38)	(448)	(183)	(261)
Other	0	0	0	0	0
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(6,573)**	**(505)**	**4,661**	**(4,563)**	**(7,141)**
Effect of exchange rate changes on cash and cash equivalents	(612)	35	(556)	51	11
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	0	0	0	0	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,895)**	**2,567**	**5,249**	**2,782**	**1,713**
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD	**14,537**	**3,894**	**5,393**	**3,679**	**3,679**
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	**10,642**	**6,461**	**10,642**	**6,461**	**5,393**

[a] The payments and proceeds shown here relate to those investments in the broadband build-out that are publicly financed in full. Since the payments are not made at the same point in time as the proceeds are received, the net amounts can be positive or negative in the individual periods. These investments are not included in the operational KPIs "Cash capex" and "Free cash flow," because the payments made do not result in additions to property, plant and equipment. For further information on the change in estimates in the second half of 2019 for publicly funded investments in the broadband build-out, please refer to the section "Changes in accounting policies, changes in estimates" in the notes to the consolidated financial statements in the 2019 Annual Report.

SIGNIFICANT EVENTS AND TRANSACTIONS

ACCOUNTING POLICIES

In accordance with § 53 (6) of the Exchange Rules for the Frankfurter Wertpapierbörse (FWB), Deutsche Telekom AG voluntarily publishes a quarterly financial report that comprises interim consolidated financial statements and an interim Group management report. The interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial reporting as adopted by the EU. The interim management report for the Group was prepared in accordance with the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

STATEMENT OF COMPLIANCE

The interim consolidated financial statements for the period ended September 30, 2020 are in compliance with International Accounting Standard (IAS) 34. As permitted by IAS 34, it has been decided to publish a condensed version compared to the consolidated financial statements at December 31, 2019. All IFRSs applied by Deutsche Telekom AG have been adopted by the European Commission for use within the EU.

In the opinion of the Board of Management, the reviewed quarterly financial report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the results of operations and financial position of the Group. Please refer to the notes to the consolidated financial statements as of December 31, 2019 for the accounting policies applied for the Group's financial reporting.

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

Pronouncement	Title	To be applied by Deutsche Telekom from	Changes	Expected impact on the presentation of Deutsche Telekom's results of operations and financial position
Amendments to References to the Conceptual Framework	References to the Conceptual Framework	Jan. 1, 2020	Updating of the cross references to the revised conceptual framework in the corresponding standards and interpretations.	No material impact.
Amendments to IAS 1 and IAS 8	Definition of Material	Jan. 1, 2020	Clarification of the definition of the concept of materiality.	No material impact.
Amendments to IFRS 3	Business Combinations	Jan. 1, 2020	Changes in the definition of a business to clarify whether a business or a group of assets was being acquired.	No material impact.
Amendments to IFRS 9, IAS 39, and IFRS 7	Interest Rate Benchmark Reform (Phase 1)	Jan. 1, 2020	Practical expedients for hedge accounting requirements that are mandatory for all hedges affected by the interest rate benchmark reform. Further information on this is also planned.	The effects are detailed in the explanations following this table.

The reform of interbank offered rates (IBORs) is currently generating uncertainty regarding the timing of implementation and the precise content of the planned changes. Deutsche Telekom is affected by this uncertainty in its hedging of interest rate and currency risks in designated fair value and cash flow hedges where certain IBORs are part of the hedging relationship (EURIBOR, USD-LIBOR, GBP-LIBOR, AUD-LIBOR, CHF-LIBOR, HKD-LIBOR, and NOK-OIBOR). Group Treasury continuously analyzes the latest developments and takes any steps needed to transition to the new interest rate benchmarks. Deutsche Telekom does not expect the changes in the benchmark rates to have a material impact.

For information on hedging relationships, please refer to the section "Disclosures on financial instruments."

For more information on standards, interpretations, and amendments that have been issued but not yet applied, as well as disclosures on the recognition and measurement of items in the statement of financial position and discretionary decisions and estimation uncertainties, please refer to the section "Summary of accounting policies" in the notes to the consolidated financial statements in the 2019 Annual Report.

CHANGES IN ACCOUNTING POLICIES AND CHANGES IN THE REPORTING STRUCTURE

Deutsche Telekom did not make any major changes to its accounting policies in the reporting period.

With effect from July 1, 2020, TC Services and Classified ICT, portfolio units previously assigned to the Systems Solutions operating segment, as well as Telekom Global Carrier (TGC) and Network Infrastructure (NWI), which had formerly been disclosed under the Europe operating segment and the Group Headquarters & Group Services segment respectively, and which together form the business area designated Deutsche Telekom Global Carrier (DTGC), have been combined in the Germany operating segment. Since then, the management of the Deutsche Telekom Group and hence also the reporting structure both have been based on this new segment allocation. As part of these transactions, the assets and liabilities assigned to the business areas were transferred to the Germany operating segment. Prior-year comparatives in the segments affected have been adjusted retrospectively in segment reporting. The transactions were consummated under company law on July 1, 2020 (TC Services and Classified ICT) and on October 1, 2020 (DTGC).

CORONAVIRUS PANDEMIC

The coronavirus pandemic has developed into a global economic crisis. Due to higher demand for certain telecommunications services, the impact of the crisis is being felt less severely by the telecommunications industry and Deutsche Telekom than by other industries. Business activities and thus the results of operations and financial position of Deutsche Telekom were impacted by the coronavirus pandemic in various business areas, affecting revenue and earnings, although not to any significant extent. Deutsche Telekom has put in place cost-saving measures to mitigate potential effects on earnings. At this time, we can report only very minor repercussions with respect to payment defaults and customer numbers. Even though there is still great uncertainty regarding the extent to which business activities and thus the results of operations and financial position of Deutsche Telekom could be affected overall in the future as the coronavirus pandemic unfolds, we expect, contrary to the forecasts published in the interim Group report as of June 30, 2020, that the Group's adjusted EBITDA AL and free cash flow AL will grow faster than previously expected in the 2020 financial year. Possible future effects on the measurement of individual assets and liabilities are being analyzed on an ongoing basis. Possible factors could include the introduction of new travel restrictions, the closure of Telekom Shops, disrupted supply chains, further declines in roaming and visitor volumes, falling terminal equipment sales, or a drop in the number of new contracts being taken out. In addition, corporate customer business may decline further, for example, due to delayed or changed customer decisions. The possibility of an increase in the number of consumers and business customers defaulting on their payments cannot be ruled out either.

Deutsche Telekom has implemented a performance management system that uses EBITDA AL adjusted for special factors to calculate and record earnings performance in order to be able to make statements about the future development of the results of operations. The process for recording these special factors makes it possible to identify the expenses caused by the coronavirus pandemic in the consolidated income statement. In the first nine months of 2020, total such expenses of EUR 0.4 billion were recorded. These expenses relate almost exclusively to the United States operating segment, where they were recorded under cost of materials, personnel costs, and other operating expenses. While the results of operations of the United States operating segment were affected in the first half of 2020 by expenses recognized as special factors in connection with the coronavirus pandemic, these expenses were immaterial in the third quarter of 2020.

For further information on the performance management system, please refer to the section "Management of the Group" in the combined management report of the 2019 Annual Report.

For further information on the development of (adjusted) EBITDA AL/special factors, please refer to the section "Development of business in the Group" in the Group management report.

CHANGES IN THE COMPOSITION OF THE GROUP

In the first nine months of 2020, Deutsche Telekom conducted the following transaction, which has an impact on the composition of the Group. Other changes to the composition of the Group not shown here were of no material significance for Deutsche Telekom's interim consolidated financial statements.

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. On July 26, 2019 and on February 20, 2020, further conditions for the business combination were agreed. The transaction was consummated on April 1, 2020. Prior to this, the approvals required from the national and regional regulatory and antitrust authorities and courts in the United States had been obtained and additional closing conditions met. Most recently, on April 16, 2020, the business combination was approved by the California Public Utilities Commission (CPUC). As a consequence of the business combination, T-Mobile US took over all shares in Sprint. Sprint is a U.S. telecommunications company which offers a comprehensive range of wireless and wireline communications products and services. The "new" T-Mobile US will successfully drive forward its Un-carrier strategy and step up the 5G network build-out. This provides a much stronger basis for T-Mobile US to significantly expand nationwide coverage and to extend its mobile network capacities, which translates into clear potential for sustained customer growth. The business combination will increase the market share of the "new" T-Mobile US and is expected to generate synergies and economies of scale.

The business combination of T-Mobile US and Sprint was executed by means of a share exchange without a cash component (all-stock transaction). For every 9.75 Sprint shares held, the Sprint shareholders, with the exception of SoftBank, received one new share in T-Mobile US in return. Pursuant to the supplementary agreement dated February 20, 2020, SoftBank agreed to surrender to T-Mobile US immediately, for no additional consideration, an aggregate of 48,751,557 ordinary shares in T-Mobile US, received in connection with this transaction, such that SoftBank received one new share in T-Mobile US for every 11.31 Sprint shares. Taking these adjustments into account, a total of 373,396,310 new ordinary shares in T-Mobile US were issued to Sprint shareholders.

The preliminary consideration transferred is comprised as follows:

millions of €		Fair value at the acquisition date
T-Mobile US ordinary shares issued		28,649
+	Vested rights from share-based compensation plans	350
+	Contingent consideration paid to SoftBank	1,721
–	Payment received in relation to cost allocation from SoftBank in connection with CPUC	(93)
=	**CONSIDERATION TRANSFERRED (PRELIMINARY)**	**30,627**

Based on the closing T-Mobile US share price of USD 83.90 as of March 31, 2020 – which was the most recent publicly available closing price at the time of consummation – the total value of T-Mobile US ordinary shares issued in exchange for Sprint ordinary shares was USD 31.3 billion (EUR 28.6 billion). In addition, the consideration transferred included the replacement of share-based compensation for certain Sprint employees for services provided prior to the business combination and contingent consideration payable to SoftBank. The contingent consideration results from the agreement concluded on February 20, 2020 that if the trailing 45-day volume-weighted average price of the T-Mobile US ordinary share at any time during the period commencing on April 1, 2022 and ending on December 31, 2025 reaches or exceeds the value of USD 150.00, then T-Mobile US will issue to SoftBank for no additional consideration 48,751,557 ordinary shares, i.e., the number of shares that SoftBank surrendered to T-Mobile US in the course of the closing of the transaction. The Monte Carlo simulation method was used to measure the contingent consideration. The main inputs and assumptions are the volatility of 28.5 percent, the risk-free interest rate of 0.44 percent, the period for fulfillment of conditions, the 45-day volume-weighted average price per ordinary share of T-Mobile US, and the corresponding share price at the date of acquisition. Thus, the maximum value of the undiscounted contingent consideration equals the number of shares multiplied by the price at the time the contingency is met. The consideration transferred is reduced by a pro rata reimbursement of costs by SoftBank to Deutsche Telekom related to the fulfillment of closing conditions in connection with the CPUC. The financing structure was also reorganized in the course of combining the businesses of T-Mobile US and Sprint. Immediately after the transaction, liabilities of the former Sprint totaling USD 9.8 billion (around EUR 8.9 billion) were repaid, of which USD 7.4 billion (around EUR 6.8 billion) fell due pursuant to a binding change-in-control clause. The amounts repaid are included in current financial liabilities as of the date of consummation and are recognized, in the statement of cash flows as of September 30, 2020, under net cash used in investing activities (mandatory repayments) and net cash used in/from financing activities (optional repayments). Thus the total costs of the acquisition, including the mandatory repayment of financial liabilities as of the acquisition date, amounted to EUR 37.4 billion.

On completion of the transaction, Deutsche Telekom and SoftBank, indirectly and directly, held approximately 43.6 percent and 24.7 percent, respectively, and other shareholders approximately 31.7 percent of the shares in the "new" T-Mobile US. Due to a proxy agreement concluded with SoftBank and the fact that persons nominated by Deutsche Telekom hold a majority on the Board of Directors of the new company, T-Mobile US will continue to be included in the consolidated financial statements of Deutsche Telekom as a fully consolidated subsidiary.

The purchase price allocation and the measurement of Sprint's assets and liabilities at the acquisition date had not been finalized as of September 30, 2020. The preliminary fair values of Sprint's acquired assets and liabilities are presented in the following table:

millions of €	Fair value at the acquisition date
ASSETS	
CURRENT ASSETS	**7,853**
Cash and cash equivalents	2,024
Trade receivables	2,751
Contract assets	141
Other financial assets	205
Other assets	364
Current recoverable income taxes	21
Inventories	602
Non-current assets and disposal groups held for sale	1,745
NON-CURRENT ASSETS	**86,352**
Goodwill	8,407
Other intangible assets	51,123
Of which: FCC spectrum licenses	41,629
Of which: customer base	4,481
Of which: other	5,013
Property, plant and equipment	14,123
Right-of-use assets	6,286
Other financial assets	224
Deferred tax assets	5,977
Other assets	212
TOTAL ASSETS	**94,205**
LIABILITIES	
CURRENT LIABILITIES	**18,764**
Financial liabilities	11,912
Lease liabilities	1,669
Trade and other payables	2,939
Income tax liabilities	56
Other provisions	855
Contract liabilities	209
Other liabilities	690
Liabilities associated with assets and disposal groups held for sale	434
NON-CURRENT LIABILITIES	**44,814**
Financial liabilities	27,899
Lease liabilities	5,146
Provisions for pensions and other employee benefits	814
Other provisions	1,013
Deferred tax liabilities	9,863
Other liabilities	58
Contract liabilities	21
TOTAL LIABILITIES	**63,578**

The acquired intangible assets mainly comprise FCC spectrum licenses and customer relationships, which were measured at fair value in the amount of EUR 41,629 million and EUR 4,481 million, respectively. Spectrum licenses were measured using the greenfield method. Under the greenfield method, the value of the intangible asset is determined using a hypothetical cash flow scenario. The scenario projects the development of an entity's operating business on the assumption that the entity owns only this intangible asset at inception. FCC spectrum licenses have an indefinite useful life. The multi-period excess earnings method was used to measure customer relationships. Under this method, the fair value of the customer base is calculated by determining the present value of earnings after tax attributable to existing customers. The expected useful life of customer relationships is eight years on average. Other intangible assets include, among other things, fixed-term spectrum leases, the measurement of which includes the contractual payment obligations and also reflects the extent to which contractual terms are favorable compared to current market values. The measurement and hence also the determination of useful lives requires a detailed analysis of a large number of individual agreements, which has not yet been finalized.

The fair value of the acquired trade and other receivables amounts to EUR 2,751 million. The gross amount of trade receivables totals EUR 2,903 million, of which EUR 152 million is expected to be bad debt.

The preliminary acquired goodwill of EUR 8,407 million to be recognized in Deutsche Telekom's consolidated statement of financial position is calculated as follows:

millions of €		Fair value at the acquisition date
Consideration transferred		30,627
–	Fair value of assets acquired	85,798
+	Fair value of the liabilities recognized	63,578
=	**GOODWILL**	**8,407**

Non-controlling interests participated fully in the transaction by means of the share exchange. As a result of the issuance of T-Mobile US ordinary shares to the former Sprint shareholders, the total non-controlling interest increased. The preliminary carrying amount of the cumulative non-controlling interests in T-Mobile US was calculated on the basis of the revalued interests in the shareholders' equity of T-Mobile US and was EUR 34.7 billion as of April 1, 2020 (December 31, 2019: EUR 11.0 billion) based on the preliminary purchase price allocation. Since the shares issued to the former Sprint shareholders as part of the share exchange are measured at fair value, the full goodwill method was applied. The goodwill calculated using this method comprises the value of synergies anticipated in connection with the acquisition, expected new customer additions, and the combined workforce. No part of the recognized goodwill is deductible for income tax purposes.

Transaction-related costs totaling EUR 0.2 billion were incurred in the Group in the first nine months of 2020 (in the 2019 financial year: EUR 0.1 billion). These mainly comprised legal and consulting fees and are included under other operating expenses.

Deutsche Telekom's net revenue increased by EUR 12.7 billion in the reporting period due to the business combination of T-Mobile US and Sprint. Net profit for the reporting period includes Sprint's profit before income tax and before non-controlling interests of EUR 0.6 billion. If the business combination had taken place at the beginning of the 2020 financial year, net revenue and consolidated profit before non-controlling interests would have been respectively EUR 5.6 billion and EUR 0.3 billion higher than reported. These effects are based on estimates and they neither represent the actual consolidated figures of the Group if the transaction had taken place on January 1, 2020, nor do they project the future consolidated results of operations.

On July 26, 2019, T-Mobile US, Deutsche Telekom, Sprint, SoftBank, and the U.S. satellite TV operator DISH Network Corp. entered into an agreement, subject to specific conditions, with the U.S. Department of Justice (DoJ), which is material for the future structure of the new T-Mobile US. Under this agreement, following the consummation of the business combination of T-Mobile US and Sprint, Sprint's prepaid business was sold as part of an asset deal to DISH for around USD 1.4 billion (EUR 1.2 billion), taking into account provisional working capital purchase price adjustments. The transaction was consummated on July 1, 2020. The agreement also includes the sale of part of the 800 MHz spectrum held by Sprint to DISH for approximately USD 3.6 billion. The sale of the spectrum is subject to approval by the regulatory authority, to be applied for after three years following the closing of the business combination of T-Mobile US and Sprint, and to additional closing conditions. For two additional years following the closing of the spectrum sale, T-Mobile US will have the option to lease back, as needed, a portion of the spectrum.

On June 22, 2020, SoftBank and Deutsche Telekom agreed that SoftBank is permitted to sell 198,314,426 ordinary shares of T-Mobile US with a total value of more than USD 20 billion. The agreement ensures that Deutsche Telekom retains control of T-Mobile US. SoftBank's share is therefore reduced to approximately 8 percent. In return, Deutsche Telekom receives call options from SoftBank on a total of 101,491,623 ordinary shares of T-Mobile US, which can be exercised until June 22, 2024. The subsequent sales of the shares held by SoftBank reduced the proportion of T-Mobile US shares for which Deutsche Telekom can exercise voting rights to around 52.5 percent as of August 5, 2020.

For further information, please refer to the section "Group organization, strategy, and management" in the interim Group management report and the section "Disclosures on financial instruments."

Sprint is party to a variety of agreements with Shenandoah Personal Communications Company (Shentel), pursuant to which Shentel is the exclusive provider of Sprint wireless mobility communications network products in certain parts of several U.S. states that are home to approximately 1.1 million subscribers. Pursuant to one such agreement, Sprint was granted an option to purchase Shentel's wireless telecommunications assets. On August 26, 2020, Sprint exercised its option by delivering a binding notice of exercise to Shentel. The purchase price for the Shentel wireless telecommunications assets to be purchased by Sprint will be determined through the appraisal process prescribed in the agreement. We expect the appraisal process to be completed in the first quarter of 2021.

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

AGREED ACQUISITION OF SIMPEL

On October 16, 2020, T-Mobile Netherlands Holding B.V. signed an agreement for the acquisition of 100 percent of the shares in the Dutch MVNO and SIM provider Simpel.nl B.V. Simpel sells SIM-only subscriptions through its own website and currently has around 1 million customers. It has been using the T-Mobile NL network since 2014. The transaction is expected to be closed in the first half of 2021, following approval by the responsible antitrust authority.

AGREED SALE OF TELEKOM ROMANIA COMMUNICATIONS

On November 6, 2020, OTE concluded an agreement with Orange Romania concerning the sale of the 54 percent stake in Telekom Romania Communications S.A., which operates the Romanian fixed-network business, to Orange Romania for a purchase price of EUR 268 million. The transaction is subject to approval by the authorities as well as other closing conditions.

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

OTE SHARE BUY-BACK

As a consequence of a share buy-back program implemented between February 25, 2019 and January 31, 2020, OTE acquired a total of 9,764,743 treasury shares with an aggregate value of EUR 120 million. The extraordinary shareholders' meeting of OTE S.A. on February 20, 2020 resolved to withdraw 9,764,743 shares from circulation with a corresponding capital reduction of around EUR 28 million. The shares were retired from the Athens Stock Exchange on March 27, 2020. As a result, Deutsche Telekom's share in OTE increased from 45.96 to 46.91 percent.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Sprint has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. As a result of the change in the composition of the Group during the course of the year, the remeasured assets and liabilities were recognized as of this date, and all income and expenses generated from the date of first-time consolidation are included in Deutsche Telekom's consolidated income statement. This affects the comparability of the figures for the current period with the prior-year figures.

For further information on the business combination of T-Mobile US and Sprint, please refer to the section "Changes in the composition of the Group."

TRADE RECEIVABLES

At EUR 13.0 billion, trade receivables increased by EUR 2.1 billion against the 2019 year-end level. EUR 2.8 billion of this increase is attributable to the inclusion of Sprint. Excluding this effect, receivables in the United States operating segment declined, mainly due to the marketing of lower-priced terminal equipment in connection with new contracts under the Equipment Installment Plan (EIP) and coronavirus-induced higher bad debt allowances. In the Germany operating segment, receivables increased as a result of the contractual termination of a revolving factoring agreement for receivables from consumers and business customers. In the other operating segments, receivables declined slightly overall. Exchange rate effects, primarily from the translation from U.S. dollars into euros, also reduced the carrying amounts.

CONTRACT ASSETS

At EUR 1.9 billion as of the reporting date, the carrying amount of contract assets remained unchanged against December 31, 2019. The Sprint assets recognized in connection with the business combination resulted in an increase of EUR 0.1 billion. Exchange rate effects, mainly from the translation from U.S. dollars into euros, had an offsetting effect. Contract assets relate to receivables that have not yet legally come into existence, which arise from the earlier – as compared to billing – recognition of revenue, in particular from the sale of goods and merchandise. Furthermore, receivables from long-term construction contracts are recognized under contract assets.

INVENTORIES

The carrying amount of inventories increased by EUR 0.8 billion compared to December 31, 2019 to EUR 2.3 billion, mainly on account of the inventories of Sprint transferred in connection with the business combination.

INTANGIBLE ASSETS

The carrying amount of intangible assets increased by EUR 52.7 billion to EUR 120.9 billion, primarily due to the following effects: Effects from changes in the composition of the Group of EUR 59.7 billion in connection with the acquisition of Sprint contributed to this increase, which also includes preliminary goodwill arising from the transaction of EUR 8.4 billion. Additions of EUR 4.6 billion also increased the carrying amount. They mainly related to investments in the United States, Europe, and Germany operating segments, primarily for the development of network software. This also includes, in the United States operating segment, FCC spectrum licenses of EUR 1.0 billion – primarily acquired at a spectrum auction that ended in March 2020 – and in the Group Development and Europe operating segments, spectrum licenses totaling EUR 0.5 billion – mainly in the Netherlands and Hungary. Amortization of EUR 4.7 billion, negative exchange rate effects of EUR 6.1 billion, mainly from the translation of U.S. dollars into euros, and disposals of EUR 0.2 billion, primarily from the derecognition of billing software for postpaid customers in the United States, which was still in development, reduced the carrying amount. Due to the migration of Sprint contract customers to the T-Mobile US billing software, it was decided that this software was not suitable for the joint customer base and would not be put into operation. In addition, the following impairment losses reduced the carrying amount of intangible assets by a total of EUR 0.5 million:

As part of the realignment of the B2B telecommunications business, the assets and liabilities assigned to the relevant business areas were transferred to the Germany operating segment, primarily from the Systems Solutions and Europe operating segments. In the process, the goodwill allocated to the Systems Solutions cash-generating unit was re-allocated in full to the telecommunications business being transferred. The realignment of the B2B telecommunications business in combination with the effects of the coronavirus pandemic triggered ad hoc impairment testing of the assets assigned to the Systems Solutions cash-generating unit, which identified a reduction in the business outlook for IT operations. The result was the recognition of an impairment loss of EUR 470 million on non-current assets of the Systems Solutions cash-generating unit. The recoverable amount – determined as fair value less costs of disposal – was calculated at EUR -976 million, which is EUR 1,428 million lower than the carrying amount of the Systems Solutions cash-generating unit. The fair values of the individual assets were set as the lower limit for the amount of the impairment loss. EUR 299 million of the impairment loss recognized in the Systems Solutions operating segment related to intangible assets, and EUR 127 million to property, plant and equipment. Another EUR 44 million related to intangible assets in the Group Headquarters & Group Services segment that are subject to use by the Systems Solutions operating segment and are allocated to the Systems Solutions cash-generating unit for the purposes of impairment testing. An external expert opinion was obtained to determine the fair values of the individual assets. The value was calculated using Level 3 input parameters. A discount rate of 4.32 percent was used.

For further information on the realignment of the B2B telecommunications business, please refer to the section “Segment reporting.”

An ad hoc impairment test was also conducted at the Romania cash-generating unit, which is assigned to the Europe operating segment. The unit comprises the asset-carrying entities Telekom Romania Communications S.A. (TKR), which operates the Romanian fixed-network business, and Telekom Romania Mobile Communications S.A. (TKRM), which operates the Romanian mobile business. Even though these two entities are essentially independent companies, each with their own commercial focus, the planned sale of the fixed-network business has economic and strategic implications for the mobile business in Romania, which will remain in the Deutsche Telekom Group. For example, in the future, there will be no MVNO agreement between the two entities allowing TKR to offer FMC products to its own fixed-network customers. Furthermore, terminal equipment revenues that TKRM currently generates from sales to TKR as well as synergies arising from current joint procurement and sales activities will no longer be realized; at present, the two entities share shops, for example. Consequently, an ad hoc impairment test was conducted on TKRM’s assets, which resulted in the recognition of an impairment loss of EUR 160 million on TKRM’s non-current assets. The recoverable amount – determined as fair value less costs of disposal – was calculated at EUR 171 million, which is EUR 160 million lower than the carrying amount of TKRM. EUR 128 million of the impairment loss related to intangible assets and EUR 32 million to property, plant and equipment. An expert opinion was obtained to determine the fair values of the individual assets. The value was calculated using Level 3 input parameters. A discount rate of 7.78 percent was used. No goodwill remained at the Romania cash-generating unit.

In the Romanian fixed-network business, the sale of TKR, planned since October 2020, resulted in a reversal of impairment losses recognized in the past on property, plant and equipment of EUR 50 million. The recoverable amount was calculated at EUR 242 million, which is EUR 50 million higher than the carrying amount of TKR. The observable market price (Level 1 input parameter) was used to determine the recoverable amount. The reversal of impairment losses was recognized as other operating income.

PROPERTY, PLANT AND EQUIPMENT

The carrying amount of property, plant and equipment increased by EUR 12.0 billion to EUR 61.6 billion compared with December 31, 2019, primarily due to the following effects: Effects from changes in the composition of the Group in connection with the acquisition of Sprint contributed EUR 14.1 billion to this increase. Additions of EUR 10.3 billion to upgrade and build out the network in our United States operating segment and in connection with the broadband/fiber-optic build-out, the IP transformation, and mobile infrastructure in the Germany and Europe operating segments also increased the carrying amount. Depreciation and amortization of EUR 9.8 billion and negative exchange rate effects of EUR 1.7 billion, especially from the translation of U.S. dollars into euros, lowered the carrying amount. Disposals of EUR 1.1 billion and impairment losses EUR 0.2 billion also reduced the carrying amount. The impairment losses were recognized in connection with the aforementioned ad hoc impairment tests.

RIGHT-OF-USE ASSETS

The carrying amount of right-of-use assets increased by EUR 13.8 billion compared to December 31, 2019 to EUR 31.8 billion, mainly due to the following effects. The change in the composition of the Group in connection with the business combination of T-Mobile US and Sprint contributed EUR 6.3 billion to this increase. Additions of EUR 12.8 billion, mainly in the United States operating segment, also increased the carrying amount. On September 14, 2020, T-Mobile US and American Tower signed an agreement on the lease and use of cell sites. The agreement updates the existing agreements with American Tower. The agreement gives T-Mobile US greater flexibility in the course of merging the mobile networks of T-Mobile US and Sprint and building out the 5G network. The agreement primarily provides for a contract extension until April 30, 2035 and modifies the lease payments for approximately 20,729 existing cell sites. Ultimately, the lease modification results in an increase in the carrying amount of the right-of-use assets and the lease liabilities by EUR 9.4 billion in each case. By contrast, depreciation of EUR 3.7 billion, negative exchange rate effects of EUR 0.9 billion, and disposals of EUR 0.3 billion decreased the carrying amount.

CAPITALIZED CONTRACT COSTS

As of September 30, 2020, the carrying amount of capitalized contract costs was up by EUR 0.1 billion against the level of December 31, 2019, to EUR 2.1 billion. These assets mainly relate to the Germany, United States, and Europe operating segments.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The carrying amount of investments accounted for using the equity method remained unchanged against December 31, 2019 at EUR 0.5 billion.

OTHER FINANCIAL ASSETS

The carrying amount of current and non-current other financial assets increased by EUR 2.0 billion compared with December 31, 2019 to EUR 9.3 billion. The acquisition of Sprint resulted in an increase of EUR 0.4 billion as of the date of first-time consolidation. Under derivative financial assets, the carrying amount of derivatives without a hedging relationship increased by EUR 0.7 billion to EUR 1.6 billion, mainly in connection with new additions of embedded derivatives and embedded derivatives assumed in connection with the acquisition of Sprint at T-Mobile US, including their subsequent measurement and the subsequent measurement of the stock options to buy shares in T-Mobile US received from SoftBank in June 2020. The carrying amount of derivatives with a hedging relationship increased by EUR 1.3 billion to EUR 2.7 billion, mainly due to the increase in positive fair values from interest rate swaps in fair value hedges, which is primarily the result of a significant decline in the interest rate level. In addition, other financial assets increased by EUR 0.4 billion in connection with grants receivable from funding projects for the broadband build-out in Germany. In connection with cash collateral, in particular in connection with forward-payer swaps concluded for borrowings at T-Mobile US, which were terminated prematurely in April 2020, the carrying amount of other financial assets decreased by EUR 0.5 billion.

FINANCIAL LIABILITIES AND LEASE LIABILITIES

The following table shows the composition and maturity structure of **financial liabilities** as of September 30, 2020:

millions of €	Sept. 30, 2020	Due within 1 year	Due >1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	86,758	3,952	26,707	56,098
Liabilities to banks	4,893	2,207	1,615	1,071
Liabilities to non-banks from promissory note bonds	495	0	53	442
Liabilities with the right of creditors to priority repayment in the event of default	4,267	978	2,401	888
Other interest-bearing liabilities	8,899	3,565	1,625	3,710
Other non-interest-bearing liabilities	1,804	1,672	137	(4)
Derivative financial liabilities	739	45	282	412
FINANCIAL LIABILITIES	**107,856**	**12,419**	**32,820**	**62,617**

The carrying amount of current and non-current financial liabilities increased by EUR 41.5 billion to EUR 107.9 billion compared with the end of 2019. This increase is mainly attributable to the first-time consolidation of Sprint following the consummation of the business combination with T-Mobile US. Exchange rate effects, in particular from the translation of U.S. dollars into euros, lowered the carrying amount by EUR 4.1 billion.

The first-time consolidation of Sprint as of April 1, 2020 increased the carrying amount of financial liabilities by a total of EUR 39.8 billion. The financing structure was also reorganized in the course of the business combination. Immediately after the transaction, liabilities of the former Sprint totaling USD 9.8 billion (EUR 8.9 billion) were repaid, of which USD 7.4 billion (EUR 6.8 billion) fell due pursuant to a binding change-in-control clause.

In connection with the business combination with Sprint, on April 1, 2020, the "new" T-Mobile US drew down on a bridge loan facility agreed with a total of 16 banks with a total volume of USD 19 billion (EUR 17.3 billion). In connection with the financing provided with this bridge loan facility, fees of USD 0.4 billion (EUR 0.3 billion) were paid to the banks. Additionally, T-Mobile US raised a new term loan of USD 4 billion (EUR 3.7 billion) on April 1, 2020. The loan facilities were used, among other things, for the early repayment of intragroup loan liabilities to Deutsche Telekom AG and to refinance debt of the former Sprint. Senior secured notes, issued on April 9, 2020 for a total of USD 19 billion (EUR 17.3 billion), with terms of between 5 and 30 years and bearing interest of between 3.500 and 4.500 percent, were used to repay the bridge loan facility. On June 24, 2020, T-Mobile US issued senior secured notes with a total volume of USD 4 billion (EUR 3.6 billion) with terms of between 6 and 11 years and bearing interest of between 1.500 and 2.550 percent. These notes were used to repay intragroup loans and refinance high-yield bonds issued by the former Sprint. On July 4, 2020, T-Mobile US prematurely redeemed the USD 1.0 billion (EUR 0.9 billion) aggregate principal amount of a 6.500 percent senior note originally due in 2024. On August 15, 2020, T-Mobile US repaid a senior note on schedule with a nominal volume of USD 1.5 billion (EUR 1.3 billion) with a term of 8 years and bearing interest of 7.000 percent. On September 1, 2020, the USD 1.7 billion (EUR 1.4 billion) aggregate principal amount of another 6.375 percent senior note, originally due in 2025, was prematurely redeemed.

The carrying amount was also increased by bonds issued by Deutsche Telekom AG in the first quarter of 2020: a U.S. dollar bond of USD 1.3 billion (EUR 1.1 billion), a euro bond of EUR 0.2 billion, and a bond in Swiss francs of CHF 0.3 billion (EUR 0.3 billion).

Scheduled repayments in the Group of U.S. dollar bonds totaling USD 1.3 billion (EUR 1.2 billion), euro bonds totaling EUR 2.6 billion, and a zero-coupon bond of EUR 0.4 billion, had an offsetting effect in the reporting period. In addition, as part of the liabilities management in the Group, early repayments were made on euro bonds and U.S. dollar bonds of Deutsche Telekom International Finance B.V. which fall due in 2021 and 2022. These repayments took the form of partial buybacks totaling EUR 0.8 billion and USD 1.4 billion (EUR 1.3 billion) respectively.

The carrying amount of liabilities to banks decreased by EUR 1.6 billion compared with December 31, 2019 to EUR 4.9 billion. This decline is mainly due to the net reduction of EUR 1.4 billion in the balance of short-term borrowings. This includes a Deutsche Bundespost treasury note (zero-coupon bond) issued in the past with a carrying amount of EUR 1.4 billion, which fell due on December 31, 2019 and was repaid on that date by a bank using its own funds. The payment by Deutsche Telekom AG to this bank was made on the following bank working day of January 2, 2020.

For further information, please refer to the section "Notes to the consolidated statement of cash flows."

The liabilities with right of creditors to priority repayment in the event of default of EUR 4.3 billion (December 31, 2019: EUR 0.0 billion) relate primarily to bonds issued by Sprint for which spectrum licenses and cash and cash equivalents were provided as collateral.

The carrying amount of other interest-bearing liabilities increased by EUR 4.5 billion compared with December 31, 2019 to EUR 8.9 billion. The acquisition of Sprint resulted in an increase of EUR 3.6 billion in the carrying amount of non-current other interest-bearing liabilities as of the date of first-time consolidation. The carrying amount of other interest-bearing liabilities increased by a total of EUR 1.2 billion in connection with collateral received for derivative financial instruments.

For further information on collateral, please refer to the section "Disclosures on financial instruments."

The carrying amount of derivative financial liabilities decreased by EUR 0.9 billion in total to EUR 0.7 billion, mainly due to the decline of EUR 1.0 billion from the premature termination of forward-payer swaps by T-Mobile US at the start of April 2020. These forward-payer swaps with a nominal value of EUR 8.8 billion when translated into euros were concluded for borrowings at T-Mobile US and designated as cash flow hedges in effective hedging relationships. By the date of termination, they gave rise to a remeasurement loss recognized directly in equity in the reporting period of EUR 0.9 billion. The secured term loan was raised on April 1, 2020.

For further information on derivative financial liabilities, please refer to the section "Disclosures on financial instruments."

The carrying amount of current and non-current **lease liabilities** increased by EUR 14.0 billion to EUR 33.9 billion compared with December 31, 2019, primarily due to the following effects. EUR 6.8 billion of the increase resulted from the inclusion of Sprint in the United States operating segment, to which the majority of the lease liabilities relate. The carrying amount also increased by EUR 9.4 billion as a result of the lease modification to existing leases that T-Mobile US concluded with American Tower. Exchange rate effects, in particular from the translation of U.S. dollars into euros, lowered the carrying amount by EUR 1.0 billion. Overall, lease liabilities in the amount of EUR 5.1 billion are due within one year.

For more information on the agreement between T-Mobile US and American Towers, please refer to the section "Right-of-use assets."

TRADE AND OTHER PAYABLES

The carrying amount of trade and other payables decreased by EUR 1.1 billion to EUR 8.3 billion, due in particular to lower liabilities to terminal equipment vendors and declines in liabilities for purchased services in the United States operating segment. Liabilities also decreased in the other operating segments. Exchange rate effects, especially from the translation from U.S. dollars into euros, also decreased the carrying amount. The inclusion of Sprint increased the carrying amount by EUR 2.9 billion.

PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

The carrying amount of provisions for pensions and other employee benefits increased from EUR 5.8 billion as of December 31, 2019 to EUR 8.5 billion, mainly due to a decline in the prices of plan assets and interest rate adjustments. All this resulted in an actuarial loss of EUR 1.9 billion to be recognized directly in equity. In addition, the carrying amount increased by EUR 0.8 billion due to the change in the composition of the Group in connection with the business combination of T-Mobile US and Sprint.

For further information on the Global Pension Policy and a description of the plan, please refer to the 2019 Annual Report, Note 15 "Provisions for pensions and other employee benefits."

CURRENT AND NON-CURRENT OTHER PROVISIONS

The carrying amount of current and non-current other provisions increased by EUR 1.8 billion compared with the end of 2019 to EUR 8.5 billion. EUR 1.9 billion of this related to the business combination of T-Mobile US and Sprint alone.

OTHER LIABILITIES

The carrying amount of current and non-current other liabilities increased by EUR 1.1 billion to EUR 5.9 billion. The inclusion of Sprint resulted in an increase of EUR 0.7 billion. In addition, other liabilities increased by EUR 0.3 billion due to existing build-out obligations in connection with grants receivable from funding projects for the broadband build-out in the Germany operating segment.

CONTRACT LIABILITIES

The carrying amount of current and non-current contract liabilities was at the same level as at December 31, 2019 of EUR 2.1 billion. These mainly comprise deferred revenues. The inclusion of Sprint resulted in an increase in the carrying amount of EUR 0.2 billion.

SHAREHOLDERS' EQUITY

The carrying amount of shareholders' equity increased from EUR 46.2 billion as of December 31, 2019 to EUR 72.0 billion. The business combination of T-Mobile US and Sprint, consummated on April 1, 2020, resulted in changes in the composition of the Group that increased shareholders' equity by EUR 17.3 billion, and transactions with owners that increased shareholders' equity by EUR 13.4 billion as of the date of first-time consolidation (including a payment received in relation to a cost allocation from SoftBank in connection with CPUC). Profit of EUR 4.0 billion and capital increases from share-based payments of EUR 0.4 billion also increased the carrying amount. Shareholders' equity was reduced in connection with dividend payments for the 2019 financial year to Deutsche Telekom AG shareholders in the amount of EUR 2.8 billion and to other shareholders of subsidiaries in the amount of EUR 0.2 billion. Other comprehensive income also reduced shareholders' equity by EUR 6.2 billion. The main factors in this negative other comprehensive income were the currency translation effects recognized directly in equity (EUR 3.9 billion), the remeasurement of defined benefit plans (EUR 1.9 billion), and losses from hedging instruments, mainly from forward-payer swaps concluded for borrowings at T-Mobile US, which were terminated prematurely in April 2020 and for which the cumulative changes in value must be reversed over the terms of the loans (EUR 1.0 billion). By contrast, income taxes relating to components of other comprehensive income of EUR 0.4 billion had a positive impact on other comprehensive income.

Primarily as a result of the business combination of T-Mobile US and Sprint, the share of consolidated shareholders' equity attributable to non-controlling interests increased from EUR 14.5 billion to EUR 37.1 billion. The following table shows the development of transactions with owners and the change in the composition of the Group in the statement of changes in equity:

millions of €

	Sept. 30, 2020			Dec. 31, 2019		
	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**	**17,329**	**17,329**	**0**	**239**	**239**
Acquisition of Sprint	0	17,331	17,331	0	0	0
Acquisition of Tele2 Netherlands	0	0	0	0	239	239
Other effects	0	(2)	(2)	0	0	0
Transactions with owners	**7,259**	**6,042**	**13,301**	**73**	**340**	**413**
Acquisition of Sprint	7,474	5,915	13,389	0	0	0
Acquisition of Tele2 Netherlands	0	0	0	293	226	519
Magyar Telekom share buy-back	(9)	(6)	(15)	0	0	0
OTE share buy-back	(29)	(76)	(105)	(29)	(81)	(110)
Hrvatski Telekom share buy-back	5	(15)	(10)	0	0	0
Capital restructuring, Romania	0	0	0	(51)	51	0
Other effects	(182)	224	42	(140)	144	4

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

Sprint has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. As a result of the change in the composition of the Group during the course of the year, the remeasured assets and liabilities were recognized as of this date, and all income and expenses generated from the date of first-time consolidation are included in Deutsche Telekom's consolidated income statement. This affects the comparability of the figures for the current period with the prior-year figures.

For further information on the business combination of T-Mobile US and Sprint, please refer to the section "Changes in the composition of the Group."

NET REVENUE

Net revenue breaks down into the following revenue categories:

millions of €	Q1-Q3 2020	Q1-Q3 2019
Revenue from the rendering of services	**59,016**	**48,645**
Germany	14,903	14,722
United States	33,559	23,179
Europe	7,023	7,165
Systems Solutions	2,320	2,416
Group Development	1,156	1,112
Group Headquarters & Group Services	55	51
Revenue from the sale of goods and merchandise	**10,669**	**9,001**
Germany	1,447	1,582
United States	7,875	6,039
Europe	1,019	1,042
Systems Solutions	54	74
Group Development	275	264
Group Headquarters & Group Services	0	0
Revenue from the use of entity assets by others	**3,691**	**1,524**
Germany	610	614
United States	2,589	410
Europe	160	165
Systems Solutions	42	35
Group Development	202	206
Group Headquarters & Group Services	89	93
NET REVENUE	**73,377**	**59,169**

For further information on changes in net revenue, please refer to the section "Development of business in the Group" in the interim Group management report.

OTHER OPERATING INCOME

millions of €	Q1-Q3 2020	Q1-Q3 2019
Income from the reversal of impairment losses on non-current assets	52	6
Income from the disposal of non-current assets	105	46
Income from reimbursements	105	106
Income from insurance compensation	52	73
Income from ancillary services	16	18
Miscellaneous other operating income	744	596
Of which: income from divestitures and from the sale of stakes accounted for using the equity method	9	143
	1,073	**846**

Income from the reversal of impairment losses on non-current assets included a reversal of EUR 50 million on property, plant and equipment in the Europe operating segment. This arose in connection with the sale of the Romanian fixed-network business, which has been planned since October 2020. Miscellaneous other operating income includes a structuring fee from SoftBank of EUR 0.3 billion, which T-Mobile US received in return for support in the immediate sale by SoftBank of T-Mobile US shares. The prior-year period included income from the divestitures of shares accounted for using the equity method as a result of the transfer on August 14, 2019 of the 11.34 percent stake in Ströer SE & Co. KGaA to Deutsche Telekom Trust e.V. as plan assets. In addition, miscellaneous other operating income includes a large number of individual items accounting for marginal amounts.

For further information on the ad hoc reversal of impairment losses, please refer to the section "Selected notes to the consolidated statement of financial position."

OTHER OPERATING EXPENSES

millions of €	Q1-Q3 2020	Q1-Q3 2019
Impairment losses on financial assets	(671)	(268)
Gains (losses) from the write-off of financial assets measured at amortized cost	(137)	(39)
Other	(2,578)	(1,975)
Legal and audit fees	(417)	(224)
Losses from asset disposals	(354)	(128)
Income (losses) from the measurement of factoring receivables	(5)	(109)
Other taxes	(388)	(342)
Cash and guarantee transaction costs	(359)	(259)
Insurance expenses	(88)	(73)
Miscellaneous other operating expenses	(968)	(840)
	(3,386)	**(2,282)**

The increase in impairment losses on financial assets is mainly attributable to impairment losses on customer receivables due to lowered credit ratings as a consequence of the coronavirus pandemic in the United States operating segment. Expenses for legal and audit fees increased, mainly in connection with the business combination of T-Mobile US and Sprint. Losses from asset disposals of EUR 0.2 billion resulted from the derecognition of billing software for postpaid customers in the United States, which was still in development. Due to the migration of Sprint contract customers to the T-Mobile US billing software, it was decided that this software was not suitable for the joint customer base and would not be put into operation. Miscellaneous other operating expenses include a large number of individual items accounting for marginal amounts.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

At EUR 18.9 billion, depreciation, amortization and impairment losses on intangible assets, property, plant and equipment, and right-of-use assets were EUR 6.1 billion higher overall in the first three quarters of 2020 than in the prior-year period. Depreciation of property, plant and equipment increased by EUR 3.2 billion and amortization of intangible assets by EUR 1.2 billion. Depreciation of right-of-use assets increased by EUR 1.0 billion. These increases are all largely due to Sprint, which has been included since April 1, 2020. In the United States operating segment, a reduction in the useful life of leased network technology for cell sites following the business combination of T-Mobile US and Sprint increased depreciation of the corresponding right-of-use assets by EUR 0.1 billion. Impairment losses increased by EUR 0.1 billion year-on-year to EUR 0.7 billion. EUR 0.5 billion of this increase resulted from an ad hoc impairment test of assets assigned to the Systems Solutions cash-generating unit and relate to intangible assets and property, plant and equipment in the Systems Solutions operating segment and in the Group Headquarters & Group Services segment. EUR 0.2 billion of this resulted from another ad hoc impairment test of the assets assigned to the Romania cash-generating unit. This also relates to intangible assets and property, plant and equipment.

For further information on the ad hoc impairment testing, please refer to the section “Selected notes to the consolidated statement of financial position.”

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

In the first three quarters of 2020, the loss from financial activities increased by EUR 1.7 billion year-on-year to EUR 3.2 billion. This increase is primarily due to a EUR 1.3 billion increase in finance costs to EUR 3.1 billion, mainly due to the financial liabilities recognized and the restructuring begun in connection with the acquisition of Sprint and the related increase in financing, including the handling charges incurred for a briefly utilized bridge loan facility. Other financial income decreased by EUR 0.3 billion year-on-year to an expense of EUR 0.1 billion, due, among other factors, to an increase of EUR 0.2 billion in interest expense from the measurement of provisions and liabilities. Gains/losses from financial instruments also decreased year-on-year by EUR 0.1 billion, partly due to measurement effects in connection with derivatives. Overall, the share of profit/loss of associates and joint ventures accounted for using the equity method was down EUR 0.1 billion on the prior-year period.

For further information on embedded derivatives at T-Mobile US, please refer to the section “Disclosures on financial instruments.”

INCOME TAXES

In the first three quarters of 2020, a tax expense of EUR 1.5 billion was recorded. The effective tax rate of 27 percent essentially reflects the shares of the different countries in profit before income taxes and their respective national tax rates. In the prior-year period, a tax expense of EUR 1.7 billion was recorded. The higher tax expense was attributable to a higher profit before income taxes.

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

NET CASH FROM OPERATING ACTIVITIES

Net cash from operating activities decreased by EUR 1.1 billion year-on-year to EUR 16.4 billion. This decline relates in part to the repayment of a Deutsche Bundespost treasury note (zero-coupon bond) issued by Deutsche Telekom AG in 1990 with a nominal amount of EUR 0.2 billion, which fell due on December 31, 2019 and was repaid on that date by a bank using its own funds. The payment by Deutsche Telekom AG to this bank was made on the following bank working day of January 2, 2020. The interest portion amounted to EUR 1.2 billion. In addition, the repayment of EUR 0.4 billion in the reporting period for another zero-coupon bond also had a negative impact. The interest portion amounted to EUR 0.4 billion. Net cash from operating activities was also negatively impacted in the amount of EUR 2.2 billion in the reporting period as a result of the premature termination of forward-payer swaps for borrowings raised at T-Mobile US. Excluding these effects, higher (net) interest payments, which were up by EUR 1.5 billion, had a negative impact on net cash from operating activities, mainly due to the financial liabilities recognized and the restructuring begun in connection with the acquisition of Sprint and the related increase in financing, including the handling charges incurred for a briefly utilized bridge loan facility. Income tax payments decreased by EUR 0.1 billion compared with the prior-year period. Factoring agreements of EUR 0.6 billion had a negative impact on net cash from operating activities in the reporting period, mainly as a result of the contractual termination of a revolving factoring agreement in the Germany operating segment. In the prior-year period, factoring agreements had had a positive effect of EUR 0.3 billion. The sustained strong performance of the operating segments, especially in the United States, and the inclusion of Sprint had an increasing effect on net cash from operating activities.

NET CASH USED IN INVESTING ACTIVITIES

millions of €	Q1-Q3 2020	Q1-Q3 2019
Cash capex		
Germany operating segment	(2,914)	(3,391)
United States operating segment	(7,131)	(5,314)
Europe operating segment	(1,431)	(1,295)
Systems Solutions operating segment	(163)	(219)
Group Development operating segment	(566)	(291)
Group Headquarters & Group Services	(693)	(730)
Reconciliation	18	32
	(12,880)	**(11,206)**
Payments for publicly funded investments in the broadband build-out[a]	(337)	(236)
Proceeds from public funds for investments in the broadband build-out[a]	152	106
Net cash flows for collateral deposited and hedging transactions	1,564	1,485
Changes in cash and cash equivalents in connection with the consummated business combination of T-Mobile US and Sprint	(4,647)	0
Of which: cash and cash equivalents acquired from Sprint[b]	2,117	0
Of which: repayment of Sprint loans pursuant to change-in-control clause	(6,764)	0
Changes in cash and cash equivalents associated with the sale of Sprint's prepaid business to DISH[c]	1,085	0
Changes in cash and cash equivalents in connection with the loss of control of subsidiaries and associates	21	31
Cash outflows for the acquisition of shares in Tele2 Netherlands[d]	0	(230)
Proceeds from the disposal of property, plant and equipment, and intangible assets	176	108
Allocation under the contractual trust agreement (CTA) for long-term accounts and phased retirement	(166)	(30)
Payment in relation to settlement reached in Toll Collect arbitration proceedings	0	(200)
Other	(270)	(64)
	(15,302)	**(10,236)**

[a] For further information on the change in estimates made in the second half of 2019, please refer to the section "Changes in accounting policies, changes in estimates" in the notes to the consolidated financial statements in the 2019 Annual Report.

[b] Also includes a payment of EUR 93 million received in relation to a cost allocation from SoftBank in connection with CPUC.

[c] Of the overall purchase price payment of EUR 1,221 million, EUR 136 million was recognized under net cash from/used in financing activities. This related to receivables from customers in connection with the Equipment Installment Plan in Sprint's sold prepaid business.

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

At EUR 12.9 billion, cash capex was EUR 1.7 billion higher than in the prior-year period. In the United States segment, FCC mobile licenses were acquired in the reporting period for a total of EUR 1.0 billion; the Europe and Group Development segments each acquired mobile spectrum licenses in the amount of EUR 0.2 billion, respectively, in the same period. The prior-year figure included EUR 1.2 billion for the acquisition of mobile spectrum licenses, which primarily related to the United States operating segment. Excluding investments in mobile spectrum licenses, cash capex was up EUR 1.5 billion year-on-year. This change was primarily attributable to an increase of EUR 1.8 billion in the United States operating segment on account of the inclusion of Sprint and as a result of the further expansion of the 5G network, as well a contrasting decline of EUR 0.4 billion in the Germany operating segment.

NET CASH FROM/USED IN FINANCING ACTIVITIES

millions of €	Q1-Q3 2020	Q1-Q3 2019
Repayment of bonds	(8,783)	(1,564)
Dividend payments (including to other shareholders of subsidiaries)	(3,067)	(3,561)
Repayment of financial liabilities from financed capex and opex	(324)	(270)
Repayment of EIB loans	(193)	(260)
Net cash flows for collateral deposited and hedging transactions	(4)	86
Principal portion of repayment of lease liabilities	(4,206)	(2,837)
Repayment of financial liabilities for media broadcasting rights	(270)	(277)
Cash flows from continuing involvement factoring, net	(77)	(11)
Loans taken out with the EIB	0	500
Promissory notes, net	(202)	144
Issuance of bonds	1,609	4,897
Commercial paper, net	0	(467)
Overnight borrowings from banks, net	0	(626)
Repayment of liabilities from 5G spectrum acquired in Germany	(110)	0
Issue of senior secured notes in connection with the acquisition of Sprint	20,942	0
Raising of secured term loan in connection with the acquisition of Sprint	3,562	0
Raising of bridge loan facility in connection with the acquisition of Sprint	17,405	0
Repayment of bridge loan facility in connection with the acquisition of Sprint	(17,493)	0
Repayment of Sprint loans (raised prior to acquisition by T-Mobile US)	(3,572)	0
Cash inflows from transactions with non-controlling entities		
T-Mobile US stock options	36	2
Toll4Europe capital contributions	11	0
	47	**2**
Cash outflows from transactions with non-controlling entities		
T-Mobile US share buy-backs	(316)	(95)
OTE share buy-backs	(102)	(84)
Other	(30)	(4)
	(448)	**(183)**
Other	(154)	(136)
	4,661	**(4,563)**

NON-CASH TRANSACTIONS

In the reporting period, Deutsche Telekom chose financing options of 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 (prior-year period: EUR 0.7 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 from/used in financing activities.

In the first three quarters of 2020, Deutsche Telekom leased assets of EUR 12.8 billion, mainly network equipment, and land and buildings (prior-year period: EUR 4.5 billion). These assets are now recognized in the statement of financial position under right-of-use assets and the related liabilities under lease liabilities. Future repayments of the liabilities will be recognized in net cash from/used in financing activities. The year-on-year increase is mainly attributable to the United States operating segment and relates to the inclusion of Sprint as well as to a modified agreement with American Tower concerning the lease of approximately 20,729 cell towers, which increased the carrying amounts of the right-of-use assets and the lease liabilities by EUR 9.4 billion each.

Consideration for the acquisition of broadcasting rights is paid by Deutsche Telekom in accordance with the terms of the contract on the date of its conclusion or spread over the term of the contract. Financial liabilities of EUR 0.2 billion were recognized in the first three quarters of 2020 for future consideration for acquired broadcasting rights (prior-year period: EUR 0.2 billion). The payment of the consideration will be recognized in net cash from/used in financing activities.

In the United States operating segment, mobile handsets amounting to EUR 2.1 billion were recognized under property, plant and equipment in the first three quarters of 2020 (prior-year period: EUR 0.6 billion). These relate to the JUMP! On Demand business model at T-Mobile US, under which customers do not purchase the devices but lease them. The payments are presented under net cash from operating activities. The increase in terminal equipment leases is mainly due to the inclusion of Sprint, whose business model had a strong focus on terminal equipment leases.

The business combination of T-Mobile US and Sprint in the United States operating segment as of April 1, 2020 was executed by means of a share exchange without a cash component (all-stock transaction).

For further information on the business combination of T-Mobile US and Sprint, please refer to the section "Changes in the composition of the Group."

SEGMENT REPORTING

The following table gives an overall summary of Deutsche Telekom's operating segments and the Group Headquarters & Group Services segment for the first three quarters of 2020 and 2019.

For further information, please refer to the section "Development of business in the operating segments" in the interim Group management report.

With effect from July 1, 2020, TC Services and Classified ICT, portfolio units previously assigned to the Systems Solutions operating segment, as well as Telekom Global Carrier (TGC) and Network Infrastructure (NWI), which had formerly been disclosed under the Europe operating segment and the Group Headquarters & Group Services segment respectively, and which together form the business area designated Deutsche Telekom Global Carrier (DTGC), have been combined in the Germany operating segment. Prior-year comparatives in the segments affected have been adjusted retrospectively in segment reporting.

For further information, please refer to the section "Accounting policies."

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

Segment information in the first three quarters of the year

millions of €

		Comparative period						Reporting date		
		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets[a]	Segment liabilities[a]	Investments accounted for using the equity method[a]
Germany	Q1-Q3 2020	16,959	561	17,520	3,093	(3,302)	0	44,171	32,131	37
	Q1-Q3 2019	16,918	589	17,507	3,178	(3,247)	(4)	44,274	32,222	12
United States	Q1-Q3 2020	44,022	2	44,024	5,863	(11,165)	(37)	177,995	118,003	306
	Q1-Q3 2019	29,628	1	29,629	4,285	(5,681)	0	84,413	54,087	289
Europe	Q1-Q3 2020	8,202	142	8,344	1,095	(1,961)	(163)	25,481	8,957	53
	Q1-Q3 2019	8,371	136	8,507	1,113	(2,051)	(9)	26,878	10,527	59
Systems Solutions	Q1-Q3 2020	2,416	679	3,095	(618)	(294)	(426)	4,105	4,242	21
	Q1-Q3 2019	2,525	729	3,254	(323)	(339)	(28)	4,517	3,967	25
Group Development	Q1-Q3 2020	1,633	509	2,142	417	(576)	0	8,914	11,014	124
	Q1-Q3 2019	1,582	486	2,068	498	(607)	0	8,395	10,571	96
Group Headquarters & Group Services	Q1-Q3 2020	144	1,766	1,910	(1,140)	(933)	(45)	48,988	63,284	9
	Q1-Q3 2019	145	1,822	1,967	(1,050)	(846)	0	54,339	65,244	9
TOTAL	**Q1-Q3 2020**	**73,377**	**3,657**	**77,035**	**8,710**	**(18,231)**	**(671)**	**309,654**	**237,631**	**550**
	Q1-Q3 2019	**59,169**	**3,763**	**62,932**	**7,701**	**(12,771)**	**(41)**	**222,816**	**176,618**	**489**
Reconciliation	Q1-Q3 2020	0	(3,657)	(3,657)	(6)	25	1	(44,362)	(44,372)	0
	Q1-Q3 2019	0	(3,763)	(3,763)	(36)	21	(20)	(52,144)	(52,177)	0
GROUP	**Q1-Q3 2020**	**73,377**	**0**	**73,377**	**8,704**	**(18,206)**	**(670)**	**265,292**	**193,259**	**550**
	Q1-Q3 2019	**59,169**	**0**	**59,169**	**7,665**	**(12,750)**	**(61)**	**170,672**	**124,441**	**489**

[a] Figures relate to the reporting dates of September 30, 2020 and December 31, 2019, respectively.

CONTINGENT LIABILITIES

This section provides additional information and explains recent changes in the contingent liabilities as described in the consolidated financial statements for the 2019 financial year.

Consent fee for Sprint. In connection with the business combination of T-Mobile US and Sprint, T-Mobile US would have been 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 had been terminated. Since the business combination was consummated as of April 1, 2020, the contingent liability is no longer recognized.

Toll Collect arbitration proceedings. On May 16, 2018, Daimler Mobility AG (formerly Daimler Financial Services AG), Deutsche Telekom, and the Federal Republic of Germany had reached an agreement to cease the Toll Collect arbitration proceedings. Daimler Mobility AG and Deutsche Telekom had both agreed to make final payments of EUR 550 million each, for which they were jointly and severally liable. Since the last tranche of EUR 150 million, which fell due in 2020, was settled, there is no longer a contingent liability arising from the joint and several liability.

OTHER FINANCIAL OBLIGATIONS

The following table provides an overview of Deutsche Telekom's other financial obligations as of September 30, 2020:

millions of €	Sept. 30, 2020
Purchase commitments regarding property, plant and equipment	6,722
Purchase commitments regarding intangible assets	482
Firm purchase commitments for inventories	2,780
Other purchase commitments and similar obligations	16,280
Payment obligations to the Civil Service Pension Fund	1,825
Obligations from the acquisition of interests in other companies	4
Miscellaneous other obligations	45
	28,137

DISCLOSURES ON FINANCIAL INSTRUMENTS

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

millions of €

			Amounts recognized in the statement of financial position in accordance with IFRS 9					
	Measurement category in accordance with IFRS 9	Carrying amount Sept. 30, 2020	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 IFRS 16	Fair value Sept. 30, 2020[a]
ASSETS								
Cash and cash equivalents	AC	10,642	10,642					
Trade receivables								
At amortized cost	AC	6,236	6,236					
At fair value through other comprehensive income	FVOCI	6,720			6,720			6,720
At fair value through profit or loss	FVTPL	4				4		4
Other financial assets								
Originated loans and other receivables								
At amortized cost	AC	4,191	4,191					4,228
Of which: collateral paid	AC	100	100					
Of which: publicly funded projects	AC	1,726	1,726					
At fair value through other comprehensive income	FVOCI	0			0			
At fair value through profit or loss	FVTPL	144				144		144
Equity instruments								
At fair value through other comprehensive income	FVOCI	397		397				397
At fair value through profit or loss	FVTPL	3				3		3
Derivative financial assets								
Derivatives without a hedging relationship	FVTPL	1,609				1,609		1,609
Of which: termination rights embedded in bonds issued	FVTPL	1,069				1,069		1,069
Of which: energy forward agreements embedded in contracts	FVTPL	88				88		88
Of which: options received by third parties for the purchase of shares in subsidiaries and associates	FVTPL	187				187		187
Derivatives with a hedging relationship	n.a.	2,733			309	2,424		2,733
Lease assets	n.a.	216					216	
Cash and cash equivalents and trade receivables directly associated with non-current assets and disposal groups held for sale	AC	0	0					
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	33		33				33
LIABILITIES								
Trade payables	AC	8,318	8,318					
Bonds and other securitized liabilities	AC	86,758	86,758					95,038
Liabilities to banks	AC	4,893	4,893					5,020
Liabilities to non-banks from promissory note bonds	AC	495	495					587
Liabilities with the right of creditors to priority repayment in the event of default	AC	4,267	4,267					4,591
Other interest-bearing liabilities	AC	8,899	8,899					8,972
Of which: collateral received	AC	2,459	2,459					
Other non-interest-bearing liabilities	AC	1,804	1,804					
Lease liabilities	n.a.	33,853					33,853	
Derivative financial liabilities								
Derivatives without a hedging relationship	FVTPL	381				381		381
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FVTPL	8				8		8
Of which: energy forward agreements embedded in contracts	FVTPL	109				109		109
Derivatives with a hedging relationship	n.a.	359			340	19		359
Trade payables directly associated with non-current assets and disposal groups held for sale	AC	0	0					
Of which: aggregated by measurement category in accordance with IFRS 9								
ASSETS								
Financial assets at amortized cost	AC	21,069	21,069					4,228
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	6,720			6,720			6,720
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	430		430				430
Financial assets at fair value through profit or loss	FVTPL	1,760				1,760		1,760
LIABILITIES								
Financial liabilities at amortized cost	AC	115,434	115,434					114,208
Financial liabilities at fair value through profit or loss	FVTPL	381				381		381

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

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, 2019	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 IFRS 16	Fair value Sept. 30, 2019[a]
ASSETS								
Cash and cash equivalents	AC	5,393	5,393					
Trade receivables								
At amortized cost	AC	5,452	5,452					
At fair value through other comprehensive income	FVOCI	5,390			5,390			5,390
At fair value through profit or loss	FVTPL	4				4		4
Other financial assets								
Originated loans and other receivables								
At amortized cost	AC	4,284	4,284					4,317
Of which: collateral paid	AC	637	637					
Of which: publicly funded projects	AC	1,350	1,350					
At fair value through other comprehensive income	FVOCI	0			0			
At fair value through profit or loss	FVTPL	121				121		121
Equity instruments								
At fair value through other comprehensive income	FVOCI	293		293				293
At fair value through profit or loss	FVTPL	22				22		22
Derivative financial assets								
Derivatives without a hedging relationship	FVTPL	893				893		893
Of which: termination rights embedded in bonds issued	FVTPL	630				630		630
Of which: energy forward agreements embedded in contracts	FVTPL	0				0		0
Of which: options received by third parties for the purchase of shares in subsidiaries and associates	FVTPL							
Derivatives with a hedging relationship	n.a.	1,439			287	1,152		1,439
Lease assets	n.a.	197					197	
Cash and cash equivalents and trade receivables directly associated with non-current assets and disposal groups held for sale	AC	0	0					
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	35		35				35
LIABILITIES								
Trade payables	AC	9,431	9,431					
Bonds and other securitized liabilities	AC	51,644	51,644					56,357
Liabilities to banks	AC	6,516	6,516					6,572
Liabilities to non-banks from promissory note bonds	AC	699	699					799
Liabilities with the right of creditors to priority repayment in the event of default	AC	0	0					0
Other interest-bearing liabilities	AC	4,369	4,369					4,506
Of which: collateral received	AC	1,273	1,273					
Other non-interest-bearing liabilities	AC	1,476	1,476					
Lease liabilities	n.a.	19,835					19,835	
Derivative financial liabilities								
Derivatives without a hedging relationship	FVTPL	325				325		325
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FVTPL	7				7		7
Of which: energy forward agreements embedded in contracts	FVTPL	146				146		146
Derivatives with a hedging relationship	n.a.	1,319			1,253	66		1,319
Trade payables directly associated with non-current assets and disposal groups held for sale	AC	29	29					
Of which: aggregated by measurement category in accordance with IFRS 9								
ASSETS								
Financial assets at amortized cost	AC	15,129	15,127					4,317
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	5,390			5,390			5,390
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	328		328				328
Financial assets at fair value through profit or loss	FVTPL	1,040				1,040		1,040
LIABILITIES								
Financial liabilities at amortized cost	AC	74,164	74,164					68,234
Financial liabilities at fair value through profit or loss	FVTPL	325				325		325

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

Trade receivables include receivables amounting to EUR 1.6 billion (December 31, 2019: EUR 1.8 billion) due in more than one year. The fair value generally equals the carrying amount.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

Financial instruments measured at fair value

millions of €

	Sept. 30, 2020				Dec. 31, 2019			
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
ASSETS								
Trade receivables								
At fair value through other comprehensive income			6,720	**6,720**			5,390	**5,390**
At fair value through profit or loss			4	**4**			4	**4**
Other financial assets – Originated loans and other receivables								
At fair value through other comprehensive income				**0**				**0**
At fair value through profit or loss	136		8	**144**	114		7	**121**
Equity instruments								
At fair value through other comprehensive income			430	**430**			328	**328**
At fair value through profit or loss			3	**3**	22			**22**
Derivative financial assets								
Derivatives without a hedging relationship		265	1,344	**1,609**		263	630	**893**
Derivatives with a hedging relationship		2,733		**2,733**		1,439		**1,439**
LIABILITIES								
Derivative financial liabilities								
Derivatives without a hedging relationship		264	117	**381**		172	153	**325**
Derivatives with a hedging relationship		359		**359**		1,319		**1,319**

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

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

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

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

At the start of April 2020, forward-payer swaps with a nominal value of EUR 8.8 billion when translated into euros, were terminated prematurely. These transactions were concluded for borrowings at T-Mobile US and designated as cash flow hedges in effective hedging relationships. In the reporting period, the measurement resulted in a loss from hedging instruments of EUR 924 million recognized under other comprehensive income. The secured term loan was raised on April 1, 2020. The measurement results of the forward-payer swaps between April 1, 2020 and their termination in the course of the following days amounted to EUR 39 million (expense) and were recognized in other financial income/expense.

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

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

millions of €

	Equity instruments at fair value through other comprehensive income	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial assets at fair value through profit or loss: stock options	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, 2020	**328**	**630**		**0**	**(146)**
Additions (including first-time categorization as Level 3)	98	271	0	43	0
Decreases in fair value recognized in profit/loss (including losses on disposal)	n.a.	(513)	0	0	(25)
Increases in fair value recognized in profit/loss (including gains on disposal)	n.a.	716	171	49	53
Decreases in fair value recognized directly in equity	(23)	n.a.	n.a.	n.a.	n.a.
Increases in fair value recognized directly in equity	64	n.a.	n.a.	n.a.	n.a.
Disposals	(37)	0	n.a.	0	4
Currency translation effects recognized directly in equity	0	(35)	0	(4)	5
CARRYING AMOUNT AS OF SEPTEMBER 30, 2020	**430**	**1,069**	**171**	**88**	**(109)**

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 403 million measured using the best information available at the reporting date. As a rule, Deutsche Telekom considers transactions involving shares in those companies to have the greatest relevance. Transactions involving shares in comparable companies are also considered. The proximity of the relevant transaction to the reporting date, and the question of whether it was conducted at arm's length, are relevant for deciding which information is used for the measurement. Furthermore, the degree of similarity between the object being measured and comparable companies must be taken into consideration. Based on Deutsche Telekom's own assessment, the fair values of the equity investments at the reporting date could be determined with sufficient reliability. For the development of the carrying amounts in the reporting period, please refer to the table above. At the reporting date, investments with a carrying amount of EUR 33 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 269 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why the share prices agreed in the transactions were to be used without adjustment for the measurement as of September 30, 2020. In the case of investments with a carrying amount of EUR 10 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 124 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 2.0 and 8.4) 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 below. In addition, non-material individual items with a carrying amount of EUR 27 million (when translated into euros) are included with differences in value of minor relevance.

The derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial assets relate to options embedded in bonds issued by T-Mobile US with a carrying amount of EUR 1,069 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 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. At the current reporting date, the following interest rate volatility and spreads were used for the various rating levels of the bonds:

Interest rate volatilities and spreads used by rating levels

	Interest volatility (absolute figure)	Spread (maturity of the bonds)	Spread (shorter terms)
BBB+	0,1 %–0,8 %	0,2 %–0,6 %	0,2 %–0,2 %
BBB-	0,3 %–2,2 %	1,4 %–2,7 %	0,8 %–1,2 %
BB	2,1 %–2,6 %	2,3 %–3,3 %	2,0 %–2,1 %

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 below. In the reporting period, net income of EUR 446 million when translated into euros was recognized under Level 3 in other financial income/expense for unrealized gains for the options in the portfolio at the reporting date. In the reporting period, two options were exercised and the relevant bonds canceled prematurely. At the time of termination, the options and their total carrying amount of EUR 158 million when translated into euros were expensed and derecognized. Please refer to the table above for the development of the carrying amounts in the reporting period. The changes in value recognized in profit or loss in the reporting period were mainly attributable to fluctuations in the interest rates and historical interest rate volatilities in absolute terms that are relevant for measurement. Due to their distinctiveness, these instruments constitute a separate class of financial instruments.

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

millions of €

	Equity instruments at fair value through other comprehensive income	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial assets at fair value through profit or loss: stock options	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	43				
Multiple next-level-down quantile	(35)				
Expected revenues +10%	8				
Expected revenues -10%	(7)				
Interest rate volatility[b] +10%		84			
Interest rate volatility[b] -10%		(79)			
Spread curve[c] +100 basis points		(437)			
Spread curve[c] -100 basis points		632			
Mean reversion[d] +100 basis points		(21)			
Mean reversion[d] -100 basis points		34			
Future energy prices +10%				35	43
Future energy prices -10%				(36)	(42)
Future energy output +5%				15	3
Future energy output -5%				(16)	(3)
Future prices for renewable energy credits[e] +100%				19	27
Future prices for renewable energy credits[e] from zero				(19)	(27)
Share price volatility[f] +10%			79		
Share price volatility[f] -10%			(78)		

[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.

[f] The share price volatility shows the range of variation of the basic value over the remaining term of an option.

With a carrying amount of EUR -109 million when translated into euros, the derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial liabilities relate to energy forward agreements embedded in contracts entered into by T-Mobile US. The same applies to derivative financial assets with a carrying amount of EUR 88 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 contracts have been entered into with energy producers since 2017 and run for terms of between 12 and 15 years from the commencement of commercial operation. In the case of four energy forward agreements, commercial operations have already begun; with the others, commercial operations are set to begin between 2020 and 2021. The respective settlement period of the energy forward agreement, which is accounted for separately as a derivative, also starts when the facility begins commercial operation. Under the energy forward agreements, T-Mobile US receives variable amounts based on the facility's actual energy output and the then current energy prices, and pays fixed amounts per unit of energy generated throughout the term of the contract. The energy forward agreements are measured using valuation models because no observable market prices are available. The value of the derivatives is materially influenced by the facility's future energy output, for which T-Mobile US estimated a value of 4,057 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 around 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 14.72/MWh and EUR 58.01/MWh when translated into euros and off-peak prices of between EUR 8.45/MWh and EUR 37.30/MWh when translated into euros. An average on-peak/off-peak ratio of 51 percent was used. In our opinion, the values used constitute the best estimate in each case. If other values had been used for future energy prices, future energy output, or future prices of renewable energy credits, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table above. In the reporting period, net income of EUR 79 million (when translated into euros) was recognized under the Level 3 measurement in other operating income/expense for unrealized gains for the derivatives. Please refer to the corresponding table for the development of the carrying amounts in the reporting period. The market-price changes in the reporting period were largely attributable to changes in observable and unobservable energy prices and to interest rate effects. As part of the business combination with Sprint two agreements concluded by Sprint in 2019 with a carrying amount of EUR 43 million when translated into euros were recognized as financial assets, increasing the carrying amount. One agreement was terminated prematurely in the current reporting period. Due to their distinctiveness, these instruments constitute a separate class of financial instruments. In the view of T-Mobile US, the contracts were entered into at current market conditions, and the most appropriate parameters for the unobservable inputs were used for measurement purposes. The transaction price at inception was zero in each case. Since the unobservable inputs have a material influence on the measurement of the derivatives, the respective amount resulting from initial measurement – with the exception of the agreements concluded by Sprint that are explained below – 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 12 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 development of the amount yet to be amortized in the income statement in the reporting period is shown in the following table.

Unobservable inputs also have a material influence on the measurement of the derivatives for the agreements concluded by Sprint. However, under the requirements for business combinations, the respective amounts resulting from the measurement were recognized as derivative financial assets as of April 1, 2020, as a result of which there are no amounts yet to be amortized for these agreements. On the following reporting dates, the effects from the periodic measurement of the derivatives will be recorded in full in the income statement (other operating expenses or other operating income).

The financial assets assigned to Level 3 include derivative financial assets with a carrying amount of EUR 171 million when translated into euros, resulting from the stock options to buy shares in T-Mobile US received from SoftBank in June 2020. The stock options, which can be exercised at any time, mature in 2024, can be exercised partially at fixed and partially at variable purchase prices, and are measured using an option pricing model. In addition to the share price observable on the market and the risk-free interest rates, average share price volatilities of T-Mobile US and comparable companies are calculated based on historic and current figures, since these provide a more reliable estimate for these inputs at the reporting date than exclusively the current market volatilities. The absolute figure used for the share price volatility at the current reporting date was 27 percent. Due to their distinctiveness, these instruments constitute a separate class of financial instruments. The transaction price at inception was zero. Since the unobservable inputs have a material influence on the measurement of the options, the fair value resulting from initial measurement of EUR 1,005 million when translated into euros (before deduction of transaction costs) was not immediately recognized. Instead, this amount will be amortized in profit or loss over the expected life of the options. This amortization adjusts the effects from measuring the options on an ongoing basis using the valuation model and updated parameters. All amounts from the measurement of the options are presented in net terms in the statement of financial position (other derivative financial assets) and in the income statement (other financial income/expense). The market-price changes in the reporting period are largely attributable to fluctuations in the share price and the risk-free interest rate. The development of the amount yet to be amortized in the income statement in the reporting period is shown in the following table.

Development of the not yet amortized amounts

millions of €

	Energy forward agreements	Stock options[a]
Measurement amounts on initial recognition	**178**	**1,005**
Measurement amounts on initial recognition (additions during the reporting period)	0	0
Measurement amounts amortized in profit or loss in prior periods	(9)	0
Measurement amounts amortized in profit or loss in the current reporting period	(7)	(67)
Currency translation adjustments	(3)	(42)
Disposals in the current reporting period	(5)	0
MEASUREMENT AMOUNTS NOT AMORTIZED SEPTEMBER 30, 2020	**154**	**896**

[a] Amount before deduction of transaction costs.

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 assets and financial liabilities measured at fair value through profit or loss and assigned to Level 3 include derivative financial assets with a carrying amount of EUR 16 million when translated into euros and derivative financial liabilities with a carrying amount of EUR -8 million, resulting from options purchased from or granted to third parties for the purchase of company shares. No notable fluctuations in value are expected from these individual items. Due to their distinctiveness, these instruments each constitute a separate class of financial instruments.

DISCLOSURES ON CREDIT RISK

In line with the contractual provisions, in the event of insolvency, all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. The net amounts are normally recalculated every bank working day and offset against each other. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 2,459 million (December 31, 2019: EUR 1,273 million). The credit risk was thus reduced by EUR 2,404 million (December 31, 2019: EUR 1,207 million) because, on the reporting date, the collateral received was offset by corresponding net derivative positions in the same amount. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 2,997 million as of the reporting date (December 31, 2019: EUR 1,703 million) had a maximum credit risk of EUR 2 million as of September 30, 2020 (December 31, 2019: EUR 49 million).

When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom provided cash collateral in the amount of EUR 31 million as of the reporting date (December 31, 2019: EUR 564 million) to counterparties pursuant to collateral agreements. The cash collateral paid is offset by corresponding net derivative positions of EUR 31 million at the reporting date (December 31, 2019: EUR 554 million), which is why it was not exposed to any credit risks in this amount.

On account of its close connection to the corresponding derivatives, the collateral received (paid) constitutes a separate class of financial liabilities (assets). 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.

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

No collateral is provided for the options acquired from third parties for shares in a subsidiary of Deutsche Telekom or shares in other companies (see above).

In connection with auctions for the planned acquisition of spectrum licenses, subsidiaries of Deutsche Telekom have deposited additional cash collateral of EUR 67 million when translated into euros with government agencies. This cash collateral is not subject to any additional credit risk beyond the general country risk of the respective countries.

RELATED-PARTY DISCLOSURES

There were no significant changes at September 30, 2020 to the related-party disclosures reported in the consolidated financial statements as of December 31, 2019.

EXECUTIVE BODIES

CHANGES IN THE COMPOSITION OF THE BOARD OF MANAGEMENT

At its meeting on May 22, 2019, the Supervisory Board of Deutsche Telekom AG resolved to dissolve the Data Privacy, Legal Affairs and Compliance (DRC) Board department effective December 31, 2019. The Internal Audit and Risk Management units were assigned to the Finance Board of Management department. The Data Privacy, Legal Affairs, and Compliance units were assigned to the Human Resources Board of Management department and are led by Dr. Claudia Junker, who in her capacity as General Counsel and Executive Vice President reports directly to Birgit Bohle. Birgit Bohle has headed up the extended Human Resources and Legal Affairs Board department since January 1, 2020. Dr. Thomas Kremer left the Group for reasons of age effective March 31, 2020. Until his departure, Dr. Kremer supported the transition to the new structures as part of a designated mandate.

At the start of this year, Dr. Dirk Wössner, the Board of Management member for Germany, notified the Supervisory Board of Deutsche Telekom AG that he does not intend to extend his service contract beyond its expiration date of December 31, 2020. On June 18, 2020, the Supervisory Board of Deutsche Telekom AG appointed the current Board member for Europe, Srini Gopalan, as the new Board member for Germany effective November 1, 2020. Dr. Wössner resigned from his position effective midnight on October 31, 2020. On September 7, 2020, the Supervisory Board of Deutsche Telekom AG appointed Dominique Leroy to succeed Srini Gopalan as the Board member for Europe effective November 1, 2020.

EVENTS AFTER THE REPORTING PERIOD

Refinancing measures at T-Mobile US. On October 6, 2020, T-Mobile US issued senior secured notes with a total volume of USD 4 billion (EUR 3.4 billion) with terms ending between 2028 and 2051 and bearing interest of between 2.050 and 3.300 percent. The cash received was used on October 9, 2020 to prematurely repay the term loan raised on April 1, 2020. On October 28, 2020, T-Mobile US issued senior secured notes with a total volume of USD 4.75 billion (EUR 4.0 billion) with terms ending between 2031 and 2060 and bearing interest of between 2.250 and 3.600 percent. On October 30, 2020 T-Mobile US entered into a USD 5.0 billion senior secured term loan commitment with certain financial institutions.

Agreed acquisition of Simpel by T-Mobile Netherlands. For more information on the agreement signed on October 16, 2020 concerning the acquisition of 100 percent of the shares in the Dutch MVNO and SIM provider Simpel.nl B.V., please refer to the section “Changes in the composition of the Group.”

Agreed sale of Telekom Romania Communications. For more information on the agreement signed on November 6, 2020 concerning the sale of the 54 percent stake in Telekom Romania Communications S.A. by OTE to Orange Romania, please refer to the section “Changes in the composition of the Group.”

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Bonn, November 12, 2020

Deutsche Telekom AG
The Board of Management

Timotheus Höttges

Adel Al-Saleh
Birgit Bohle
Srini Gopalan
Dr. Christian P. Illek

Thorsten Langheim
Dominique Leroy
Claudia Nemat

REVIEW REPORT

To Deutsche Telekom AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to September 30, 2020 which are part of the interim financial reporting pursuant to § (Article) 115 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim Group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

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

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

Frankfurt/Main, November 12, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels Wirtschaftsprüfer (German Public Auditor)	Thomas Tandetzki Wirtschaftsprüfer (German Public Auditor)

ADDITIONAL INFORMATION

RECONCILIATION FOR THE CHANGE IN DISCLOSURE OF KEY FIGURES FOR THE PRIOR-YEAR COMPARATIVE PERIOD IN THE FIRST THREE QUARTERS OF 2020

millions of €	Total revenue	Profit (loss) from operations (EBIT)	EBITDA AL (adjusted for special factors)	Depreciation and amortization	Impairment losses	Segment assets[a]	Segment liabilities[a]
Q1-Q3 2019/SEPTEMBER 30, 2019 Presentation as of September 30, 2019 – as reported							
Germany	16,217	2,992	6,515	(3,184)	(4)	41,253	30,968
United States	29,629	4,285	8,424	(5,681)	0	84,413	54,087
Europe	8,943	1,173	3,022	(2,063)	(9)	27,699	10,843
Systems Solutions	4,961	(185)	363	(381)	(28)	6,615	4,800
Group Development	2,068	498	774	(607)	0	8,395	10,571
Group Headquarters & Group Services	1,961	(1,063)	(362)	(857)	0	54,162	65,066
TOTAL	**63,779**	**7,700**	**18,736**	**(12,773)**	**(41)**	**222,537**	**176,335**
Reconciliation	(4,610)	(35)	(35)	23	(20)	(51,865)	(51,894)
GROUP	**59,169**	**7,665**	**18,701**	**(12,750)**	**(61)**	**170,672**	**124,441**
Q1-Q3 2019/SEPTEMBER 30, 2019 +/- realignment of the B2B telecommunications business as of July 1, 2020							
Germany	1,290	186	259	(63)	0	3,021	1,254
United States	0	0	0	0	0	0	0
Europe	(436)	(60)	(74)	12	0	(821)	(316)
Systems Solutions	(1,707)	(138)	(187)	42	0	(2,098)	(833)
Group Development	0	0	0	0	0	0	0
Group Headquarters & Group Services	6	13	1	11	0	177	178
TOTAL	**(847)**	**1**	**0**	**2**	**0**	**279**	**283**
Reconciliation	847	(1)	0	(2)	0	(279)	(283)
GROUP	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Q1-Q3 2019/SEPTEMBER 30, 2019 = presentation as of September 30, 2020							
Germany	17,507	3,178	6,774	(3,247)	(4)	44,274	32,222
United States	29,629	4,285	8,424	(5,681)	0	84,413	54,087
Europe	8,507	1,113	2,948	(2,051)	(9)	26,878	10,527
Systems Solutions	3,254	(323)	176	(339)	(28)	4,517	3,967
Group Development	2,068	498	774	(607)	0	8,395	10,571
Group Headquarters & Group Services	1,967	(1,050)	(361)	(846)	0	54,339	65,244
TOTAL	**62,932**	**7,701**	**18,736**	**(12,771)**	**(41)**	**222,816**	**176,618**
Reconciliation	(3,763)	(36)	(35)	21	(20)	(52,144)	(52,177)
GROUP	**59,169**	**7,665**	**18,701**	**(12,750)**	**(61)**	**170,672**	**124,441**

[a] Figures relate to the reporting date December 31, 2019.

GLOSSARY

For definitions, please refer to the 2019 Annual Report and the glossary therein.

DISCLAIMER

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

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

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

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

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

These measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Alternative performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.

> For further information on alternative performance measures, please refer to the section "Management of the Group" in the 2019 Annual Report, or to Deutsche Telekom's website under Investor Relations.

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

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

FINANCIAL CALENDAR[a]

November 12, 2020	February 26, 2021	April 1, 2021
Publication of the Interim Group Report as of September 30, 2020	Press conference on the 2020 financial year and publication of the 2020 Annual Report	2021 shareholders' meeting (possibly virtual)

May 12, 2021	August 12, 2021	November 12, 2021
Publication of the Interim Group Report as of March 31, 2021	Publication of the Interim Group Report as of June 30, 2021	Publication of the Interim Group Report as of September 30, 2021

[a] In connection with the business combination of T-Mobile US and Sprint, which was completed as of April 1, 2020, the publication dates set out in the 2019 Annual Report have been amended.

All dates are subject to change.

For more dates, an updated schedule, and information on webcasts, please go to https://www.telekom.com/financial-calendar.

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This Interim Group Report for January 1 to September 30, 2020 is a publication of Deutsche Telekom AG and is also available in German. The German version is legally binding.

This Interim Group Report is available online at
www.telekom.com/investor-relations

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

Concept: Deutsche Telekom AG

Design & technical implementation:
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