DEUTSCHE TELEKOM
INTERIM GROUP REPORT
JANUARY 1 TO MARCH 31, 2020

LIFE IS FOR SHARING.

SELECTED FINANCIAL DATA OF THE GROUP

millions of €

		Q1 2020	Q1 2019	Change %	FY 2019
REVENUE AND EARNINGS					
Net revenue		19,943	19,488	2.3	80,531
Of which: domestic	%	30.3	31.0		30.5
Of which: international	%	69.7	69.0		69.5
Profit from operations (EBIT)		2,511	2,258	11.2	9,457
Net profit (loss)		916	900	1.8	3,867
Net profit (loss) (adjusted for special factors)		1,284	1,183	8.5	4,948
EBITDA		6,940	6,461	7.4	27,120
EBITDA AL		5,921	5,500	7.7	23,143
EBITDA (adjusted for special factors)		7,563	6,901	9.6	28,708
EBITDA AL (adjusted for special factors)		6,544	5,940	10.2	24,731
EBITDA AL margin (adjusted for special factors)	%	32.8	30.5		30.7
Earnings per share (basic/diluted)	€	0.19	0.19	0.0	0.82
Adjusted earnings per share (basic/diluted)	€	0.27	0.25	8.0	1.04
STATEMENT OF FINANCIAL POSITION					
Total assets		173,646	165,472	4.9	170,672
Shareholders' equity		45,878	42,762	7.3	46,231
Equity ratio	%	26.4	25.8		27.1
Net debt		77,394	71,876	7.7	76,031
CASH FLOWS					
Net cash from operating activities		3,960	6,009	(34.1)	23,074
Cash capex		(3,570)	(3,827)	6.7	(14,357)
Cash capex (before spectrum investment)		(3,353)	(3,682)	8.9	(13,118)
Free cash flow (before dividend payments and spectrum investment)[a]		2,294	2,370	(3.2)	10,133
Free cash flow AL (before dividend payments and spectrum investment)[a]		1,287	1,557	(17.3)	7,013
Net cash used in investing activities		(2,706)	(3,597)	24.8	(14,230)
Net cash (used in) from financing activities		(2,562)	27	n.a.	(7,141)

[a] Before interest payments for zero-coupon bonds.

millions

	Mar. 31, 2020	Dec. 31, 2019	Change Mar. 31, 2020/ Dec. 31, 2019 %	Mar. 31, 2019	Change Mar. 31, 2020/ Mar. 31, 2019 %
FIXED-NETWORK AND MOBILE CUSTOMERS					
Mobile customers[a]	185.5	184.0	0.8	179.1	3.6
Fixed-network lines	27.4	27.5	(0.5)	28.0	(2.1)
Broadband customers[b]	21.2	21.0	0.9	20.6	2.9

[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."

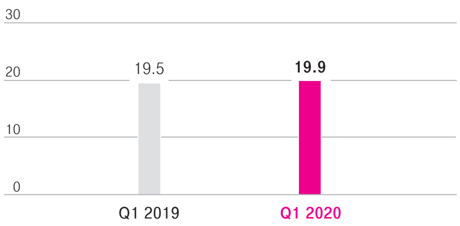
CONTENTS

TO OUR SHAREHOLDERS

DEUTSCHE TELEKOM AT A GLANCE

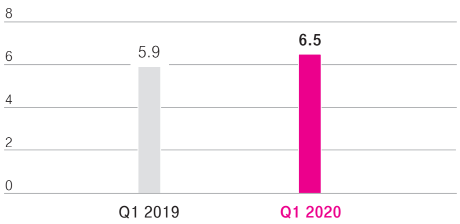
Net revenue

billions of €



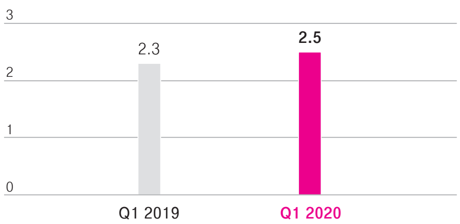
EBITDA AL (adjusted for special factors)

billions of €



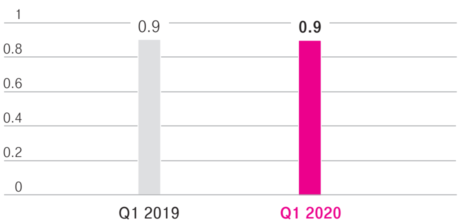
EBIT

billions of €



Net profit

billions of €



NET REVENUE

- Net revenue increased by 2.3 percent to EUR 19.9 billion. Excluding exchange rate effects, net revenue increased by EUR 0.2 billion or 1.1 percent.
- Our United States operating segment recorded revenue growth of 3.7 percent. On a U.S. dollar basis, revenue increased slightly by 0.7 percent, due on the one hand to our ongoing success in the United States, and on the other to declines in terminal equipment revenue as a result of the impact of the coronavirus pandemic.
- Our Germany operating segment recorded a slight increase in revenue of 0.9 percent and revenue in our Europe operating segment also edged up by 0.4 percent.
- Revenue growth of 3.8 percent at our Group Development operating segment was attributable to operational growth at T-Mobile Netherlands and DFMG.

EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)

- Adjusted EBITDA AL rose by 10.2 percent to EUR 6.5 billion, with contributions from all operating segments. Excluding exchange rate effects, our adjusted EBITDA AL increased by EUR 0.5 billion or 9.0 percent.
- Adjusted EBITDA AL in our United States operating segment increased by 18.0 percent. In U.S. dollars, this constituted growth of 14.5 percent in our U.S. operations.
- Our Germany operating segment recorded an increase in adjusted EBITDA AL of 2.7 percent and our Europe operating segment an increase of 1.9 percent. Substantial increases in adjusted EBITDA AL were likewise recorded by the Systems Solutions and Group Development operating segments – the latter also due to positive synergies from the acquisition of Tele2 Netherlands.
- At 32.8 percent, the Group's adjusted EBITDA AL margin increased by 2.3 percentage points against the prior-year level. The adjusted EBITDA AL margin was 40.0 percent in Germany, 33.2 percent in Europe, and 31.1 percent in the United States.

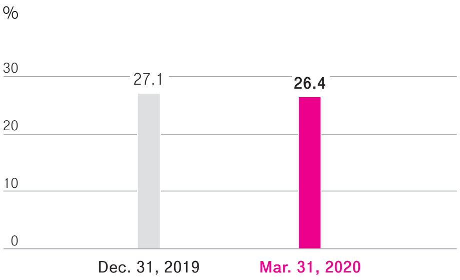
EBIT

- EBIT increased from EUR 2.3 billion to EUR 2.5 billion.
- EBITDA AL was negatively affected by special factors of EUR 0.6 billion compared to expenses of EUR 0.4 billion in the prior-year period. Expenses incurred in connection with staff-related measures were up slightly on the prior-year period. In connection with the coronavirus pandemic, expenses of EUR 0.1 billion were classified as special factors in the United States operating segment. As in the first quarter of the prior year, expenses of EUR 0.1 billion incurred in connection with the approval process for the business combination with Sprint were recorded.
- At EUR 4.4 billion, depreciation, amortization and impairment losses were EUR 0.2 billion higher than in the prior-year period, due to the consistently high level of investment over the last few years.

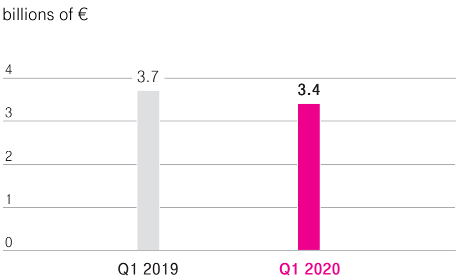
NET PROFIT

- Net profit is stable at EUR 0.9 billion.
- Our loss from financial activities increased by EUR 0.6 billion to EUR 1.0 billion, mainly due to negative measurement effects from embedded derivatives at T-Mobile US.
- At EUR 0.5 billion, the tax expense was the same as in the prior-year period.
- Profit attributable to non-controlling interests decreased year-on-year by EUR 0.2 billion to EUR 0.2 billion.
- Adjusted earnings per share increased slightly to EUR 0.27 from EUR 0.25 in the prior-year period.

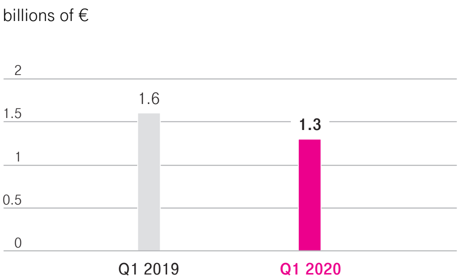
Equity ratio



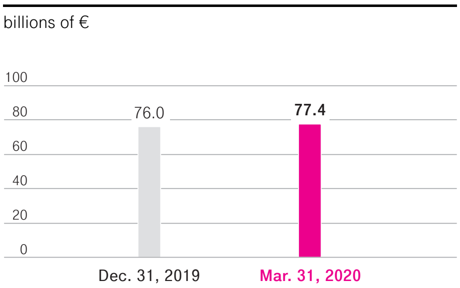
Cash capex
(before spectrum investment)



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



Net debt



EQUITY RATIO

- The decrease in the equity ratio from 27.1 percent at year-end 2019 to 26.4 percent mainly results from the increase of EUR 3.0 billion or 1.7 percent in total assets/total liabilities and shareholders' equity.
- Shareholders' equity decreased from EUR 46.2 billion as of December 31, 2019 to EUR 45.9 billion. The carrying amount was reduced by the remeasurement of defined benefit plans (EUR 1.0 billion) and by actuarial losses from hedging instruments (EUR 0.9 billion), mainly in connection with forward-payer swaps concluded for borrowings at T-Mobile US.
- In particular, profit after taxes (EUR 1.1 billion), currency translation effects recognized directly in equity (EUR 0.2 billion), income taxes relating to components of other comprehensive income (EUR 0.2 billion), and capital increases from share-based payment (EUR 0.1 billion) had an increasing effect.

CASH CAPEX (BEFORE SPECTRUM INVESTMENT)

- Cash capex (before spectrum investment) decreased by EUR 0.3 billion to EUR 3.4 billion, mainly due to the very high level of investment in the United States operating segment in the prior-year period.
- Cash capex (including spectrum investment) decreased from EUR 3.8 billion to EUR 3.6 billion. In the United States operating segment, an advance payment of EUR 0.2 billion was made in the reporting period for the acquisition of FCC mobile licenses in connection with the auction of mobile licenses which ended in March 2020. The prior-year figure included EUR 0.1 billion for the acquisition of mobile spectrum licenses, also primarily for the United States operating segment.

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

- Free cash flow AL decreased by EUR 0.3 billion to EUR 1.3 billion.
- Excluding interest payments for zero-coupon bonds made in the first quarter of 2020, net cash from operating activities decreased by EUR 0.4 billion. Our contractual termination of a revolving factoring agreement in the Germany operating segment in particular had a negative impact. The continuing strong performance of the operating segments had an increasing effect on net cash from operating activities.
- The year-on-year decrease of EUR 0.3 billion in cash capex (before spectrum investment) enhanced free cash flow.
- The EUR 0.2 billion increase in repayments of lease liabilities – in particular for leases in the United States operating segment – had a negative effect.

NET DEBT

- Net debt increased by EUR 1.4 billion to EUR 77.4 billion compared with the end of 2019.
- The main factors in this increase were measurement effects from forward-payer swaps for borrowings at T-Mobile US (EUR 1.0 billion), the acquisition of spectrum (EUR 0.2 billion), and exchange rate effects (EUR 0.7 billion).
- The main factor reducing net debt was free cash AL flow of EUR 1.3 billion.

[a] Before interest payments for zero-coupon bonds.

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

HIGHLIGHTS IN THE FIRST QUARTER OF 2020

Coronavirus pandemic. The introduction of measures to contain the global spread of the novel coronavirus (Covid-19) also has manifold implications for our Group activities. One example in this context is the cancellation of major trade fairs including the 2020 Mobile World Congress in Barcelona. In addition, Deutsche Telekom has rescheduled its shareholders' meeting from the original date of March 26, 2020 to the new date of June 19, 2020. The meeting will be held in the form of a virtual shareholders' meeting as permitted under the new regulations which entered into force on March 28, 2020. We also took immediate steps to protect our customers and employees by temporarily closing our shops and setting up home working for our 16,000 service center employees in Germany. Our customers were predominantly being cared for via hotlines, online channels, and on social media. In areas where the pandemic orders of individual federal states have allowed for it, we have re-opened our shops in compliance with strict security and hygiene controls. All precautions to ensure the security and stability of our networks have been taken. In parallel, we have increased the standard data volumes included in our mobile rate plans, and provide a range of completely free services to help support digital living and learning in businesses, in schools, and at home. Nevertheless, there is currently a great deal of uncertainty regarding the extent to which our business activities could be affected overall by the coronavirus pandemic. At the current point in time, our most recent published forecasts remain valid.

CORPORATE TRANSACTIONS

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. This merger is the culmination of Deutsche Telekom's successful strategy for its U.S. operations. With market capitalization of around USD 110 billion (based on the T-Mobile US and Sprint share prices on March 31, 2020), and a comprehensive mobile spectrum portfolio, the new T-Mobile US will continue to build on its successful Un-carrier strategy and forge ahead with the 5G network build-out. The decision to apply a capital-preserving all-stock transaction structure eliminates the need for any capital to flow from Deutsche Telekom to T-Mobile US. Following the completion of the transaction, Deutsche Telekom holds around 43.6 percent of the shares in T-Mobile US. However, under a proxy agreement reached with Softbank, Deutsche Telekom controls a majority of the voting power of around 68.3 percent of shares in the new T-Mobile US.

For further information on the transaction, please refer to the sections "Group organization, strategy, and management" and "Changes in the composition of the Group" in the interim consolidated financial statements.

BOARD OF MANAGEMENT

Since January 1, 2020, Birgit Bohle has headed up the extended Human Resources and Legal Affairs Board of Management department, which now includes the Data Privacy, Legal Affairs, and Compliance units. Furthermore, also since January 1, 2020, the Board of Management member responsible for Finance, Dr. Christian P. Illek, has additionally become responsible for the Risk Management and Internal Audit units, and the Board of Management member responsible for Technology and Innovation, Claudia Nemat, has also assumed responsibility for the Security unit. Dr. Thomas Kremer, the former Board of Management member for Data Privacy, Legal Affairs and Compliance, left the Group for reasons of age effective March 31, 2020. Deutsche Telekom AG thus had eight Board of Management departments as of April 1, 2020.

Dirk Wössner, Board of Management member for Germany, has notified the General Committee of 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. The General Committee has already begun the search for a successor on the basis of a structured succession management process.

EMPLOYEES

Collective agreement in place. Trade union ver.di and Deutsche Telekom have agreed the terms of a new collective agreement. The agreement applies Germany-wide and covers some 60,000 non-civil servants, trainees, and students on cooperative degree courses at Telekom Deutschland, Group Headquarters, and DT IT. It primarily consists of a two-stage salary increase for those employees covered by the collective agreement: by 2.6 percent to 3.0 percent effective July 1, 2020, and by a further 2.0 percent effective July 1, 2021. Protection against compulsory redundancy has been extended by a further three years from the end of 2020 to December 31, 2023. The collective agreement will run for 24 months from April 1, 2020 through March 31, 2022.

CORPORATE RESPONSIBILITY

"We care for our planet." We have expanded the focus of our Group strategy to include the additional aspects of responsibility, climate protection, and resource conservation. A first milestone has already been reached: Since January 1, 2020, customers in Germany surf in the "green network," meaning that Deutsche Telekom's power needs in Germany are met by electricity from 100 percent renewable sources. By 2021, all electrical power for the Group will come from renewable energy sources. Our "We care for our planet" program includes further specific initiatives that aim to protect the climate and conserve resources, such as climate neutrality.

For more details, please refer to our media information.

Get Charge. Deutsche Telekom is one of Saxony's largest operators of fast-charging stations, with 37 locations state-wide. For example, we supply Leipzig with an ultra-high-powered charging network for electric vehicles. E-car drivers can plug in at one of seven fast charger points across the city and pick up enough charge for around 100 kilometers in just ten minutes. These charging stations within the Leipzig city limits are among the fastest charger points in Germany.

INVESTMENTS IN NETWORKS

Our network speaks IP. The migration of German consumer fixed-network lines to the Internet Protocol (IP) is now complete. We were able to carry out a hot migration of lines from the old technology to the new technical platform. A total of around 25 million fixed-network customers are now using the network of the future. That's 99 percent of all customers. The few remaining customers will be migrated to IP by the end of 2020. With IP, our customers enjoy voice telephony, high bandwidths of up to 100 Mbit/s and more, and much simpler installation processes. By the end of March 2020, the share of IP-based lines in Europe already accounted for 91.8 percent of all our fixed-network lines.

"Hunting down dead zones." The 50 winners of our "Wir jagen Funklöcher" (hunting down dead zones) initiative have been selected. New LTE cell towers went live in the first two municipalities in mid-April 2020 and all 50 dead zones are to be closed by the end of 2020. Due to the huge popularity of this initiative, we announced a further 50 winners in April 2020 and plan to begin construction before the end of this year.

New LTE cell sites in operation. In the first three months of 2020, we added 208 new LTE cell sites to our network in Germany. 534 cell sites have been upgraded with additional LTE antennas. These steps have both increased network capacity and extended coverage in rural areas. Our LTE network reaches 98.2 percent of the population. In addition, we plan to use extension options to increase mobile capacities for our customers at over 10,000 more sites. Our major build-out activities also include more 5G for Germany: The new standard is set to go live in 14 additional cities this year in pursuit of our goal to roll out 5G to at least 20 of the largest German cities by the end of 2020.

5G network build-out stepped up in our subsidiaries. T-Mobile US successfully bid on spectrum in the 37, 39, and 47 GHz bands at the U.S. auction, receiving the corresponding 5G licenses in April 2020. More than 200 million people in over 5,000 towns, cities, and municipalities across the United States are now reached by T-Mobile US' nationwide 5G network. COSMOTE in Greece is working to progressively upgrade its mobile network and will partner up with Ericsson to get the network 5G ready. T-Mobile Polska is also focusing on the build-out of 5G infrastructure, with 800 base stations in Warsaw ready and waiting to offer 5G services to customers. The 5G network is set to include 1,600 base stations in five Polish cities by the end of the first half of 2020. At the 5G auction in Hungary, Magyar Telekom was able to secure the usage rights for its preferred frequency blocks in the 700, 2,100, and 3,400 to 3,800 MHz bands, establishing the basis for offering commercial 5G services from the beginning of April 2020. Meanwhile, Magenta Telekom is making 5G infrastructure available in Vienna for the first 5G applications. Magenta Telekom has upgraded 11 base stations in the Austrian capital and delivers 5G to parts of seven of the city's districts. To date, the 5G network across Austria comprises 58 antennas in 31 municipalities with new base stations being added continually.

Fast internet for Germany. At the end of March 2020, 32.4 million households in our network were able to subscribe to a rate plan with up to 100 megabits per second (Mbit/s) or higher, and 22.9 million households can purchase a rate plan with speeds of up to 250 Mbit/s or higher. The number of households connected by pure fiber-optic lines (FTTH/FTTB) increased by 127 thousand compared with the end of 2019 and now stands at around 1.7 million. These lines enable speeds of up to one gigabit per second. Since the start of 2020, 1.3 million households have benefited from Deutsche Telekom's broadband build-out.

COOPERATIONS AND PARTNERSHIPS

Stake in Glasfaser Nordwest. Together with EWE, Telekom Deutschland is a partner in the Glasfaser Nordwest joint venture. The joint venture, with its head office in Oldenburg, Lower Saxony, aims to provide up to 1.5 million households and business locations across the region with fiber-optic infrastructure. Glasfaser Nordwest will supply the infrastructure required to bring these high speeds to urban and rural areas, and is committed to the rapid large-scale build-out of optical fiber to North-Western Germany.

For more details, please refer to our media information.

"Made in Europe" data analytics for the European Central Bank. The European Central Bank (ECB) has commissioned T-Systems to build and set up a new enterprise analytics platform. To implement the data and data-centricity elements of its business strategy and to achieve greater technology integration, the ECB plans to move to a new analytics platform called SPACE that will significantly expedite data analytics. T-Systems, together with its partners Cloudera and Ultra Tendency, will build and operate the new SPACE platform as part of a five-year contract. Alongside operation and maintenance, the partners will also provide training and support for the ECB.

For more details, please refer to our media information.

Innovations in the cloud. Google Cloud and T-Systems have announced a strategic partnership. The two companies will deliver joint solutions and managed services to help enterprise customers digitally transform with the cloud. T-Systems will provide consulting services, migration support, and managed services to enterprise customers, leveraging Google Cloud capabilities.

For more details, please refer to our media information.

First end-to-end 5G transmission. Deutsche Telekom, Ericsson, Nokia, and Qualcomm have together accomplished the world's first end-to-end data transmission in two network slices on a multi-vendor platform. The results obtained in a lab environment validate the feasibility of 5G network slicing, primarily for customized enterprise solutions.

For more details, please refer to our media information.

New campus network in Leipzig. Deutsche Telekom has put a campus network into operation for the BMW Group Leipzig plant. This campus network, which is the fourth of its kind we have provided for a European customer, consists of a private mobile network that is exclusively available to the BMW Group's plant. In the future, various applications in production can be controlled and monitored via this network. In addition to the private campus network, the public network will transmit the same signal strength for suppliers and customers – a combination of networks known as a dual-slice solution. Technology partner Ericsson is the network equipment provider for this project. Together with Ericsson, we are already working on our next-generation campus networks. Developments include a 5G dual-slice solution that can also integrate the spectrum assigned to industry, as well as private 5G networks without connection to the public network.

For more details, please refer to our media information.

Expansion of the IoT Solution Optimizer partner network. Our new partner, mobile operator Telia Company, will offer the IoT Solution Optimizer in Scandinavia and in the Baltic countries under their own brand. Suppliers like Qualcomm and Nordic Semiconductor make the service even more attractive. The IoT Solution Optimizer is designed for companies that want a quick and easy way to get started with the Internet of Things (IoT). In just a few clicks, the online tool creates a "virtual twin" of the hardware solution. Users can model their own custom design using a wide range of elements from the ecosystem's technology suppliers. The IoT Solution Optimizer enables companies to cost-effectively deploy reliable, battery-powered mobile IoT solutions for a host of industries.

For more details, please refer to our media information.

PRODUCTS, RATE PLANS, AND SERVICES

MagentaTV – more content in the Megathek media library. The brand-new MagentaTV spring highlights have been announced, with the new drama series A Million Little Things and the second season of Manhunt – Deadly Games airing in March 2020. The kids' shows from Nickelodeon are some of the most-viewed content in our Megathek media library. For this reason, we have added even more shows to Nick+ in a new deal with our partner. We are also the exclusive release partner in Germany for the new Disney+ streaming service, which has proved incredibly popular among our customers since its launch on March 24, 2020. Furthermore, MagentaTV customers enjoy exclusive TV content including the crime thriller series A Confession and film comedy Ronny & Klaid. Filming has also started on our original production entitled Wild Republic, which will have its world premiere exclusively on MagentaTV at the end of 2020. All media library content is available to MagentaTV customers ad-free and at no extra cost.

New MagentaTV stick. Following successful beta testing, our new MagentaTV stick is now available to buy. This powerful streaming technology enables customers to watch MagentaTV and other streaming services such as Disney+, Netflix, Amazon Prime Video, and YouTube on any TV with an HDMI port – via a Wi-Fi connection from any internet provider. In Austria, MagentaTV was added to Apple TV in early March, which means Magenta TV customers there can now watch the whole range of programs on even more devices than before.

Speed Home WiFi – intelligent home-networking solution. We have added three new Wi-Fi packages to our mesh Wi-Fi solutions that ensure customers can enjoy Wi-Fi with the required signal strength at home. The solutions are based on modern mesh technology that creates a separate network rather than simply repeating the Wi-Fi signal. Our Speed Home WiFi router boosts the Wi-Fi signal to ensure it even carries through thick walls, reinforced concrete, and under-floor heating. It delivers a stable, dropout-free Wi-Fi signal throughout the home. Service is the second key element of our Wi-Fi packages, which all include telephone support and on-site assistance if required.

Supercomputing power from the Open Telekom Cloud. The High Performance Computing Center Stuttgart (HLRS) began operating its new Hawk supercomputer in February 2020. HLRS claims it is among the fastest supercomputers worldwide and the fastest general purpose system for scientific and industrial computing in Europe. T-Systems customers can use it via the Deutsche Telekom Public Cloud and to the same scalable extent as other cloud resources.

For more details, please refer to our media information.

New MagentaMobil prepay offerings. At the start of 2020 we launched a range of new prepay plans and answered our customers' requests by making 5G available to prepay customers. 5G is now available as an add-on option starting from the M rate plan. Customers must have a 5G-ready device and can activate the add-on options quickly and conveniently using the MeinMagenta app. We also upped the level of data included in our M and L rate plans as well as adding more free call minutes to other German networks. Prepay customers seeking complete independence can use the new Max plan, which offers unlimited 5G/LTE data and unlimited text messages and calls to all German networks. As the first provider to offer a prepay rate plan with unlimited data, this step is a testimony to our standing as an innovation leader.

AWARDS

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

- **Brand Finance Global 500**
Deutsche Telekom ranked the most valuable European telecommunications brand.
- **RFBenchmark ranking 2019**
T-Mobile Polska tested to have the fastest mobile internet.
- **Tested Smart Home Product certificate**
AV-TEST endorses the security of the Home Base 2, Speedport Smart 3, and Smart Speaker products from Deutsche Telekom (01/2020).
- **CHIP network test**
CHIP magazine awards top marks ("very good") to the Magenta (T-Mobile Austria) mobile network.
- **Top Supplier Retail Award 2020**
The EHI Retail Institute honors T-Systems in the Best Customer Experience category for the second year running.
- **Mobile Communications Benchmark 2020**
Top marks overall for Deutsche Telekom in a crowdsourcing test by PC-Magazin (issue 04/2020).
- **ComputerBILD network test**
Deutsche Telekom's fixed network performs best in the trade journal's group test (issue 05/2020).

JANUARY – MARCH

- **Top 50 Most Valuable German Brands**
BrandZ study once again ranks Deutsche Telekom as Germany's second most valuable brand.
- **Partner Excellence Award 2020**
SAP recognizes T-Systems as Service Partner of the Year 2020 for the EMEA North region.
- **Opensignal test 2020**
Opensignal's measurements confirm Deutsche Telekom's network offers the best nationwide LTE coverage.

For more information on the aforementioned highlights in the first 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:

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 business combination creates an all-new, larger company with market capitalization of around USD 110 billion (based on the T-Mobile US and Sprint share prices on March 31, 2020). At our annual press conference on February 19, 2020 we presented some key data for the new T-Mobile US based on the combined figures recorded by the two predecessor companies as of year-end 2019: some 140 million customers, more than 100 million of them branded customers; revenue of around USD 77 billion; and an aggregate nationwide spectrum portfolio of around 300 MHz across all bandwidths. 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 future structure of the new T-Mobile US must factor in the agreement reached with the U.S. Department of Justice, one condition of which is that Sprint divests its prepay business to satellite TV operator DISH Network for around USD 1.4 billion. The agreement also includes the sale of part of the 800 MHz spectrum held by Sprint to DISH for around USD 3.6 billion. The planning for the merged entity remains based on expected cost and capital expenditure synergies with a net present value of USD 43 billion. 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 takes the form of an all-stock transaction. The new company will continue to be included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary. 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.

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.

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 three 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 degree of uncertainty.

MACROECONOMIC DEVELOPMENT

The global economy has been dominated by the coronavirus pandemic since spring 2020. All signs point towards a global recession in 2020 on a scale that is likely to exceed that of the downturn from the global financial crisis in 2009. In its spring outlook, the International Monetary Fund (IMF) announced it expected to see the global economy contract by 3.0 percent in 2020 followed by growth of 5.8 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 7.0 percent in the current year. Disposable income in private households will decrease in 2020 for the first time since the 2009 recession. The coronavirus crisis is affecting individual industry sectors to varying extents. In the digital sector, the business climate has deteriorated significantly: The Bitkom-ifo-Digitalindex dropped in March and April 2020. The economies of our core markets in North America and Europe will shrink this year, with the IMF predicting a contraction in the U.S. economy of 5.9 percent and in the EU economy of 7.1 percent.

OUTLOOK

The coronavirus pandemic and the government-imposed measures to counteract its spread will impact the economy both this year and next. How the economy develops beyond this is largely dependent on how long lockdown restrictions continue to be applied and to what extent the governments and central banks manage to mitigate the negative impact of the crisis on employment and private household income, and prevent a resulting downswing in demand and production. The IMF outlook assumes firstly that the pandemic will peak in the second quarter of this year and taper off in the second half of 2020, and secondly that economic stimulus packages will gain traction.

OVERALL ECONOMIC RISKS

Overall economic risks arise from the possibility of further waves of the coronavirus pandemic, temporary disruptions to supply chains, and potential upheavals in the finance system resulting from growing numbers of business bankruptcies that cannot be rescued by government bailouts. The same goes for financing for countries with already high levels of national debt – the longer and more severe the economic downturn, the more the debt sustainability of some of these countries may be called into question. Further risks arise from ongoing unresolved trade conflicts and uncertainty regarding Brexit. It remains to be seen what shape economic relations between the United Kingdom and the European Union will take following the end of the transition period at the end of this year.

REGULATION

Responses of the telecommunications regulatory authorities to the coronavirus pandemic. The European Commission and the Body of European Regulators for Electronic Communications (BEREC) released a joint statement at the end of March 2020 announcing that increased use of the internet had not generally resulted in any major network bottlenecks to date. The two parties confirmed that a range of measures within the scope of existing regulations were permissible to help cope with temporary network congestion, although strict restrictions applied and were being monitored by national regulatory authorities. The Federal Network Agency published its “Guidelines on traffic management measures” on March 25, 2020 in close consultation with the telecommunications industry and incorporating the measures to safeguard network stability proposed by Telekom Deutschland. Some national regulatory authorities have imposed further specific regulations: For example, Austria requires mobile providers to send out text messages on behalf of the authorities with information on critical developments, while Romania has instructed network operators not to disconnect lines for non-payment during this time of national emergency. The timeline for spectrum award procedures in the near future has also been adjusted. For details please refer to the following table.

AWARDING OF SPECTRUM

The following spectrum was awarded in the first quarter of 2020: At the auction in Hungary on March 26, 2020, Magyar Telekom secured spectrum in the 700 MHz, 2,100 MHz, and 3,400 to 3,800 MHz bands for the total equivalent of around EUR 152 million. A spectrum auction in the United States for 37 GHz, 39 GHz, and 47 GHz frequencies ended in March 2020. T-Mobile US purchased total spectrum of 691 MHz at this auction, for which it paid USD 873 million. This additional spectrum will be used to further improve the company's 5G spectrum position.

The following table provides an overview of the main 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	Spectrum acquired (MHz)	Spectrum investment/ latest information
Greece	Q3 2020	Q4 2020	700 / 1,500 / 3,600 / 26,000	Auction (SMRA[a]), expected	tbd	(Poss. delay due to coronavirus)
Croatia	Q3 2020	Q4 2020	700 / 3,400–3,800 / 26,000	tbd	tbd	(Poss. delay due to coronavirus)
Netherlands	Q2 2020	Q3 2020	700 / 1,500 / 2,100	SMRA-clock hybrid auction expected, details tbd	tbd	(Scheduled for June 2020, poss. delay due to coronavirus)
Austria	Q3 2020	Q4 2020	700 / 1,500 / 2,100	Auction (CCA[b]), expected	tbd	(Delayed due to coronavirus, new date tbd)
Poland	Q2 2020	Q3 2020	800 / 3,400–3,800	Auction (SMRA[a]), details tbd	tbd	(Poss. delay due to coronavirus)
Poland	Q3 2022	Q4 2022	700 / 2,100 / 26,000	Auction, details tbd	tbd	(Planned for 2022, tbd)
Romania	Q3 2020	Q4 2020	700 / 800 / 1,500 / 2,600 / 3,400–3,800 / 26,000	Auction, details tbd	tbd	tbd
Slovakia	Q2 2020	Q4 2020	700 / 900 / 1,500 / 1,800	Auction (SMRA[a]), details tbd	tbd	(Planned for June 2020, poss. delay due to coronavirus)
Czech Republic	Q2 2020	Q3 2020	700 / 3,400–3,600	Auction (SMRA[a]), details tbd	tbd	(Planned for June 2020, poss. delay due to coronavirus)
Hungary		Completed	700 / 2,100 / 2,600 / 3,400–3,800	Auction (clock auction) on March 26, 2020	Combined 160 MHz	HUF 542.5 million
United States		Completed	37,000 / 39,000 / 47,000	Auction (CCA[b])	Combined 691 MHz	USD 873 million
United States	Q3 2020	Q3/Q4 2020	3,550–3,700	Auction (clock auction)	tbd	tbd
United States	Q4 2020	Q2 2021	3,700–4,000	Auction (clock auction)	tbd	tbd
United States	Q3 2021	Q4 2021	2,500–2,700	Auction (SMRA[a])	tbd	tbd

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

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

DEVELOPMENT OF BUSINESS IN THE GROUP

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

In the first quarter of 2020, we generated net revenue of EUR 19.9 billion, which was up EUR 0.5 billion or 2.3 percent year-on-year. Even adjusted for positive net exchange rate effects of EUR 0.3 billion – mainly from the translation of U.S. dollars into euros – revenue increased by EUR 0.2 billion or 1.1 percent.

Our United States operating segment contributed to the positive revenue trend with an increase of 3.7 percent. Adjusted for exchange rate effects, revenue was up 0.7 percent against the prior-year period, due on the one hand to higher service revenues from the rise in the average branded customer base, contrasted with lower average revenue per branded postpaid customer and declines in terminal equipment revenue on account of falling demand from social distancing rules and store closures as a consequence of the coronavirus pandemic. Revenue in our home market of Germany increased slightly on the prior-year level by 0.9 percent, due in particular to the strong performance in mobile business, which benefited from higher service and terminal equipment revenues, and higher IT and broadband revenues from fixed-network business. In our Europe operating segment too, revenue was up marginally by 0.4 percent year-on-year; adjusted for exchange rate effects and for the sale of Telekom Albania in May 2019, it increased by 2.0 percent. The fixed-network business is increasingly consistent as a driver of growth, with increased revenues from broadband and TV business. Mobile revenues also increased compared with the prior-year period. The positive development in higher-margin service revenues more than offset the decline in the lower-margin terminal equipment business. Total revenue in our Systems Solutions operating segment was at the same level as in the prior year. The upward revenue trend in our growth areas, in particular public cloud and security, was sufficient to offset the declines in traditional IT operations and in telecommunications business. Revenue in our Group Development operating segment increased by 3.8 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."

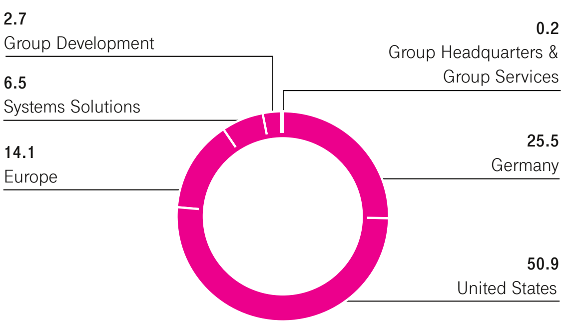
Contribution of the segments to net revenue

millions of €

	Q1 2020	Q1 2019	Change	Change %	FY 2019
NET REVENUE	**19,943**	**19,488**	**455**	**2.3**	**80,531**
Germany	5,405	5,357	48	0.9	21,886
United States	10,157	9,796	361	3.7	40,420
Europe	2,903	2,891	12	0.4	12,168
Systems Solutions	1,628	1,630	(2)	(0.1)	6,805
Group Development	708	682	26	3.8	2,797
Group Headquarters & Group Services	632	651	(19)	(2.9)	2,620
Intersegment revenue	(1,491)	(1,520)	29	1.9	(6,166)

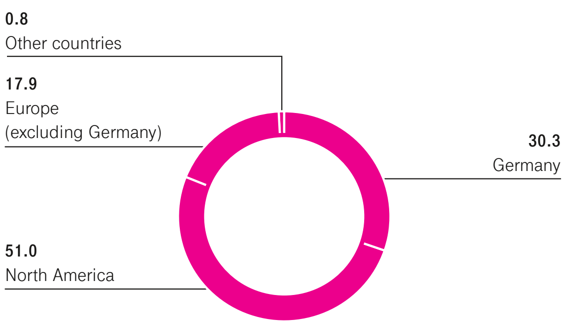
Contribution of the segments to net revenue[a]

%



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 50.9 percent, our United States operating segment again provided the largest contribution to net revenue of the Group and was up 0.6 percentage points above the level in the prior-year period. The proportion of net revenue generated internationally increased from 69.0 percent to 69.7 percent.

EBITDA AL, ADJUSTED EBITDA AL

Excluding special factors, adjusted EBITDA AL increased year-on-year by EUR 0.6 billion or 10.2 percent to EUR 6.5 billion in the first quarter of 2020. This increase was attributable to positive net exchange rate effects of EUR 0.1 billion. Excluding these effects, adjusted EBITDA AL increased by EUR 0.5 billion or 9.0 percent. All operating segments made a positive contribution to this development: Adjusted EBITDA AL of our United States operating segment increased by 18.0 percent, particularly on the back of higher service revenues. These increases were partially offset by expenses associated with new and modified leases due to network expansion and the launch of our 5G network, higher employee-related costs, higher legal-related expenses, and higher bad debt expense primarily due to the estimated macro-economic impacts of the coronavirus pandemic. Our Germany operating segment contributed to this result thanks to a positive revenue trend, and improved cost efficiency with 2.7 percent higher adjusted EBITDA AL. Adjusted EBITDA AL in our Europe operating segment increased by 1.9 percent. Assuming constant exchange rates and adjusted for the sale of Telekom Albania, this increase was as much as 3.4 percent. In particular, the positive revenue effects resulted in a higher net margin. Savings in indirect costs, primarily thanks to lower personnel costs, had an increasing effect on earnings. In our Systems Solutions operating segment, the positive trend in our growth areas public cloud, digital solutions, SAP, and IoT contributed to an increase in adjusted EBITDA AL of 8.7 percent. The increase 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 in the Netherlands. The GD Towers business also continues to post consistent growth on the back of rising volumes.

Contribution of the segments to adjusted Group EBITDA AL

millions of €

	Q1 2020	Q1 2019	Change	Change %	FY 2019
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	**6,544**	**5,940**	**604**	**10.2**	**24,731**
Germany	2,164	2,108	56	2.7	8,720
United States	3,160	2,679	481	18.0	11,134
Europe	963	945	18	1.9	4,005
Systems Solutions	100	92	8	8.7	519
Group Development	269	255	14	5.5	1,033
Group Headquarters & Group Services	(104)	(137)	33	24.1	(651)
Reconciliation	(8)	(2)	(6)	n.a.	(29)

EBITDA AL increased by EUR 0.4 billion or 7.7 percent year-on-year to EUR 5.9 billion, with special factors changing from EUR -0.4 billion to EUR -0.6 billion. Expenses incurred in connection with staff-related measures were up slightly by EUR 0.3 billion on the prior-year period. In addition, as in the prior-year period, expenses of EUR 0.1 billion incurred in connection with the approval process for the business combination of T-Mobile US and Sprint were recorded as special factors. In connection with the coronavirus pandemic, expenses of EUR 0.1 billion were classified as special factors in the United States operating segment in the first quarter of 2020, primarily due to supplemental employee-related expenses, commissions in indirect sales, and cleaning-related expenses.

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	Q1 2019	Change	Change %	FY 2019
EBITDA	6,940	6,461	479	7.4	27,120
Depreciation of right-of-use assets[a]	(831)	(763)	(68)	(8.9)	(3,181)
Interest expenses on recognized lease liabilities[a]	(189)	(198)	9	4.5	(796)
EBITDA AL	**5,921**	**5,500**	**421**	**7.7**	**23,143**

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

EBIT

Group EBIT increased from EUR 2.3 billion to EUR 2.5 billion, up 11.2 percent against the prior-year period. This increase is mainly due to the effects described under EBITDA AL. At EUR 4.4 billion, depreciation, amortization and impairment losses were EUR 0.2 billion higher than in the prior-year period, due to the consistently high level of investment over the last few years.

PROFIT BEFORE INCOME TAXES

Profit before income taxes decreased from EUR 1.9 billion in the prior year to EUR 1.5 billion, with loss from financial activities increasing by EUR 0.6 billion to EUR 1.0 billion. While finance costs and the share of profit/loss of associates and joint ventures accounted for using the equity method were more or less at the same level as in the prior-year quarter, other financial expense increased by EUR 0.5 billion, due in particular to negative measurement effects from embedded derivatives at T-Mobile US.

NET PROFIT, ADJUSTED NET PROFIT

Net profit remained stable compared with the prior-year period at EUR 0.9 billion. Tax expense in the first quarter of 2020 was EUR 0.5 billion, as in the prior-year period. Profit attributable to non-controlling interests decreased from EUR 0.4 billion to EUR 0.2 billion, mainly in our United States operating segment. Excluding special factors, which had a negative overall effect of EUR 0.4 billion on net profit, adjusted net profit in the first quarter of 2020 amounted to EUR 1.3 billion, up EUR 0.1 billion against the prior-year period.

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	Q1 2019	Change	Change %	FY 2019
NET PROFIT (LOSS)	**916**	**900**	**16**	**1.8**	**3,867**
Special factors affecting EBITDA	(623)	(440)	(183)	(41.6)	(1,589)
Staff-related measures	(342)	(290)	(52)	(17.9)	(913)
Non-staff-related restructuring	(8)	(19)	11	57.9	(81)
Effects of deconsolidations, disposals and acquisitions	(145)	(111)	(34)	(30.6)	(462)
Other	(128)	(20)	(108)	n.a.	(132)
Special factors affecting net profit	254	158	96	60.8	508
Impairment losses	0	0	0	n.a.	(370)
Profit (loss) from financial activities	(21)	0	(21)	n.a.	(4)
Income taxes	167	122	45	36.9	461
Non-controlling interests	108	36	72	n.a.	421
SPECIAL FACTORS	**(368)**	**(282)**	**(86)**	**(30.5)**	**(1,081)**
NET PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)	**1,284**	**1,183**	**101**	**8.5**	**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 March 31, 2020, resulting in adjusted earnings per share of EUR 0.19, the same as in the first quarter of 2019. Adjusted earnings per share amounted to EUR 0.27 compared with EUR 0.25 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 2020	EBIT Q1 2020	EBITDA AL Q1 2019	EBIT Q1 2019	EBITDA AL FY 2019	EBIT FY 2019
EBITDA AL/EBIT	**5,921**	**2,511**	**5,500**	**2,258**	**23,143**	**9,457**
GERMANY	**(196)**	**(196)**	**(168)**	**(168)**	**(425)**	**(425)**
Staff-related measures	(191)	(191)	(163)	(163)	(396)	(396)
Non-staff-related restructuring	(4)	(4)	(5)	(5)	(38)	(38)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Other	(1)	(1)	0	0	9	9
UNITED STATES	**(274)**	**(274)**	**(99)**	**(99)**	**(544)**	**(544)**
Staff-related measures	(28)	(28)	(2)	(2)	(17)	(17)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(140)	(140)	(97)	(97)	(527)	(527)
Impairment losses	0	0	0	0	0	0
Other	(106)	(106)	0	0	0	0
EUROPE	**(39)**	**(39)**	**(24)**	**(24)**	**(146)**	**(466)**
Staff-related measures	(22)	(22)	(16)	(16)	(116)	(116)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(2)	(2)	(6)	(6)	(23)	(23)
Impairment losses	0	0	0	0	0	(320)
Other	(15)	(15)	(2)	(2)	(8)	(8)
SYSTEMS SOLUTIONS	**(49)**	**(49)**	**(46)**	**(46)**	**(331)**	**(358)**
Staff-related measures	(41)	(41)	(34)	(34)	(169)	(169)
Non-staff-related restructuring	(1)	(1)	(1)	(1)	(5)	(5)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	(11)	(11)
Impairment losses	0	0	0	0	0	(27)
Other	(6)	(6)	(11)	(11)	(146)	(146)
GROUP DEVELOPMENT	**(7)**	**(7)**	**(6)**	**(6)**	**97**	**97**
Staff-related measures	(2)	(2)	(3)	(3)	(19)	(19)
Non-staff-related restructuring	0	0	0	0	(1)	(1)
Effects of deconsolidations, disposals and acquisitions	(5)	(5)	(3)	(3)	111	111
Impairment losses	0	0	0	0	0	0
Other	0	0	0	0	4	4
GROUP HEADQUARTERS & GROUP SERVICES	**(58)**	**(58)**	**(97)**	**(97)**	**(239)**	**(239)**
Staff-related measures	(57)	(57)	(72)	(72)	(197)	(197)
Non-staff-related restructuring	(3)	(3)	(13)	(13)	(38)	(38)
Effects of deconsolidations, disposals and acquisitions	1	1	(5)	(5)	(13)	(13)
Impairment losses	0	0	0	0	0	0
Other	0	0	(7)	(7)	9	9
GROUP	**(623)**	**(623)**	**(440)**	**(440)**	**(1,589)**	**(1,959)**
Staff-related measures	(342)	(342)	(290)	(290)	(913)	(913)
Non-staff-related restructuring	(8)	(8)	(19)	(19)	(81)	(81)
Effects of deconsolidations, disposals and acquisitions	(145)	(145)	(111)	(111)	(462)	(462)
Impairment losses	0	0	0	0	0	(370)
Other	(128)	(128)	(20)	(20)	(132)	(132)
EBITDA AL/EBIT (ADJUSTED FOR SPECIAL FACTORS)	**6,544**	**3,134**	**5,940**	**2,698**	**24,731**	**11,416**
Profit (loss) from financial activities (adjusted for special factors)		(944)		(406)		(2,192)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		**2,190**		**2,292**		**9,223**
Income taxes (adjusted for special factors)		(619)		(649)		(2,454)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		**1,571**		**1,643**		**6,770**
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		1,284		1,183		4,948
Non-controlling interests (adjusted for special factors)		287		460		1,822

EMPLOYEES

Headcount development

	Mar. 31, 2020	Dec. 31, 2019	Change	Change %
NUMBER OF FTEs IN THE GROUP	**206,443**	**210,533**	**(4,090)**	**(1.9)**
Of which: civil servants (in Germany, with an active service relationship)	11,964	12,153	(189)	(1.6)
Germany	59,878	60,501	(623)	(1.0)
Unites States	45,335	47,312	(1,977)	(4.2)
Europe	43,315	44,591	(1,276)	(2.9)
Systems Solutions	37,960	38,096	(136)	(0.4)
Group Development	2,671	2,603	68	2.6
Group Headquarters & Group Services	17,284	17,430	(146)	(0.8)

The Group's headcount decreased by 1.9 percent compared with the end of 2019. In our Germany operating segment, the total number of employees decreased by 1.0 percent compared with the end of 2019 as a result of efficiency enhancement measures and the take-up of socially responsible instruments in connection with the staff restructuring. The total number of employees in our United States operating segment decreased by 4.2 percent compared with December 31, 2019, primarily due to seasonal effects. In our Europe operating segment, the headcount was down 2.9 percent compared with the end of the prior year, with staff levels decreasing in Hungary and Croatia in particular. The total headcount in our Systems Solutions operating segment was down 0.4 percent against year-end 2019, primarily as a result of efficiency enhancement measures. In the Group Development operating segment, the 2.6 percent increase in the number of employees can be attributed to the Netherlands on account of the insourcing of external activities to achieve cost savings. The headcount in the Group Headquarters & Group Services segment was down 0.8 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 €

	Mar. 31, 2020	%	Dec. 31, 2019	%	Mar. 31, 2019
ASSETS					
Trade receivables	10,560	6.1	10,846	6.4	9,990
Intangible assets	69,000	39.7	68,202	40.0	66,387
Property, plant and equipment	49,544	28.5	49,548	29.0	48,766
Right-of-use assets	18,134	10.4	17,998	10.5	16,828
Other assets	26,408	15.2	24,078	14.1	23,501
TOTAL ASSETS	**173,646**	**100.0**	**170,672**	**100.0**	**165,472**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current and non-current financial liabilities	68,443	39.4	66,349	38.9	65,947
Current and non-current lease liabilities	19,699	11.3	19,835	11.6	18,728
Trade and other payables	8,730	5.0	9,431	5.5	10,241
Provisions for pensions and other employee benefits	6,835	3.9	5,831	3.4	5,750
Deferred tax liabilities	9,780	5.6	8,954	5.2	8,996
Other liabilities	14,281	8.2	14,041	8.2	13,049
Shareholders' equity	45,878	26.4	46,231	27.1	42,762
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**173,646**	**100.0**	**170,672**	**100.0**	**165,472**

Total assets/total liabilities and shareholders' equity amounted to EUR 173.6 billion as of March 31, 2020, up by EUR 3.0 billion against December 31, 2019.

On the assets side, **trade receivables** amounted to EUR 10.6 billion, down slightly by EUR 0.3 billion against the 2019 year-end. In the United States operating segment, receivables declined in connection with the falling number of new contracts concluded for Equipment Installment Plans (EIP) on account of the temporary store closures as a consequence of the coronavirus pandemic. By contrast, receivables increased in the Germany operating segment as a result of the contractual termination of a revolving factoring agreement. The carrying amounts of **intangible assets** and **property, plant and equipment** were up by EUR 0.8 billion against the end of 2019. Capital expenditure totaling EUR 3.4 billion – especially to upgrade and build out the network in our United States operating segment and in connection with the broadband/fiber-optic build-out, the IP transformation, and mobile infrastructure in the Germany and Europe operating segments – increased total assets. Additions of EUR 0.2 billion to intangible assets related to advance payments for the acquisition of 5G licenses in the United States operating segment in connection with the auction of mobile licenses in the 37 GHz, 39 GHz, and 47 GHz bands, which ended in March 2020. In addition, positive exchange rate effects, primarily from the translation of U.S. dollars into euros, increased the carrying amount by EUR 0.9 billion. Depreciation of property, plant and equipment and amortization of intangible assets reduced the carrying amounts by EUR 10.1 billion and disposals by EUR 0.3 billion. **Rights to use** lease assets were recognized in the amount of EUR 18.1 billion as of March 31, 2020. **Other assets** increased primarily on the back of the rise in current and non-current other financial assets. EUR 1.2 billion of this increase was attributable to the increase in positive fair values from interest rate swaps in fair value hedges and is primarily due to the significant decline in the interest rate level. Furthermore, EUR 0.5 billion of the increase was due to the depositing of further cash collateral in connection with forward-payer swaps concluded for borrowings at T-Mobile US. In addition, other financial assets increased by EUR 0.2 billion in connection with the change in approach as of the start of the third quarter of 2019 of capitalizing grants receivable from funding projects for the broadband build-out in Germany upon conclusion of the contract. Negative effects from the measurement of embedded derivatives at T-Mobile US of EUR 0.3 billion had an offsetting effect. An increase of EUR 0.3 billion in inventories, mainly due to the stockpiling of higher-priced smartphones in the United States operating segment and temporary store closures in the United States as a consequence of the coronavirus pandemic, increased the carrying amount. Cash and cash equivalents decreased by EUR 1.3 billion.

On the liabilities and shareholders' equity side, current and non-current **financial liabilities** increased by EUR 2.1 billion compared with the end of 2019 to a total of EUR 68.4 billion. This was largely attributable to the bonds issued by Deutsche Telekom AG in various currencies in the first quarter of 2020, with a total volume of EUR 1.6 billion when translated into euros. In connection with the increase in positive fair values from interest rate swaps in fair value hedges, the carrying amount of bonds and other securitized liabilities also increased by EUR 1.2 billion. Scheduled repayments of U.S. dollar bonds totaling USD 1.3 billion (EUR 1.1 billion), euro bonds totaling EUR 0.7 billion, and a zero-coupon bond of EUR 0.4 billion, had an offsetting effect. 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 1.5 billion in connection with collateral received for derivative financial instruments. The measurement of forward-payer swaps concluded for borrowings at T-Mobile US gave rise to a change in the carrying amount of EUR 1.0 billion, which also increased financial liabilities. EUR 0.9 billion of this resulted from a remeasurement loss recognized directly in equity. Current and non-current **lease liabilities** totaled EUR 19.7 billion as of March 31, 2020. **Trade and other payables** decreased by EUR 0.7 billion to EUR 8.7 billion due to the reduction in the level of liabilities, mainly in the Europe, United States, and Germany operating segments. **Provisions for pensions and other employee benefits** increased by EUR 1.0 billion overall compared with December 31, 2019, mainly due to the current upheavals on the financial markets and the associated sharp decline in the prices of plan assets. Interest rate adjustments in the first quarter of 2020 had an offsetting effect. **Other liabilities** increased compared with December 31, 2019, due in particular to higher current and non-current other liabilities. EUR 0.2 billion of this increase resulted from higher liabilities to the Civil Service Pension Fund in connection with early retirement arrangements for civil servants. In addition, other liabilities increased by EUR 0.1 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.

Shareholders' equity decreased from EUR 46.2 billion as of December 31, 2019 to EUR 45.9 billion. The carrying amount was reduced by EUR 1.0 billion due to the remeasurement of defined benefit plans and by EUR 0.9 billion due to losses from hedging instruments – mainly in connection with forward-payer swaps concluded for borrowings at T-Mobile US. Profit after taxes of EUR 1.1 billion, currency translation effects recognized directly in equity of EUR 0.2 billion, income taxes relating to components of other comprehensive income of EUR 0.2 billion, and capital increases from share-based payment of EUR 0.1 billion had an increasing effect on shareholders' equity.

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.

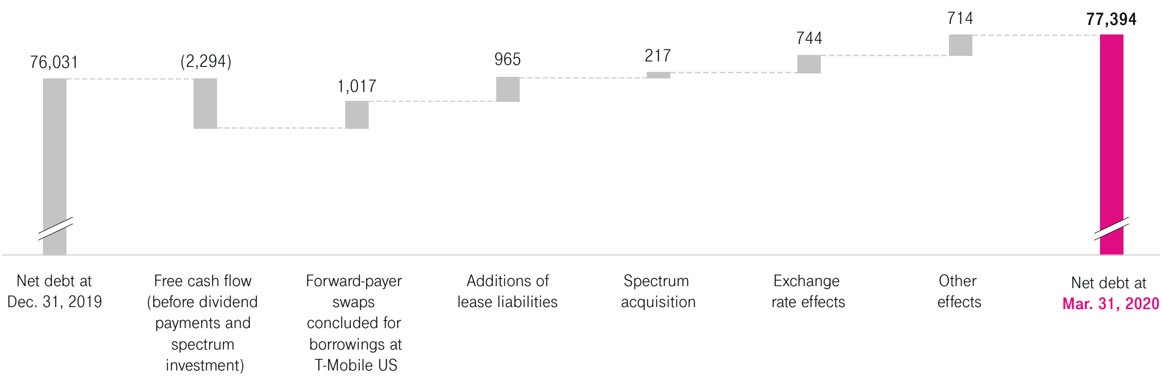
Calculation of net debt

millions of €

	Mar. 31, 2020	Dec. 31, 2019	Change	Change %	Mar. 31, 2019
Financial liabilities (current)	11,821	11,463	358	3.1	14,958
Financial liabilities (non-current)	56,622	54,886	1,736	3.2	50,988
Lease liabilities	19,699	19,835	(136)	(0.7)	18,728
FINANCIAL LIABILITIES AND LEASE LIABILITIES	**88,142**	**86,184**	**1,958**	**2.3**	**84,675**
Accrued interest	(698)	(748)	50	6.7	(670)
Other	(635)	(739)	104	14.1	(4,086)
GROSS DEBT	**86,809**	**84,697**	**2,112**	**2.5**	**79,919**
Cash and cash equivalents	4,078	5,393	(1,315)	(24.4)	6,144
Derivative financial assets	3,931	2,333	1,598	68.5	1,459
Other financial assets	1,406	940	466	49.6	440
NET DEBT	**77,394**	**76,031**	**1,363**	**1.8**	**71,876**

Changes in net debt

millions of €



Other effects of EUR 0.7 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	Q1 2019	Change	Change %	FY 2019
NET CASH FROM OPERATING ACTIVITIES	**3,960**	**6,009**	**(2,049)**	**(34.1)**	**23,074**
Interest payments for zero-coupon bonds	1,600	0	1,600	n.a.	0
NET CASH FROM OPERATING ACTIVITIES[a]	**5,560**	**6,009**	**(449)**	**(7.5)**	**23,074**
Cash capex	(3,570)	(3,827)	257	6.7	(14,357)
Spectrum investment	217	145	72	49.7	1,239
CASH CAPEX (BEFORE SPECTRUM INVESTMENT)	**(3,353)**	**(3,682)**	**329**	**8.9**	**(13,118)**
Proceeds from the disposal of intangible assets (excluding goodwill) and property, plant and equipment	87	44	43	97.7	176
Free cash flow (before dividend payments and spectrum investment)[a]	2,294	2,370	(76)	(3.2)	10,133
Principal portion of repayment of lease liabilities[b]	(1,007)	(813)	(194)	(23.9)	(3,120)
FREE CASH FLOW AL (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)[a]	**1,287**	**1,557**	**(270)**	**(17.3)**	**7,013**

[a] Before interest payments for zero-coupon bonds.

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

Free cash flow AL (before dividend payments and spectrum investment) decreased by EUR 0.3 billion year-on-year to EUR 1.3 billion. The following effects impacted on this development:

Net cash from operating activities decreased by EUR 2.0 billion year-on-year to EUR 4.0 billion. This decline is related 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 first quarter of 2020 for another zero-coupon bond also had a negative impact. The interest portion amounted to EUR 0.4 billion. The interest payments for the two zero-coupon bonds are not taken into account when determining free cash flow AL (before dividend payments and spectrum investment). Excluding interest payments for zero-coupon bonds, net cash from operating activities decreased by EUR 0.4 billion. Our contractual termination of a revolving factoring agreement in the Germany operating segment resulted in negative effects of EUR 0.7 billion on net cash from operating activities in the reporting period. The continuing strong performance of the operating segments had an increasing effect on net cash from operating activities.

Cash capex (before spectrum investment) decreased by EUR 0.3 billion compared with the prior-year period. In the Germany operating segment, the decline is mainly 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. Since then, the grants received and payments made for the build-out are no longer part of cash capex. In the United States operating segment, cash capex decreased – on a U.S. dollar basis – mainly due to higher capital expenditures in the first quarter of 2019 related to laying the initial groundwork for 5G.

The increase in repayments of lease liabilities was due in particular to payments for new leases concluded in 2019 in the United States operating segment 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

GERMANY

CUSTOMER DEVELOPMENT

thousands

	Mar. 31, 2020	Dec. 31, 2019	Change Mar. 31, 2020/ Dec. 31, 2019 %	Mar. 31, 2019	Change Mar. 31, 2020/ Mar. 31, 2019 %
Mobile customers	46,960	46,189	1.7	44,657	5.2
Contract customers	25,475	25,291	0.7	25,195	1.1
Prepay customers	21,485	20,898	2.8	19,462	10.4
Fixed-network lines	17,711	17,824	(0.6)	18,414	(3.8)
Of which: retail IP-based	17,510	17,479	0.2	16,065	9.0
Retail broadband lines	13,813	13,730	0.6	13,608	1.5
Of which: optical fiber	8,787	8,529	3.0	7,609	15.5
Television (IPTV, satellite)	3,678	3,618	1.7	3,419	7.6
Unbundled local loop lines (ULLs)	4,505	4,638	(2.9)	5,050	(10.8)
Wholesale broadband lines	7,445	7,372	1.0	6,975	6.7
Of which: optical fiber	5,994	5,863	2.2	5,285	13.4

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. Hence, alongside fixed-network and mobile communications products, we also market convergence products. Our MagentaEINS convergence product remains very popular among customers, with more than 4.7 million subscribers at the end of the first quarter of 2020.

We continued to see strong demand for our fiber-optic-based lines. As of the end of the first quarter of 2020, the total number of lines had increased to some 14.8 million. In other words, we connected 389 thousand lines to our fiber-optic network in Germany in the first three 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 771 thousand mobile customers in the first three months of 2020 compared with year-end 2019. Of these, a total of 141 thousand were 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 587 thousand prepay 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 extremely popular. At the end of the first quarter of 2020, around 3.3 million customers were using this option, up by almost 63 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 convergent offerings and further development of such products – for instance, MagentaTV with exclusive access to a wide range of additional content in the Megathek library and via popular streaming services – as well as TV lines and fiber-optic-based lines. The new Disney+ streaming service was launched on March 24, 2020 with Deutsche Telekom as the exclusive release partner in Germany.

The number of broadband lines increased by 83 thousand compared with year-end 2019, while the number of TV customers increased by 60 thousand in the first three months of 2020. In the traditional fixed network, the number of lines decreased by 113 thousand.

Our MagentaZuhause rate plans offer a comprehensive product portfolio for the fixed network based on IP technology and rate plan-specific bandwidths.

Wholesale

At the end of the first quarter of 2020, fiber-optic-based lines accounted for 50.2 percent of all lines – 1.3 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 133 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 first quarter of 2020 was around 12.0 million.

DEVELOPMENT OF OPERATIONS

millions of €		Q1 2020	Q1 2019	Change	Change %	FY 2019
TOTAL REVENUE		5,405	5,357	48	0.9	21,886
Consumers		2,873	2,833	40	1.4	11,621
Business Customers		1,522	1,510	12	0.8	6,181
Wholesale		937	931	6	0.6	3,739
Other		73	83	(10)	(12.0)	345
Profit from operations **(EBIT)**		903	863	40	4.6	4,063
EBIT margin	%	16.7	16.1			18.6
Depreciation, amortization and impairment losses		(1,071)	(1,083)	12	1.1	(4,256)
EBITDA		1,974	1,946	28	1.4	8,319
EBITDA AL		1,968	1,940	28	1.4	8,295
Special factors affecting EBITDA		(196)	(168)	(28)	(16.7)	(425)
EBITDA (adjusted for special factors)		2,170	2,114	56	2.6	8,744
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)		2,164	2,108	56	2.7	8,720
EBITDA AL margin (adjusted for special factors)	%	40.0	39.4			39.8
CASH CAPEX		(1,036)	(1,216)	180	14.8	(4,349)

Total revenue

In the first quarter of 2020, we generated total revenue of EUR 5.4 billion, which was up slightly by 0.9 percent year-on-year. This was due in particular to the strong performance in mobile business, which posted growth of 1.6 percent from higher service and terminal equipment revenues, as well as higher IT and broadband revenues from fixed-network business. This increase was sufficient to offset the decrease in fixed-network revenue (primarily from voice components).

Revenue from **Consumers** grew by 1.4 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. Mobile business also grew – by 1.4 percent.

Revenue from **Business Customers** increased by 0.8 percent. Mobile revenues increased by 2.0 percent and IT revenues by 11.2 percent compared with the same period of last year. In the fixed network, by contrast, a decline was recorded in traditional voice telephony, due largely to the increasing number of customers moving to flat-rate plans in connection with the migration to IP.

Wholesale revenue was up slightly in the first quarter of 2020 by 0.6 percent year-on-year. Positive revenue contributions, largely from our contingent model, offset the general decline in revenues from unbundled local loop lines and voice services due to volume losses.

EBITDA AL, adjusted EBITDA AL

In the first quarter of 2020, we increased EBITDA AL by EUR 28 million or 1.4 percent to around EUR 2.0 billion. The main reasons for this increase are a sound operational development, driven by 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 had an offsetting effect. Adjusted EBITDA AL therefore increased by EUR 56 million or 2.7 percent year-on-year to EUR 2.2 billion. Our adjusted EBITDA AL margin increased to 40.0 percent, up from 39.4 percent in the prior-year period.

EBIT
Profit from operations was up 4.6 percent year-on-year to EUR 903 million due to the higher EBITDA level together with lower depreciation, amortization, and impairment losses.

Cash capex
Cash capex decreased by 14.8 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. For instance, in the first three months of 2020 we connected 208 new LTE sites to our network in Germany.

UNITED STATES
CUSTOMER DEVELOPMENT

thousands

	Mar. 31, 2020	Dec. 31, 2019	Change Mar. 31, 2020/ Dec. 31, 2019 %	Mar. 31, 2019	Change Mar. 31, 2020/ Mar. 31, 2019 %
Branded customers[a]	68,543	67,895	1.0	64,744	5.9
Branded postpaid	47,811	47,034	1.7	43,538	9.8
Branded prepay[a]	20,732	20,860	(0.6)	21,206	(2.2)

Starting in Q1 2020, T-Mobile US discontinued reporting of wholesale customers due to the expansion of M2M and Internet of Things (“IoT”) products and instead will continue to focus on branded customer reporting.

[a] On July 18, 2019, we entered into an agreement whereby certain T-Mobile US branded prepaid products will now be offered and distributed by a current MVNO partner. As a result, we included a base adjustment to reduce branded prepaid customers by 616 thousand in the third quarter of 2019.

Branded customers
At March 31, 2020, the United States operating segment (T-Mobile US) had 68.5 million branded customers, compared to 67.9 million branded customers at December 31, 2019. Net branded customer additions were 0.6 million for the first quarter of 2020, compared to 1.1 million net branded customer additions for the first quarter of 2019, due to the factors described below.

Branded postpaid net customer additions were 777 thousand for the first quarter of 2020, compared to 1.0 million branded postpaid net customer additions for the first quarter of 2019. The decrease resulted from lower branded postpaid phone and branded postpaid other net customer additions primarily due to lower gross customer additions impacted by reduced demand from social distancing rules and store closures arising from the coronavirus pandemic, partially offset by lower churn.

Branded prepay net customer losses were 128 thousand for the first quarter of 2020, compared to 69 thousand branded prepay net customer additions for the first quarter of 2019. The decrease was primarily due to lower gross customer additions impacted by reduced demand from social distancing rules and store closures arising from the coronavirus pandemic, partially offset by lower churn.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2020	Q1 2019	Change	Change %	FY 2019
TOTAL REVENUE		10,157	9,796	361	3.7	40,420
Profit from operations **(EBIT)**		1,509	1,376	133	9.7	5,488
EBIT margin	%	14.9	14.0			13.6
Depreciation, amortization and impairment losses		(2,084)	(1,835)	(249)	(13.6)	(7,777)
EBITDA		3,593	3,210	383	11.9	13,265
EBITDA AL		2,886	2,580	306	11.9	10,590
Special factors affecting EBITDA		(274)	(99)	(175)	n.a.	(544)
EBITDA (adjusted for special factors)		3,867	3,309	558	16.9	13,809
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)		3,160	2,679	481	18.0	11,134
EBITDA AL margin (adjusted for special factors)	%	31.1	27.3			27.5
CASH CAPEX		(1,708)	(1,713)	5	0.3	(6,369)

Total revenue

Total revenue for the United States operating segment of EUR 10.2 billion in the first quarter of 2020 increased by 3.7 percent, compared to EUR 9.8 billion in the first quarter of 2019. In U.S. dollars, T-Mobile US' total revenues slightly increased primarily due to an increase in service revenue driven by growth in our average branded customer base from the continued growth in existing and greenfield markets; including the growing success of new customer segments and rate plans such as Unlimited 55+, Military, Business, and Essentials. This increase was partially offset by lower branded postpaid phone Average Revenue per User (ARPU) and a decrease in equipment revenue primarily from a decrease in the number of devices sold, excluding purchased leased devices, resulting from reduced demand from social distancing rules and store closures arising from the coronavirus pandemic and lower average revenue per device sold.

EBITDA AL, adjusted EBITDA AL

In euros, adjusted EBITDA AL increased by 18.0 percent to EUR 3.2 billion in the first quarter of 2020, compared to EUR 2.7 billion in the first quarter of 2019. Adjusted EBITDA AL margin increased to 31.1 percent in the first quarter of 2020, compared to 27.3 percent in the first quarter of 2019. In U.S. dollars, adjusted EBITDA AL increased by 14.5 percent during the same period. Adjusted EBITDA AL increased due primarily to higher service revenues, as further discussed above, and lower losses on equipment sales. These increases were partially offset by expenses associated with new and modified leases due to network expansion and the launch of our 5G network, higher employee-related costs, higher legal-related expenses, higher bad debt expense primarily due to the estimated macro-economic impacts of the coronavirus pandemic, and a USD 89 million impact from commission costs capitalized and amortized beginning upon the adoption of IFRS 15 on January 1, 2018.

EBITDA AL for the first quarter of 2020 included special factors of EUR -274 million compared to special factors of EUR -99 million for the first quarter of 2019. The change in special factors was primarily due to supplemental employee payroll, third-party commissions and cleaning-related expenses associated with the coronavirus pandemic and the Sprint transaction. Overall, EBITDA AL increased by 11.9 percent to EUR 2.9 billion in the first quarter of 2020, compared to EUR 2.6 billion in the first quarter of 2019, due to the factors described above, including special factors.

EBIT

EBIT increased to EUR 1.5 billion in the first quarter of 2020, compared to EUR 1.4 billion in the first quarter of 2019. In U.S. dollars, EBIT increased by 6.5 percent during the same period primarily driven by higher EBITDA AL. In U.S. dollars, depreciation increased by 10.3 percent primarily driven by network expansion, including the continued deployment of low-band spectrum, including 600 MHz, and the nationwide launch of our 5G network.

Cash capex

Cash capex was essentially flat in the first quarter of 2020 compared to first quarter of 2019. In U.S. dollars, cash capex decreased by 3.1 percent primarily due to higher capital expenditures in the first quarter of 2019 related to laying the initial groundwork for 5G.

EUROPE
CUSTOMER DEVELOPMENT

thousands

		Mar. 31, 2020	Dec. 31, 2019	Change Mar. 31, 2020/ Dec. 31, 2019 %	Mar. 31, 2019	Change Mar. 31, 2020/ Mar. 31, 2019 %
EUROPE, TOTAL	Mobile customers	45,916	46,165	(0.5)	47,800	(3.9)
	Contract customers[a]	26,354	26,245	0.4	25,674	2.6
	Prepay customers[a]	19,562	19,920	(1.8)	22,126	(11.6)
	Fixed-network lines[b]	9,096	9,105	(0.1)	9,051	0.5
	Of which: IP-based[b]	8,347	8,311	0.4	7,737	7.9
	Broadband customers	6,737	6,672	1.0	6,478	4.0
	Television (IPTV, satellite, cable)	4,940	4,945	(0.1)	4,904	0.7
	Unbundled local loop lines (ULLs)/wholesale PSTN	2,301	2,294	0.3	2,278	1.0
	Wholesale broadband lines[c]	410	418	(1.9)	417	(1.7)
GREECE	Mobile customers	7,311	7,365	(0.7)	7,682	(4.8)
	Fixed-network lines	2,637	2,638	0.0	2,581	2.2
	Broadband customers	2,065	2,033	1.6	1,938	6.6
ROMANIA	Mobile customers	4,777	4,916	(2.8)	5,421	(11.9)
	Fixed-network lines	1,504	1,560	(3.6)	1,697	(11.4)
	Broadband customers	978	1,014	(3.6)	1,078	(9.3)
HUNGARY	Mobile customers	5,378	5,369	0.2	5,305	1.4
	Fixed-network lines	1,718	1,703	0.9	1,673	2.7
	Broadband customers	1,256	1,231	2.0	1,170	7.4
POLAND	Mobile customers	10,982	10,954	0.3	10,823	1.5
	Fixed-network lines	26	18	44.4	18	44.4
	Broadband customers	18	18	0.0	11	63.6
CZECH REPUBLIC	Mobile customers	6,267	6,265	0.0	6,186	1.3
	Fixed-network lines[b]	568	533	6.6	430	32.1
	Broadband customers	350	320	9.4	274	27.7
CROATIA	Mobile customers	2,248	2,274	(1.1)	2,262	(0.6)
	Fixed-network lines	897	908	(1.2)	922	(2.7)
	Broadband customers	620	621	(0.2)	617	0.5
SLOVAKIA	Mobile customers	2,409	2,428	(0.8)	2,391	0.8
	Fixed-network lines	859	860	(0.1)	854	0.6
	Broadband customers	583	576	1.2	550	6.0
AUSTRIA	Mobile customers	4,998	5,019	(0.4)	4,765	4.9
	Fixed-network lines	553	549	0.7	544	1.7
	Broadband customers	617	612	0.8	601	2.7
OTHER[d]	Mobile customers	1,545	1,576	(2.0)	2,967	(47.9)
	Fixed-network lines	334	335	(0.3)	334	0.0
	Broadband customers	250	249	0.4	239	4.6

[a] M2M cards (machine-to-machine) were reclassified Group-wide as of January 1, 2020 and assigned exclusively to the prepay 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 comparative for IP-based fixed-network lines in the Czech Republic was adjusted as part of the standardization of the underlying customer definition.

[c] The prior-year comparative for wholesale broadband lines in Croatia was 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
The markets in our segment remained intensely competitive in the first quarter of 2020. We rose to this challenge, winning customers over to our convergent product portfolio MagentaOne and increasing the number of FMC customers by 4.9 percent. Convergent products require integrated networks. That is why we are systematically building out and interlinking our fixed and mobile networks. Our fixed-network infrastructure is continuously being built out with state-of-the-art fiber-optic-based lines (FTTH, FTTB, and FTTC), with the national companies in Hungary and Slovakia seeing the greatest rollout progress in the first quarter of 2020. We thus increased our broadband customer base by 1.0 percent.

In our mobile business, we recorded growth in the number of high-value contract customers, partially offsetting the decline in the prepay 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. Successful tests are also underway in other countries, like Poland. The plan is to add more 5G networks following the anticipated spectrum auctions in the various countries in 2020.

Mobile communications
In the Europe operating segment, we had 45.9 million mobile customers at the end of the first quarter, a marginal decline of 0.5 percent compared with the end of 2019. The number of high-value contract customers increased slightly by 0.4 percent. The contract customer bases increased in most of our national companies, with particularly strong growth recorded in Romania, Poland, Austria, Hungary, and the Czech Republic. Following the M2M reclassification, the contract customer share of the total customer base now totals 57.4 percent. Already last year, our innovative services and rate plans were joined in several countries by a new product portfolio, which we revamped in line with the “more for more” principle. Customers in these countries 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 March 31, 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 prepay customer base declined slightly, in line with expectations. This is partly due to the fact that our market approach is focused on contract rate plans, with which we want to convince our prepay customers to switch to higher-value rate plans. We succeeded in this with a number of prepay customers. Furthermore, inactive SIM cards are deactivated from the customer base at regular intervals.

Fixed network
The broadband business recorded growth of 1.0 percent compared with the end of the prior year to a total of 6.7 million customers. By continuing to invest heavily in innovative fiber-optic-based technologies, we are systematically building out our fixed-network infrastructure. The customer bases of our national companies in Greece, the Czech Republic, and Hungary in particular saw substantial growth. Thus we increased household coverage with optical fiber at our four largest national companies to 3.4 million households as of March 31, 2020. Consistent growth in IP-based lines as a percentage of all fixed-network lines confirms that we are making good progress: At the end of March 2020, this share amounted to 91.8 percent. 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 remained stable against the prior-year level as of March 31, 2020 at 4.9 million customers in total. With both telecommunication 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 quarter of 2020, we had 5.0 million FMC customers; this corresponds to growth of 4.9 percent compared with the end of the prior year. In particular, our national companies in Greece, Hungary, Romania, and Poland recorded higher customer numbers. We have also seen accelerated growth in the marketing of our MagentaOne Business product to business customers.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2020	Q1 2019	Change	Change %	FY 2019
TOTAL REVENUE		2,903	2,891	12	0.4	12,168
Greece		707	697	10	1.4	2,943
Romania		237	217	20	9.2	980
Hungary		427	459	(32)	(7.0)	1,872
Poland		360	348	12	3.4	1,486
Czech Republic		266	257	9	3.5	1,088
Croatia		214	220	(6)	(2.7)	960
Slovakia		186	185	1	0.5	785
Austria		313	306	7	2.3	1,276
Other[a]		235	244	(9)	(3.7)	975
Profit from operations (EBIT)		372	339	33	9.7	1,182
EBIT margin	%	12.8	11.7			9.7
Depreciation, amortization and impairment losses		(662)	(696)	34	4.9	(3,131)
EBITDA		1,034	1,035	(1)	(0.1)	4,313
EBITDA AL		924	921	3	0.3	3,858
Special factors affecting EBITDA		(39)	(24)	(15)	(62.5)	(146)
EBITDA (adjusted for special factors)		1,073	1,059	14	1.3	4,460
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)		963	945	18	1.9	4,005
Greece		288	283	5	1.8	1,212
Romania		34	26	8	30.8	141
Hungary		114	121	(7)	(5.8)	551
Poland		96	92	4	4.3	383
Czech Republic		110	107	3	2.8	448
Croatia		76	83	(7)	(8.4)	360
Slovakia		79	82	(3)	(3.7)	327
Austria		123	118	5	4.2	467
Other[a]		44	33	11	33.3	114
EBITDA AL margin (adjusted for special factors)	%	33.2	32.7			32.9
CASH CAPEX		(438)	(446)	8	1.8	(1,824)

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 IWS (International Wholesale), consisting of Telekom Global Carrier (TGC) and units assigned to TGC in the national companies, as well as the GTS Central Europe group in Romania, and 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 2.9 billion in the first quarter of 2020, a slight year-on-year increase of 0.4 percent. In organic terms, i.e., assuming constant exchange rates and adjusted for the sale of Telekom Albania as of May 7, 2019, revenue increased by 2.0 percent.

The fixed-network business is increasingly consistent as a driver of growth: For example, we recorded higher organic revenue from broadband business in part as a result of the ongoing build-out of our networks. In many places, we have already been rated the telecommunications company with the best network (e.g., CHIP network test). Our customers appreciate that. Thanks to the wide range of services we offer, the TV business also recorded encouraging 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, especially from the termination of international voice traffic in wholesale operations. The mobile business also saw slight organic revenue growth compared with the prior year. The positive development in higher-margin service revenues more than offset the decline in the lower-margin terminal equipment business. Poland and Greece in particular contributed to this trend.

Looking at the development by country, our national companies in Romania, Poland, Greece, the Czech Republic, and Austria made the largest contributions to the organic development of revenue in the first quarter of 2020. This offset the decline in revenue in Croatia and Hungary in particular.

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

Revenue from **Business Customers** grew by 2.7 percent year-on-year in the first quarter of 2020, with MagentaOne Business especially in Greece and Slovakia allowing small business customers to enjoy the added value of business solutions, such as the Premium Service. Our ICT/cloud business made the biggest contribution to the positive start to the year. Supported by the transnational Microsoft partnership, we are seeing fast growing demand for flexible solutions to mobile working, including state-of-the-art cloud storage capabilities and collaboration tools.

We continue to be able to maintain or strengthen our position in highly competitive markets.

EBITDA AL, adjusted EBITDA AL

In the first quarter of 2020, the Europe operating segment generated adjusted EBITDA AL of EUR 1.0 billion, an increase of 1.9 percent. In organic terms, i.e., assuming constant exchange rates and adjusted for the sale of Telekom Albania, adjusted EBITDA AL increased by 3.4 percent, thus continuing to make a positive contribution to earnings. In particular, the positive revenue effects resulted in a higher net margin. Savings in indirect costs, primarily thanks to lower personnel costs, had an increasing effect on earnings.

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, Greece, Austria, and Poland. Contrasting developments were reported primarily at the national company in Croatia, where decreases in mobile revenue were partially offset by positive revenue effects from the systems solutions business.

Our EBITDA AL remained stable compared with the prior-year period at EUR 0.9 billion. Special factors were up EUR 15 million against the prior year. In organic terms, EBITDA AL grew by 1.8 percent.

Development of operations in selected countries

Greece. In Greece, revenue developed positively in the first quarter of 2020, coming in at EUR 707 million or 1.4 percent higher than in the prior-year period, with fixed-network revenue continuing to increase. 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 strong growth, while the wholesale business declined slightly. We saw further increases in mobile business, especially in service revenues. The FMC offering developed positively, with rising customer numbers and corresponding revenue.

In the first quarter of 2020, adjusted EBITDA AL in Greece increased by 1.8 percent year-on-year to EUR 288 million. Revenue increases were partially offset by moderate increases in costs.

Hungary. In the first quarter of 2020, revenue in Hungary stood at EUR 427 million, down by 7.0 percent year-on-year, mainly due to exchange rate effects. In organic terms, revenue declined only slightly by 0.7 percent. The mobile business recorded growth compared with the prior-year period, in particular in service revenues, driven in part by a larger customer base and in part by higher mobile voice traffic. This was almost enough to offset the losses in the fixed-network business, which were primarily due to a decline in revenue from systems solutions business, which was unable to replicate the number of major contracts won in the prior year. An encouraging revenue increase in the broadband business due in particular to a larger customer base partially compensated for this decline. Our MagentaOne convergence products also continued to perform well, with rising customer numbers and corresponding revenue.

Adjusted EBITDA AL stood at EUR 114 million, down 5.8 percent year-on-year. In organic terms, adjusted EBITDA AL grew slightly by 0.6 percent. Savings in indirect costs, primarily due to lower personnel costs, offset the slight revenue decline and resulted in a positive contribution to earnings.

Poland. In Poland, revenue stood at EUR 360 million in the first quarter of 2020, up 3.4 percent year-on-year. In organic terms, this increase was even higher at 4.0 percent. This growth is attributable in equal measure to higher mobile and fixed-network revenue. Declines in revenue from mobile terminal equipment were offset by increases in higher-margin service revenues. Growth in the fixed-network resulted from a positive trend in the systems solutions business. By contrast, wholesale business recorded a slight decline. We are continuing to invest in the development of technologies and in the provision of 5G infrastructure with the aim of becoming a one-stop shop for our customers as an integrated, state-of-the-art service provider.

Adjusted EBITDA AL stood at EUR 96 million, up 4.3 percent year-on-year. The higher net margin was partially offset by moderate increases in indirect costs.

Czech Republic. In the first quarter of 2020, revenue in the Czech Republic stood at EUR 266 million, an increase of 3.5 percent. In organic terms, the increase was 3.1 percent. The fixed-network business was the strongest driver of growth, particularly recording year-on-year increases in broadband and TV business in the first quarter of 2020. The continuous investments in new fiber-optic networks paid off, as can be seen in the higher number of customers. Growth in the mobile business was mainly due to increases in higher-margin service revenues, which were partially offset by decreases in lower-margin terminal equipment revenue. Our MagentaOne and MagentaOne Business convergence products also continued to perform very well, with rising customer numbers and corresponding revenue.

Adjusted EBITDA AL increased by 2.8 percent year-on-year to EUR 110 million. In organic terms, the increase was 2.3 percent. The positive revenue contribution was partially offset by moderate increases in direct and indirect costs.

Austria. Revenue in Austria totaled EUR 313 million as of March 31, 2020, an increase of 2.3 percent. This growth is primarily attributable to increases in higher-margin service revenues, mainly due to the Magenta product portfolio, which was launched in May last year and has been very well received by our customers. Since the launch of the Magenta brand, we now also offer convergent products in addition to mobile broadband internet services. The success of convergence can also be seen in the development of the fixed-network segment: The broadband business in particular generated positive growth rates, among other things as a result of a larger customer base.

Adjusted EBITDA AL increased by 4.2 percent year-on-year to EUR 123 million, with positive revenue effects offsetting the increase in direct costs as a result of a step-up in market approach.

EBIT

EBIT in our Europe operating segment increased by EUR 33 million in the first quarter of 2020 to EUR 372 million as a result of decreases in depreciation and amortization.

Cash capex

As of March 31, 2020, our Europe operating segment reported cash capex of EUR 438 million, down 1.8 percent year-on-year. This decline is mainly due to a decline in cash outflows for the acquisition of spectrum licenses in the reporting period. We continue to make significant investments 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 2020	2019	Q1 2019	Change Q1 2020/ Q1 2019 %
ORDER ENTRY	1,393	7,329	1,609	(13.4)

Development of business

The first three months of 2020 were dominated by efforts to further develop our realigned systems solutions business. Investments in growth areas and innovation fields (such as the public cloud, the Internet of Things (IoT), digital solutions, security) create the basis for us to continue to focus our segment strategy on a sustainable shift into strategic growth areas. In parallel, we are working to strengthen our telecommunications operations and successfully manage the decline in traditional IT business.

Under an extensive transformation program, we realigned our organization and workflows, adjusted capacities, and developed a new strategy for our portfolio. Stand-alone portfolio units look after not only our growth areas (public cloud, Internet of Things (IoT), digital solutions, security, SAP, classified ICT, and road charging) but also our traditional IT and telecommunications businesses. Consistent with our efforts to implement our Group strategy pillar “Lead in business productivity,” the next step in 2020 will be to combine the TC Services and Classified ICT units (until now assigned to us), with the exception of a number of activities assigned to Classified IT project business, with the telecommunications business for business customers of the Germany operating segment.

In the first three months of 2020, order entry in our Systems Solutions operating segment was down by 13.4 percent against the particularly strong prior-year quarter, mainly on account of traditional IT and SAP.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2020	Q1 2019	Change	Change %	FY 2019
TOTAL REVENUE		1,628	1,630	(2)	(0.1)	6,805
Of which: external revenue		1,290	1,278	12	0.9	5,380
Loss from operations **(EBIT)**		(36)	(49)	13	26.5	(218)
Special factors affecting EBIT		(49)	(46)	(3)	(6.5)	(358)
EBIT (adjusted for special factors)		13	(3)	16	n.a.	140
EBIT margin (adjusted for special factors)	%	0.8	(0.2)			2.1
Depreciation, amortization and impairment losses		(121)	(128)	7	5.5	(532)
EBITDA		84	79	5	6.3	314
EBITDA AL		51	46	5	10.9	188
Special factors affecting EBITDA		(49)	(46)	(3)	(6.5)	(331)
EBITDA (adjusted for special factors)		133	125	8	6.4	645
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)		100	92	8	8.7	519
EBITDA AL margin (adjusted for special factors)	%	6.1	5.6			7.6
CASH CAPEX		(35)	(93)	58	62.4	(384)

Total revenue
Total revenue in our Systems Solutions operating segment in the first three months of 2020 remained at the prior-year level of EUR 1.6 billion. The upward revenue trend in our growth areas, in particular public cloud and security, was sufficient to offset the declines in traditional IT operations and in telecommunications business. The general downward trend in traditional IT operations was primarily a result of the decline in our international corporate customer operations and the falling market trend in our core market of Western Europe, as well as of deliberate portfolio decisions (such as the termination of desktop services).

EBITDA AL, adjusted EBITDA AL
In the first three months of 2020, adjusted EBITDA AL at our Systems Solutions operating segment increased by EUR 8 million year-on-year to EUR 100 million, mainly due to a positive trend in our growth areas public cloud, digital solutions, SAP, and IoT. EBITDA AL increased by EUR 5 million compared with the prior year to EUR 51 million, due to the same reasons. Special factors were up slightly year-on-year to EUR -49 million due to ongoing restructuring measures.

EBIT, adjusted EBIT
Adjusted EBIT in our Systems Solutions operating segment in the first three months of 2020 increased by EUR 16 million year-on-year, coming in at EUR 13 million. The effects described under adjusted EBITDA AL were the main drivers of this increase. EBIT increased by EUR 13 million in the reporting year to EUR -36 million, also due to the effects described under EBITDA AL.

Cash capex
Cash capex in the Systems Solutions operating segment stood at EUR 35 million in the first three months of 2020, compared with EUR 93 million in the prior-year period. This was due on the one hand to front-loaded investments in the final quarter of the prior year, and on the other to a decreased need for investments in traditional IT and telecommunications business in the reporting quarter. Capital expenditures remain focused on developing our operations in growth areas, such as digital solutions, the Internet of Things (IoT), and road charging.

GROUP DEVELOPMENT
CUSTOMER DEVELOPMENT

thousands

		Mar. 31, 2020	Dec. 31, 2019	Change Mar. 31, 2020/ Dec. 31, 2019 %	Mar. 31, 2019	Change Mar. 31, 2020/ Mar. 31, 2019 %
NETHERLANDS	Mobile customers	5,686	5,610	1.4	5,382	5.6
	Fixed-network lines	632	619	2.1	557	13.5
	Broadband customers	616	605	1.8	540	14.1

The number of mobile customers and fixed-network lines in the Netherlands continued to increase steadily through the operational business. Despite intense competition, we recorded customer additions in mobile business in particular 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	Q1 2019	Change	Change %	FY 2019
TOTAL REVENUE		708	682	26	3.8	2,797
Of which: Netherlands		476	461	15	3.3	1,910
Of which: GD Towers		247	236	11	4.7	945
Profit from operations (EBIT)		139	126	13	10.3	615
Depreciation, amortization and impairment losses		(194)	(200)	6	3.0	(812)
EBITDA		333	325	8	2.5	1,427
EBITDA AL		262	249	13	5.2	1,130
Special factors affecting EBITDA		(7)	(6)	(1)	(16.7)	97
EBITDA (adjusted for special factors)		340	332	8	2.4	1,330
Of which: Netherlands		157	147	10	6.8	591
Of which: GD Towers		195	191	4	2.1	771
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)		269	255	14	5.5	1,033
Of which: Netherlands		136	123	13	10.6	502
Of which: GD Towers		145	138	7	5.1	563
EBITDA AL margin (adjusted for special factors)	%	38.0	37.4			36.9
CASH CAPEX		(119)	(86)	(33)	(38.4)	(452)

Total revenue
Total revenue in our Group Development operating segment increased in the first quarter of 2020 by 3.8 percent year-on-year to EUR 708 million, thanks to the operational growth of our two subsidiaries, T-Mobile Netherlands and DFMG. In the Netherlands, both business customer and consumer operations contributed to this increase in revenue on the back of customer growth and a positive trend in business with MVNOs. The GD Towers unit also recorded a year-on-year increase in revenue, driven by volume-based growth at DFMG.

EBITDA AL, adjusted EBITDA AL
EBITDA AL increased by 5.2 percent year-on-year to EUR 262 million. This growth was mainly attributable to the aforementioned positive effects on revenue, synergies from the takeover of Tele2 Netherlands, and efficient cost management in the Netherlands. The GD Towers business continues to post consistent growth on the back of rising volumes. An operational increase was also achieved through revenue growth and cost transformation. Adjusted EBITDA AL increased by 5.5 percent year-on-year to EUR 269 million due to the effects mentioned.

EBIT
EBIT increased by 10.3 percent year-on-year to EUR 139 million as a result of the effects described under adjusted EBITDA AL. Depreciation, amortization and impairment losses were down slightly on the prior-year period.

Cash capex
Cash capex increased year-on-year by EUR 33 million to EUR 119 million, due mainly to the additional investments 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	Q1 2019	Change	Change %	FY 2019
TOTAL REVENUE	632	651	(19)	(2.9)	2,620
Loss from operations (EBIT)	(371)	(393)	22	5.6	(1,648)
Depreciation, amortization and impairment losses	(300)	(260)	(40)	(15.4)	(1,159)
EBITDA	(71)	(132)	61	46.2	(489)
EBITDA AL	(163)	(234)	71	30.3	(889)
Special factors affecting EBITDA	(58)	(97)	39	40.2	(239)
EBITDA (adjusted for special factors)	(12)	(35)	23	65.7	(250)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)	(104)	(137)	33	24.1	(651)
CASH CAPEX	(233)	(274)	41	15.0	(1,028)

Total revenue
Total revenue in our Group Headquarters & Group Services segment in the first quarter of 2020 decreased by 2.9 percent year-on-year, mainly as a result of slightly lower revenue from land and buildings, largely due to the ongoing optimization of space.

EBITDA AL, adjusted EBITDA AL
Adjusted EBITDA AL in the Group Headquarters & Group Services segment improved by EUR 33 million year-on-year in the reporting period to EUR -104 million. This increase was mainly due to higher income from real estate sales, lower operating expenses at our Group Services, and the reduced headcount at Vivento as a result of continued staff restructuring. By contrast, lower revenue from land and buildings had a slight negative impact.

Overall, EBITDA AL was negatively impacted in the reporting period by special factors amounting to EUR 58 million, especially for staff-related measures. This contrasts with special factors of EUR 97 million in the prior-year period, also in particular for staff-related measures.

EBIT
The slight year-on-year improvement of EUR 22 million in EBIT to EUR -371 million was mainly due to the effects described under EBITDA AL. The increase in depreciation, amortization and impairment losses was mainly due to higher depreciation and amortization following the decision to capitalize newly commissioned intragroup development services at Deutsche Telekom IT since January 2016 instead of charging them internally.

Cash capex
Cash capex decreased by EUR 41 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. There is a great deal of uncertainty currently regarding the extent to which business activities and thus the results of operations and financial position of Deutsche Telekom could be affected overall by the economic fallout from the coronavirus pandemic. We continue to evaluate the latest studies published by prominent economic research institutes to monitor the impact of the coronavirus pandemic on the economy as a whole. At the current point in time, the forecasts published in the combined management report of the 2019 Annual Report remain valid. Nevertheless, given the current level of macro-economic uncertainty, we cannot generally rule out the possibility of deviations.

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 likely to be felt less severely by the telecommunications industry than by other industries. Nevertheless, there is currently 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. For example, roaming and visitor volumes are declining as a result of government-imposed international travel restrictions, and terminal equipment sales and new contracts may decrease due to the largely temporary closure of shops. Corporate customer business may decline, 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 exposes us to economic business risks in our Germany, Europe, and United States operating segments: The risk significance in these three segments has been downrated from "low" to "medium."

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). If we do not successfully rise to these integration challenges and fulfill the agreed conditions, this can affect the results of operations, financial position, brand/reputation, earnings, and creditworthiness of T-Mobile US with ramifications for the Deutsche Telekom Group.

ASSESSMENT OF THE AGGREGATE RISK POSITION

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

millions of €

	Mar. 31, 2020	Dec. 31, 2019	Change	Change %	Mar. 31, 2019
ASSETS					
CURRENT ASSETS	**24,420**	**24,689**	**(269)**	**(1.1)**	**24,693**
Cash and cash equivalents	4,078	5,393	(1,315)	(24.4)	6,144
Trade receivables	10,560	10,846	(286)	(2.6)	9,990
Contract assets	1,837	1,876	(39)	(2.1)	1,841
Current recoverable income taxes	455	481	(26)	(5.4)	556
Other financial assets	3,748	3,254	494	15.2	2,277
Inventories	1,893	1,568	325	20.7	2,015
Other assets	1,765	1,175	590	50.2	1,726
Non-current assets and disposal groups held for sale	84	97	(13)	(13.4)	145
NON-CURRENT ASSETS	**149,226**	**145,983**	**3,243**	**2.2**	**140,779**
Intangible assets	69,000	68,202	798	1.2	66,387
Property, plant and equipment	49,544	49,548	(4)	0.0	48,766
Right-of-use assets	18,134	17,998	136	0.8	16,828
Capitalized contract costs	2,072	2,075	(3)	(0.1)	1,833
Investments accounted for using the equity method	518	489	29	5.9	614
Other financial assets	5,714	3,996	1,718	43.0	2,147
Deferred tax assets	3,276	2,704	572	21.2	3,169
Other assets	969	970	(1)	(0.1)	1,035
TOTAL ASSETS	**173,646**	**170,672**	**2,974**	**1.7**	**165,472**
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES	**32,877**	**32,913**	**(36)**	**(0.1)**	**37,365**
Financial liabilities	11,821	11,463	358	3.1	14,958
Lease liabilities	3,988	3,987	1	0.0	4,054
Trade and other payables	8,730	9,431	(701)	(7.4)	10,241
Income tax liabilities	443	463	(20)	(4.3)	368
Other provisions	2,983	3,082	(99)	(3.2)	2,995
Other liabilities	3,230	2,850	380	13.3	3,013
Contract liabilities	1,654	1,608	46	2.9	1,703
Liabilities directly associated with non-current assets and disposal groups held for sale	29	29	0	0.0	30
NON-CURRENT LIABILITIES	**94,891**	**91,528**	**3,363**	**3.7**	**85,345**
Financial liabilities	56,622	54,886	1,736	3.2	50,988
Lease liabilities	15,710	15,848	(138)	(0.9)	14,673
Provisions for pensions and other employee benefits	6,835	5,831	1,004	17.2	5,750
Other provisions	3,582	3,581	1	0.0	3,201
Deferred tax liabilities	9,780	8,954	826	9.2	8,996
Other liabilities	1,944	1,972	(28)	(1.4)	1,233
Contract liabilities	417	456	(39)	(8.6)	504
LIABILITIES	**127,768**	**124,441**	**3,327**	**2.7**	**122,710**
SHAREHOLDERS' EQUITY	**45,878**	**46,231**	**(353)**	**(0.8)**	**42,762**
Issued capital	12,189	12,189	0	0.0	12,189
Treasury shares	(47)	(47)	0	0.0	(48)
	12,142	**12,142**	**0**	**0.0**	**12,141**
Capital reserves	55,012	55,029	(17)	0.0	54,894
Retained earnings including carryforwards	(35,941)	(38,709)	2,768	7.2	(38,518)
Total other comprehensive income	(1,023)	(622)	(401)	(64.5)	(416)
Net profit (loss)	916	3,867	(2,951)	(76.3)	900
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	**31,106**	**31,707**	**(601)**	**(1.9)**	**29,001**
Non-controlling interests	14,771	14,524	247	1.7	13,761
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**173,646**	**170,672**	**2,974**	**1.7**	**165,472**

CONSOLIDATED INCOME STATEMENT

millions of €

	Q1 2020	Q1 2019	Change	Change %	FY 2019
NET REVENUE	**19,943**	**19,488**	**455**	**2.3**	**80,531**
Of which: interest income calculated using the effective interest method	81	89	(8)	(9.0)	345
Other operating income	293	204	89	43.6	1,121
Changes in inventories	27	32	(5)	(15.6)	29
Own capitalized costs	605	590	15	2.5	2,418
Goods and services purchased	(8,565)	(8,842)	277	3.1	(36,956)
Personnel costs	(4,483)	(4,301)	(182)	(4.2)	(16,723)
Other operating expenses	(880)	(709)	(171)	(24.1)	(3,301)
Impairment losses on financial assets	(141)	(78)	(63)	(80.8)	(452)
Gains (losses) from the write-off of financial assets measured at amortized cost	(52)	(18)	(34)	n.a.	(42)
Other	(687)	(613)	(74)	(12.1)	(2,807)
EBITDA	**6,940**	**6,461**	**479**	**7.4**	**27,120**
Depreciation, amortization and impairment losses	(4,429)	(4,204)	(225)	(5.4)	(17,663)
PROFIT FROM OPERATIONS	**2,511**	**2,258**	**253**	**11.2**	**9,457**
Finance costs	(557)	(603)	46	7.6	(2,364)
Interest income	100	83	17	20.5	348
Interest expense	(657)	(686)	29	4.2	(2,712)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	1	66	(65)	(98.5)	87
Other financial income (expense)	(408)	131	(539)	n.a.	81
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(965)**	**(406)**	**(559)**	**n.a.**	**(2,197)**
PROFIT (LOSS) BEFORE INCOME TAXES	**1,546**	**1,852**	**(306)**	**(16.5)**	**7,260**
Income taxes	(451)	(527)	76	14.4	(1,993)
PROFIT (LOSS)	**1,095**	**1,325**	**(230)**	**(17.4)**	**5,268**
PROFIT (LOSS) ATTRIBUTABLE TO					
Owners of the parent (net profit (loss))	916	900	16	1.8	3,867
Non-controlling interests	179	425	(246)	(57.9)	1,401

EARNINGS PER SHARE

		Q1 2020	Q1 2019	Change	Change %	FY 2019
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	916	900	16	1.8	3,867
Adjusted weighted average number of basic/diluted ordinary shares outstanding	millions	4,743	4,742	1	0.0	4,761
EARNINGS PER SHARE BASIC/DILUTED	€	**0.19**	**0.19**	**0.00**	**0.0**	**0.82**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	Q1 2020	Q1 2019	Change	FY 2019
PROFIT (LOSS)	**1,095**	**1,325**	**(230)**	**5,268**
Items not subsequently reclassified to profit or loss (not recycled)				
Gains (losses) from the remeasurement of equity instruments	14	17	(3)	99
Gains (losses) from the remeasurement of defined benefit plans	(1,007)	(208)	(799)	(603)
Revaluation due to business combinations	0	0	0	0
Share of profit (loss) of investments accounted for using the equity method	0	0	0	0
Income taxes relating to components of other comprehensive income	(86)	13	(99)	134
	(1,080)	**(178)**	**(902)**	**(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	(8)
Change in other comprehensive income (not recognized in income statement)	246	509	(263)	463
Gains (losses) from the remeasurement of debt instruments				
Recognition of other comprehensive income in income statement	108	(25)	133	(47)
Change in other comprehensive income (not recognized in income statement)	(162)	12	(174)	34
Gains (losses) from hedging instruments (designated risk components)				
Recognition of other comprehensive income in income statement	(1)	(100)	99	(148)
Change in other comprehensive income (not recognized in income statement)	(920)	(143)	(777)	(483)
Gains (losses) from hedging instruments (hedging costs)				
Recognition of other comprehensive income in income statement	1	1	0	2
Change in other comprehensive income (not recognized in income statement)	(2)	8	(10)	(9)
Share of profit (loss) of investments accounted for using the equity method				
Recognition of other comprehensive income in income statement	0	0	0	(7)
Change in other comprehensive income (not recognized in income statement)	0	11	(11)	11
Income taxes relating to components of other comprehensive income	254	58	196	155
	(475)	**330**	**(805)**	**(38)**
OTHER COMPREHENSIVE INCOME	**(1,554)**	**152**	**(1,706)**	**(407)**
TOTAL COMPREHENSIVE INCOME	**(459)**	**1,476**	**(1,935)**	**4,861**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Owners of the parent	(581)	945	(1,526)	3,514
Non-controlling interests	122	532	(410)	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 carry-forwards	Net profit (loss)	Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets (IAS 39)
BALANCE AT JANUARY 1, 2019	**12,189**	**(49)**	**54,646**	**(37,392)**	**2,166**	**(1,120)**	**(28)**	**n.a.**
Transfer resulting from change in accounting standards				221				
Changes in the composition of the Group								
Transactions with owners			187	0		(3)	0	
Unappropriated profit (loss) carried forward				2,166	(2,166)			
Dividends				(3,320)				
Capital increase at Deutsche Telekom AG								
Capital increase from share-based payment			61					
Share buy-back/shares held in a trust deposit		1	0	1				
Profit (loss)					900			
Other comprehensive income				(192)		331	0	
TOTAL COMPREHENSIVE INCOME								
Transfer to retained earnings				(2)			2	
BALANCE AT MARCH 31, 2019	**12,189**	**(48)**	**54,894**	**(38,518)**	**900**	**(792)**	**(26)**	**n.a.**
BALANCE AT JANUARY 1, 2020	**12,189**	**(47)**	**55,029**	**(38,709)**	**3,867**	**(808)**	**(21)**	**n.a.**
Transfer resulting from change in accounting standards								
Changes in the composition of the Group								
Transactions with owners			(97)			(5)		
Unappropriated profit (loss) carried forward				3,867	(3,867)			
Dividends								
Capital increase at Deutsche Telekom AG								
Capital increase from share-based payment			80					
Share buy-back/shares held in a trust deposit								
Profit (loss)					916			
Other comprehensive income				(1,097)		36		
TOTAL COMPREHENSIVE INCOME								
Transfer to retained earnings				(2)			2	
BALANCE AT MARCH 31, 2020	**12,189**	**(47)**	**55,012**	**(35,941)**	**916**	**(777)**	**(19)**	**n.a.**

	Issued capital and reserves attributable to owners of the parent								Non-controlling interests	Total shareholders' equity
	Total other comprehensive income							Total		
	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 (IAS 39)	Hedging instruments: designated risk components (IFRS 9)	Hedging instruments: hedging costs (IFRS 9)	Investments accounted for using the equity method	Taxes			
	84	**2**	**n.a.**	**519**	**58**	**(4)**	**(165)**	**30,907**	**12,530**	**43,437**
		0						221	125	346
								0	245	245
	0	0		2			(1)	186	294	480
								0	0	0
								(3,320)	0	(3,320)
								0	0	0
								61	35	97
								2	0	2
								900	425	1,325
	17	(8)		(160)	8	11	38	45	107	152
								945	**532**	**1,476**
								0	0	0
	101	**(6)**	**n.a.**	**361**	**67**	**6**	**(128)**	**29,001**	**13,761**	**42,762**
	101	**(6)**	**n.a.**	**130**	**51**	**0**	**(69)**	**31,707**	**14,524**	**46,231**
		0						0	0	0
								0	0	0
	0	0		3			(1)	(100)	79	(21)
								0	0	0
								0	0	0
								0	0	0
								80	47	127
								0	0	0
								916	179	1,095
	14	(34)		(574)	(1)	0	159	(1,497)	(58)	(1,554)
								(581)	**122**	**(459)**
	0					0		0	0	0
	115	**(40)**	**n.a.**	**(440)**	**50**	**0**	**88**	**31,106**	**14,771**	**45,878**

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

	Q1 2020	Q1 2019	FY 2019
PROFIT (LOSS) BEFORE INCOME TAXES	**1,546**	**1,852**	**7,260**
Depreciation, amortization and impairment losses	4,429	4,204	17,663
(Profit) loss from financial activities	965	406	2,197
(Profit) loss on the disposal of fully consolidated subsidiaries	0	0	9
(Income) loss from the sale of stakes accounted for using the equity method	0	(1)	(143)
Other non-cash transactions	230	189	569
(Gains) losses from the disposal of intangible assets and property, plant and equipment	(22)	26	112
Change in assets carried as operating working capital	(265)	86	(814)
Change in other operating assets	(489)	(329)	(248)
Change in provisions	(100)	(99)	203
Change in liabilities carried as operating working capital	(207)	56	(440)
Change in other operating liabilities	145	398	(325)
Income taxes received (paid)	(144)	(178)	(758)
Dividends received	3	0	15
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	0	0	(3)
CASH GENERATED FROM OPERATIONS	**6,090**	**6,609**	**25,297**
Interest paid	(2,477)	(955)	(3,924)
Interest received	347	355	1,701
NET CASH FROM OPERATING ACTIVITIES	**3,960**	**6,009**	**23,074**
Cash outflows for investments in			
Intangible assets	(1,156)	(1,030)	(4,375)
Property, plant and equipment	(2,414)	(2,797)	(9,982)
Non-current financial assets	(138)	(26)	(417)
Payments for publicly funded investments in the broadband build-out[a]	(102)	0	(401)
Proceeds from public funds for investments in the broadband build-out[a]	23	0	341
Payments to acquire control of subsidiaries and associates	(1)	(237)	(261)
Proceeds from disposal of			
Intangible assets	1	0	0
Property, plant and equipment	86	44	176
Non-current financial assets	19	12	251
Proceeds from the loss of control of subsidiaries and associates	0	0	62
Net change in short-term investments and marketable securities and receivables	964	439	376
Other	11	(2)	(1)
NET CASH USED IN INVESTING ACTIVITIES	**(2,706)**	**(3,597)**	**(14,230)**
Proceeds from issue of current financial liabilities	1,321	5,942	10,778
Repayment of current financial liabilities	(4,066)	(7,497)	(16,533)
Proceeds from issue of non-current financial liabilities	1,609	2,583	6,278
Repayment of non-current financial liabilities	(2)	(2)	(21)
Dividend payments (including to other shareholders of subsidiaries)	0	0	(3,561)
Principal portion of repayment of lease liabilities	(1,263)	(893)	(3,835)
Cash inflows from transactions with non-controlling entities	4	1	13
Cash outflows from transactions with non-controlling entities	(165)	(107)	(261)
Other	0	0	0
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(2,562)**	**27**	**(7,141)**
Effect of exchange rate changes on cash and cash equivalents	(6)	25	11
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	0	0	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,315)**	**2,465**	**1,713**
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD	**5,393**	**3,679**	**3,679**
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	**4,078**	**6,144**	**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).

STATEMENT OF COMPLIANCE

The interim consolidated financial statements for the period ended March 31, 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	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 or reporting structure in the reporting period.

CORONAVIRUS PANDEMIC

The coronavirus pandemic has developed into a global economic crisis. Higher demand for certain telecommunication services means the impact of the crisis is likely to be felt less severely by the telecommunications industry than by other industries. Nevertheless, there is currently 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. For example, roaming and visitor volumes are declining as a result of government-imposed international travel restrictions, and terminal equipment sales and new contracts may decrease due to the largely temporary closure of shops. Corporate customer business may decline, 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. Further possible future effects on the measurement of individual assets and liabilities are currently being analyzed. Deutsche Telekom has put in place cost-saving measures to mitigate potential effects on earnings.

CHANGES IN THE COMPOSITION OF THE GROUP

Changes to the composition of the Group in the first quarter of 2020 were of no material significance for Deutsche Telekom's interim consolidated financial statements.

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

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.

The business combination of T-Mobile US and Sprint took the form of an all-stock transaction. For every 9.75 Sprint shares, the company's shareholders received one new share in T-Mobile US in exchange. 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. This resulted in an effective exchange ratio of approximately 11.00 Sprint shares for one share in T-Mobile US following the closing of the transaction. For the other Sprint shareholders, the exchange ratio remained unchanged at 9.75 Sprint shares in return for one ordinary share in T-Mobile US. Taking into account these adjustments, a total of 373,396,310 ordinary shares in T-Mobile US were issued to Sprint shareholders. Based on the T-Mobile US closing share price as of March 31, 2020 of USD 83.90, the total value of the ordinary shares in T-Mobile US provided in exchange for ordinary shares in Sprint amounted to USD 31.3 billion (EUR 28.6 billion). In addition, the consideration transferred also included the assumption and repayment of various of Sprint's liabilities, 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 latter resulted from the agreement concluded on February 20, 2020 that if the trailing 45-day volume-weighted average price of a T-Mobile US ordinary share is equal to or greater than USD 150.00 at any time during the period commencing on April 1, 2022 and ending on December 31, 2025, 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 transferred to T-Mobile US in connection with the consummation of the transaction.

Since the transaction was consummated so close to the date of preparing the consolidated financial statements, it is not yet possible to disclose information on the fair values of the consideration transferred, assets acquired and liabilities assumed, non-controlling interests, or on the goodwill resulting from the transaction. The assets acquired in the business combination primarily comprised spectrum licenses, property, plant and equipment related to cell sites and network technology, inventories, right-of-use assets, and pension plan assets. The liabilities assumed mainly include trade payables, pension obligations, lease liabilities, and non-current financial liabilities.

Following the closing of the transaction, Deutsche Telekom and Softbank hold, indirectly or directly, approximately 43.6 percent and 24.7 percent, respectively, of the "new" T-Mobile US' shares, with the free float accounting for around 31.7 percent. Due to a proxy agreement concluded with Softbank, and to the fact that individuals nominated by Deutsche Telekom hold the majority of the seats on the new company's Board of Directors, T-Mobile US continues to be included as a fully consolidated subsidiary in the consolidated financial statements.

Transaction-related costs totaling EUR 0.1 billion were incurred in the first quarter of 2020. These costs mainly comprised legal and consulting fees and are included under other operating expenses.

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, which will have a significant impact on 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 prepay business is to be sold as part of an asset deal to DISH Network for USD 1.4 billion, subject to a working capital adjustment. The transaction is expected to be completed by mid-2020, subject to customary contract closing conditions. The agreement also includes the sale of part of the 800 MHz spectrum held by Sprint to DISH for around USD 3.6 billion. The sale of the spectrum is subject to the approval by the regulatory authority, to be applied for 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.

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

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

TRADE RECEIVABLES

At EUR 10.6 billion, trade receivables decreased by EUR 0.3 billion against the 2019 year-end level. Receivables declined in the United States, Europe, Systems Solutions, and Group Development operating segments. In the United States operating segment, the decrease was due in particular to the falling number of new contracts concluded for Equipment Installment Plans (EIP) on account of the temporary store closures as a consequence of the coronavirus pandemic. By contrast, receivables increased in the Germany operating segment as a result of the contractual termination of a revolving factoring agreement for receivables from consumers and business customers. Exchange rate effects, primarily from the translation from U.S. dollars into euros, also increased the carrying amount.

CONTRACT ASSETS

At EUR 1.8 billion, the carrying amount of contract assets was down as of the reporting date from EUR 1.9 billion at December 31, 2019. 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 0.3 billion compared to December 31, 2019 to EUR 1.9 billion, mainly due to the stockpiling of higher-priced smartphones in the United States operating segment and temporary store closures in the United States as a consequence of the coronavirus pandemic.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The carrying amount of **intangible assets** increased by EUR 0.8 billion to EUR 69.0 billion. Additions totaling EUR 1.3 billion 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. In the United States operating segment, they also included advance payments totaling EUR 0.2 billion for the acquisition of FCC mobile licenses in connection with the auction of mobile licenses in the 37 GHz, 39 GHz, and 47 GHz bands, which ended in March 2020. Positive exchange rate effects, primarily from the translation of U.S. dollars into euros, increased the carrying amount by EUR 0.7 billion. Amortization reduced the net carrying amount by EUR 1.2 billion.

The carrying amount of **property, plant and equipment** remained unchanged compared with December 31, 2019 at EUR 49.5 billion. Additions of EUR 2.1 billion – especially to upgrade and build out the network in our United States operating segment and in connection with the broadband/fiber-optic build-out, the IP transformation, and mobile infrastructure in the Germany and Europe operating segments – increased the carrying amount. Positive exchange rate effects, primarily from the translation of U.S. dollars into euros, increased the carrying amount by EUR 0.2 billion. Depreciation of EUR 2.2 billion and disposals of EUR 0.1 billion reduced the carrying amount.

RIGHT-OF-USE ASSETS

The carrying amount of right-of-use assets increased by EUR 0.1 billion compared to December 31, 2019 to EUR 18.1 billion. In the first quarter of 2020, the figure included additions of EUR 1.0 billion, mainly in the United States operating segment. Positive exchange rate effects of EUR 0.2 billion also increased the carrying amount. Depreciation, amortization and impairment losses totaling EUR 1.0 billion and disposals of EUR 0.1 billion had an offsetting effect.

CAPITALIZED CONTRACT COSTS

As of March 31, 2020, the carrying amount of capitalized contract assets remained unchanged at the level of December 31, 2019 of 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 2.2 billion compared with December 31, 2019 to EUR 9.5 billion. EUR 1.2 billion of this increase was attributable to the rise in positive fair values from interest rate swaps in fair value hedges and is primarily due to the significant decline in the interest rate level. Furthermore, EUR 0.5 billion of the increase was due to the depositing of further cash collateral in connection with forward-payer swaps concluded for borrowings at T-Mobile US. In addition, other financial assets increased by EUR 0.2 billion in connection with the change in approach as of the start of the third quarter of 2019 of capitalizing grants receivable from funding projects for the broadband build-out in Germany upon conclusion of the contract. Negative effects from the measurement of embedded derivatives at T-Mobile US of EUR 0.3 billion had an offsetting effect.

TRADE AND OTHER PAYABLES

The carrying amount of trade and other payables decreased by EUR 0.7 billion to EUR 8.7 billion due to the reduction in the level of liabilities, mainly in the Europe, Germany, and United States operating segments. Exchange rate effects from the translation of U.S. dollars into euros had an offsetting effect.

OTHER LIABILITIES

The carrying amount of current and non-current other liabilities increased by EUR 0.4 billion to EUR 5.2 billion. EUR 0.2 billion of this increase resulted from higher liabilities to the Civil Service Pension Fund in connection with early retirement arrangements for civil servants. In addition, other liabilities increased by EUR 0.1 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.

FINANCIAL LIABILITIES AND LEASE LIABILITIES

The following table shows the composition and maturity structure of **financial liabilities** as of March 31, 2020:

millions of €	Mar. 31, 2020	Due within 1 year	Due > 1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	52,857	3,144	18,006	31,706
Liabilities to banks	5,005	1,711	2,121	1,173
Liabilities to non-banks from promissory note bonds	505	0	53	452
Other interest-bearing liabilities	5,817	3,540	1,056	1,221
Other non-interest-bearing liabilities	1,333	1,236	100	(4)
Derivative financial liabilities	2,926	2,189	243	494
FINANCIAL LIABILITIES	**68,443**	**11,821**	**21,579**	**35,043**

The carrying amount of current and non-current financial liabilities increased by EUR 2.1 billion to EUR 68.4 billion compared with the end of 2019. Exchange rate effects, in particular from the translation of U.S. dollars into euros, raised the carrying amount by EUR 0.3 billion.

The carrying amount of bonds and other securitized liabilities increased by EUR 1.2 billion. Deutsche Telekom AG issued U.S. dollar bonds of USD 1.3 billion (EUR 1.1 billion), euro bonds of EUR 0.2 billion, and bonds in Swiss francs of CHF 0.3 billion (EUR 0.3 billion) in the reporting period, which particularly increased the carrying amount. In connection with the increase in positive fair values from interest rate swaps in fair value hedges – reported under derivative financial assets – the carrying amount of bonds and other securitized liabilities also increased by EUR 1.2 billion. Scheduled repayments of U.S. dollar bonds totaling USD 1.3 billion (EUR 1.1 billion), euro bonds totaling EUR 0.7 billion, and a zero-coupon bond of EUR 0.4 billion, had an offsetting effect.

The carrying amount of liabilities to banks decreased by EUR 1.5 billion compared with December 31, 2019 to EUR 5.0 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 increase of EUR 1.4 billion in the carrying amount of other interest-bearing liabilities to EUR 5.8 billion is attributable to a EUR 1.5 billion increase in liabilities arising from collaterals 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 increased by EUR 1.3 billion to EUR 2.9 billion. The measurement of forward-payer swaps concluded for borrowings at T-Mobile US with a total nominal volume of EUR 8.8 billion when translated into euros gave rise to a change in the carrying amount of EUR 1.0 billion, which increased financial liabilities. EUR 0.9 billion of this resulted from a remeasurement loss recognized directly in equity.

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** totaling EUR 19.7 billion decreased by EUR 0.1 billion compared with December 31, 2019. Overall, lease liabilities in the amount of EUR 4.0 billion are due within one year. Lease liabilities primarily relate to the United States operating segment.

CONTRACT LIABILITIES

The carrying amount of current and non-current contract liabilities is at the same level as at December 31, 2019 of EUR 2.1 billion. These mainly comprise deferred revenues.

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 6.8 billion, mainly due to the current upheavals on the financial markets and the associated sharp decline in the prices of plan assets. Interest rate adjustments in the first quarter of 2020 had an offsetting effect. Overall, this resulted in an actuarial loss of EUR 1.0 billion from the remeasurement of defined benefit plans.

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."

SHAREHOLDERS' EQUITY

The carrying amount of shareholders' equity decreased from EUR 46.2 billion as of December 31, 2019 to EUR 45.9 billion. The carrying amount was reduced by EUR 1.0 billion due to the remeasurement of defined benefit plans and by EUR 0.9 billion due to losses from hedging instruments – mainly in connection with forward-payer swaps concluded for borrowings at T-Mobile US. Profit after taxes of EUR 1.1 billion, currency translation effects recognized directly in equity of EUR 0.2 billion, income taxes relating to components of other comprehensive income of EUR 0.2 billion, and capital increases from share-based payment of EUR 0.1 billion had an increasing effect on shareholders' equity.

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

NET REVENUE

Net revenue breaks down into the following revenue categories:

millions of €	Q1 2020	Q1 2019
Revenue from the rendering of services	**16,647**	**15,849**
Germany	4,403	4,328
United States	8,163	7,495
Europe	2,436	2,408
Systems Solutions	1,246	1,241
Group Development	381	361
Group Headquarters & Group Services	19	16
Revenue from the sale of goods and merchandise	**2,789**	**3,136**
Germany	503	503
United States	1,842	2,161
Europe	327	345
Systems Solutions	25	32
Group Development	92	95
Group Headquarters & Group Services	0	0
Revenue from the use of entity assets by others	**507**	**503**
Germany	187	205
United States	153	140
Europe	53	55
Systems Solutions	19	6
Group Development	66	65
Group Headquarters & Group Services	30	32
NET REVENUE	**19,943**	**19,488**

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 2020	Q1 2019
Income from the reversal of impairment losses on non-current assets	3	0
Of which: IFRS 5	0	0
Income from the disposal of non-current assets	51	20
Income from reimbursements	41	39
Income from insurance compensation	16	27
Income from ancillary services	6	4
Miscellaneous other operating income	177	114
Of which: income from divestitures and from the sale of stakes accounted for using the equity method	0	1
	293	**204**

In the prior-year period, income from the disposal of non-current assets primarily comprised income from the disposal of real estate previously recognized as non-current assets and disposal groups held for sale. Miscellaneous other operating income includes a large number of individual items accounting for marginal amounts.

OTHER OPERATING EXPENSES

millions of €

	Q1 2020	Q1 2019
Impairment losses on financial assets	(141)	(78)
Gains (losses) from the write-off of financial assets measured at amortized cost	(52)	(18)
Other	(687)	(613)
Legal and audit fees	(114)	(55)
Losses from asset disposals	(29)	(46)
Income (losses) from the measurement of factoring receivables	(3)	(32)
Other taxes	(148)	(137)
Cash and guarantee transaction costs	(91)	(85)
Insurance expenses	(24)	(25)
Miscellaneous other operating expenses	(278)	(233)
	(880)	**(709)**

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

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

At EUR 4.4 billion, depreciation, amortization and impairment losses on intangible assets, property, plant and equipment, and right-of-use assets were EUR 0.2 billion higher overall than in the prior-year period. Depreciation of property, plant and equipment and amortization of intangible assets were EUR 0.1 billion higher than in the prior year, mainly due to the consistently high investment volume. Depreciation of right-of-use assets also increased slightly.

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

The loss from financial activities increased by EUR 0.6 billion compared with the first quarter of 2019 to EUR 1.0 billion, with other financial expense increasing by EUR 0.5 billion, due in particular to negative measurement effects from embedded derivatives at T-Mobile US as a result of the increased interest rate risk premium for T-Mobile US. Overall, finance costs and the share of profit/loss of associates and joint ventures accounted for using the equity method were more or less at the same level as in the prior-year quarter.

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

INCOME TAXES

A tax expense of EUR 0.5 billion was recognized in the first quarter of 2020. The effective tax rate of 29 percent essentially reflects the shares of the different countries in profit before income taxes and their respective national tax rates. A tax expense of EUR 0.5 billion was also recorded in the prior-year period. With somewhat higher profit before income taxes, the tax rate stood at 28 percent.

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

NET CASH FROM OPERATING ACTIVITIES

Net cash from operating activities decreased by EUR 2.0 billion year-on-year to EUR 4.0 billion. This decline is related 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 first quarter of 2020 for another zero-coupon bond also had a negative impact. The interest portion amounted to EUR 0.4 billion. The change in operating working capital resulted in negative effects of EUR 0.5 billion on net cash from operating activities in the reporting period. This change was attributable to an effect of EUR -0.7 billion from the contractual termination of a revolving factoring agreement in the Germany operating segment. In the prior-year period, the change in operating working capital had had a positive effect of EUR 0.1 billion. The continuing strong performance of the operating segments had an increasing effect on net cash from operating activities.

NET CASH USED IN INVESTING ACTIVITIES

millions of €	Q1 2020	Q1 2019
Cash capex		
Germany operating segment	(1,036)	(1,216)
United States operating segment	(1,708)	(1,713)
Europe operating segment	(438)	(446)
Systems Solutions operating segment	(35)	(93)
Group Development operating segment	(119)	(86)
Group Headquarters & Group Services	(233)	(274)
Reconciliation	0	1
	(3,570)	**(3,827)**
Payments for publicly funded investments in the broadband build-out[a]	(102)	0
Proceeds from public funds for investments in the broadband build-out[a]	23	0
Net cash flows for collateral deposited and hedging transactions	962	442
Cash outflows for the acquisition of shares in Tele2 Netherlands[b]	0	(230)
Proceeds from the disposal of property, plant and equipment, and intangible assets	87	44
Other	(106)	(26)
	(2,706)	**(3,597)**

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

Cash capex decreased from EUR 3.8 billion to EUR 3.6 billion. In the United States operating segment, an advance payment of EUR 0.2 billion was made in the reporting period for the acquisition of FCC mobile licenses in connection with the auction of mobile licenses which ended in March 2020. The prior-year figure included EUR 0.1 billion for the acquisition of mobile spectrum licenses, which also primarily related to the United States operating segment. Adjusted for investments in mobile spectrum licenses, cash capex was down by EUR 0.3 billion. In the Germany operating segment, the decline is mainly 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. Since then, the grants received and payments made for the build-out are no longer part of cash capex. In the United States operating segment, cash capex decreased – on a U.S. dollar basis – mainly due to higher capital expenditures in the first quarter of 2019 related to laying the initial groundwork for 5G.

NET CASH USED IN/FROM FINANCING ACTIVITIES

millions of €

	Q1 2020	Q1 2019
Repayment of bonds	(2,100)	0
Dividend payments (including to other shareholders of subsidiaries)	0	0
Repayment of financial liabilities from financed capex and opex	(23)	0
Repayment of EIB loans	(181)	(111)
Net cash flows for collateral deposited and hedging transactions	(1)	0
Principal portion of repayment of lease liabilities	(1,263)	(893)
Repayment of financial liabilities for media broadcasting rights	(117)	(116)
Cash flows from continuing involvement factoring, net	(89)	(17)
Loans taken out with the EIB	0	50
Promissory notes, net	(202)	144
Secured loans	0	0
Issuance of bonds	1,609	2,234
Commercial paper, net	0	(467)
Overnight borrowings from banks, net	0	(618)
Cash inflows from transactions with non-controlling entities		
T-Mobile US stock options	1	1
Toll4Europe capital contributions	4	0
	4	**1**
Cash outflows from transactions with non-controlling entities		
T-Mobile US share buy-backs	(128)	(88)
OTE share buy-backs	(22)	(14)
Other	(16)	(5)
	(165)	**(107)**
Other	(34)	(73)
	(2,562)	**27**

NON-CASH TRANSACTIONS

In the first quarter of 2020, Deutsche Telekom only chose to a very limited extent financing options under which the payments for trade payables from operating and investing activities primarily become due at a later point in time by involving banks in the process (Q1 2019: EUR 0.2 billion). These payables will subsequently be recognized under financial liabilities in the statement of financial position. As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In the first quarter of 2020, Deutsche Telekom leased assets totaling EUR 1.0 billion, mainly network equipment, and land and buildings (Q1 2019: EUR 1.1 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 used in/from financing activities.

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 0.1 billion were recognized in the first quarter of 2020 for future consideration for acquired broadcasting rights (Q1 2019: EUR 0.1 billion). As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In the United States operating segment, EUR 0.3 billion was recognized for mobile handsets under property, plant and equipment in the first quarter of 2020 (Q1 2019: EUR 0.1 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.

SEGMENT REPORTING

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

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

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 quarter

millions of €

		Comparative period						Reporting date		
		Net revenue	Inter-segment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depre-ciation and amor-tization	Impair-ment losses	Segment assets[a]	Segment liabilities[a]	Investments accounted for using the equity method[a]
Germany	Q1 2020	5,092	313	5,405	903	(1,071)	0	41,278	30,930	19
	Q1 2019	5,036	321	5,357	863	(1,083)	0	41,253	30,968	12
United States	Q1 2020	10,157	0	10,157	1,509	(2,084)	0	86,441	55,640	310
	Q1 2019	9,796	0	9,796	1,376	(1,835)	0	84,413	54,087	289
Europe	Q1 2020	2,816	87	2,903	372	(662)	(1)	26,811	10,212	53
	Q1 2019	2,808	83	2,891	339	(694)	(2)	27,699	10,843	59
Systems Solutions	Q1 2020	1,290	338	1,628	(36)	(121)	0	6,580	4,970	26
	Q1 2019	1,278	352	1,630	(49)	(128)	0	6,615	4,800	25
Group Development	Q1 2020	539	169	708	139	(194)	0	8,335	10,505	101
	Q1 2019	522	160	682	126	(200)	0	8,395	10,571	96
Group Headquarters & Group Services	Q1 2020	49	583	632	(371)	(300)	0	56,353	67,731	9
	Q1 2019	48	603	651	(393)	(260)	0	54,162	65,066	9
TOTAL	**Q1 2020**	**19,943**	**1,491**	**21,433**	**2,516**	**(4,432)**	**(1)**	**225,798**	**179,988**	**518**
	Q1 2019	**19,488**	**1,519**	**21,007**	**2,262**	**(4,200)**	**(2)**	**222,537**	**176,335**	**489**
Reconciliation	Q1 2020	0	(1,491)	(1,491)	(5)	3	0	(52,152)	(52,220)	0
	Q1 2019	0	(1,519)	(1,519)	(4)	(2)	0	(51,865)	(51,894)	0
GROUP	**Q1 2020**	**19,943**	**0**	**19,943**	**2,511**	**(4,429)**	**(1)**	**173,646**	**127,768**	**518**
	Q1 2019	**19,488**	**0**	**19,488**	**2,258**	**(4,202)**	**(2)**	**170,672**	**124,441**	**489**

[a] Figures relate to the reporting dates of March 31, 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 it was sufficiently certain as of the current reporting date that the business combination would be consummated on April 1, 2020, T-Mobile US no longer recognized a contingent liability as of March 31, 2020.

OTHER FINANCIAL OBLIGATIONS

The following table provides an overview of Deutsche Telekom's other financial obligations as of March 31, 2020:

millions of €

	Mar. 31, 2020
Purchase commitments regarding property, plant and equipment	4,966
Purchase commitments regarding intangible assets	1,037
Firm purchase commitments for inventories	1,826
Other purchase commitments and similar obligations	18,108
Payment obligations to the Civil Service Pension Fund	1,740
Obligations from the acquisition of interests in other companies	28,571
Miscellaneous other obligations	46
	56,295

The purchase commitment regarding intangible assets includes the financial obligations arising from the frequency auctions for 5G licenses in the United States and Europe operating segments, which were completed in March 2020. Obligations from the acquisition of interests in other companies to the value of USD 31.3 billion (EUR 28.6 billion) relate to the business combination of T-Mobile US and Sprint, which was consummated on April 1, 2020.

For further information on agreed corporate transactions, please refer to the section "Changes in the composition of the Group."

DISCLOSURES ON FINANCIAL INSTRUMENTS

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

millions of €

			Amounts recognized in the statement of financial position in accordance with IFRS 9					
	Measurement category in accordance with IFRS 9	**Carrying amount Mar. 31, 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 Mar. 31, 2020[a]**
ASSETS								
Cash and cash equivalents	AC	4,078	4,078					
Trade receivables								
At amortized cost	AC	5,566	5,566					
At fair value through other comprehensive income	FVOCI	4,995			4,995			4,995
At fair value through profit or loss	FVTPL	0				0		0
Other financial assets								
Originated loans and other receivables								
At amortized cost	AC	4,892	4,892					4,929
Of which: collateral paid	AC	1,144	1,144					
Of which: publicly funded projects	AC	1,533	1,533					
At fair value through other comprehensive income	FVOCI	0			0			
At fair value through profit or loss	FVTPL	126				126		126
Equity instruments								
At fair value through other comprehensive income	FVOCI	299		299				299
At fair value through profit or loss	FVTPL	16				16		16
Derivative financial assets								
Derivatives without a hedging relationship	FVTPL	741				741		741
Of which: termination rights embedded in bonds issued	FVTPL	335				335		335
Of which: energy forward agreements embedded in contracts	FVTPL	15				15		15
Derivatives with a hedging relationship	n.a.	3,189			570	2,619		3,189
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	8,730	8,730					
Bonds and other securitized liabilities	AC	52,857	52,857					53,823
Liabilities to banks	AC	5,005	5,005					5,022
Liabilities to non-banks from promissory note bonds	AC	505	505					564
Other interest-bearing liabilities	AC	5,817	5,817					5,776
Of which: collateral received	AC	2,811	2,811					
Other non-interest-bearing liabilities	AC	1,333	1,333					
Lease liabilities	n.a.	19,699					19,699	
Derivative financial liabilities								
Derivatives without a hedging relationship	FVTPL	450				450		450
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	166				166		166
Derivatives with a hedging relationship	n.a.	2,476			2,451	25		2,476
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	14,536	14,536					4,929
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	4,995			4,995			4,995
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	334		334				334
Financial assets at fair value through profit or loss	FVTPL	883				883		883
LIABILITIES								
Financial liabilities at amortized cost	AC	74,276	74,276					65,185
Financial liabilities at fair value through profit or loss	FVTPL	450				450		450

[a] The practical expedient under IFRS 7.29 was applied for information 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 Dec. 31, 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	4,282	4,282					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
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
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	15,127	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 practical expedient under IFRS 7.29 was applied for information 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 €

	Mar. 31, 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			4,995	**4,995**			5,390	**5,390**
At fair value through profit or loss			0	**0**			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	118		8	**126**	114		7	**121**
Equity instruments								
At fair value through other comprehensive income			334	**334**			328	**328**
At fair value through profit or loss	16			**16**	22			**22**
Derivative financial assets								
Derivatives without a hedging relationship		391	350	**741**		263	630	**893**
Derivatives with a hedging relationship		3,189		**3,189**		1,439		**1,439**
LIABILITIES								
Derivative financial liabilities								
Derivatives without a hedging relationship		276	174	**450**		172	153	**325**
Derivatives with a hedging relationship		2,476		**2,476**		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.

Derivatives with a hedging relationship include forward-payer swaps for future borrowings at T-Mobile US with a nominal value of EUR 8.8 billion when translated into euros. These transactions were designated as cash flow hedges in effective hedging relationships. In the first three months of 2020, the measurement resulted in a loss from hedging instruments of EUR 925 million recognized under other comprehensive income.

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: 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)	12	0	0	0
Decreases in fair value recognized in profit/loss (including losses on disposal)	n.a.	(319)	0	(17)
Increases in fair value recognized in profit/loss (including gains on disposal)	n.a.	12	15	1
Decreases in fair value recognized directly in equity	0	n.a.	n.a.	n.a.
Increases in fair value recognized directly in equity	14	n.a.	n.a.	n.a.
Disposals	(20)	0	0	0
Currency translation effects recognized directly in equity	0	12	0	(4)
CARRYING AMOUNT AS OF MARCH 31, 2020	**334**	**335**	**15**	**(166)**

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 327 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 35 million were held for sale, while there were no plans to sell the remaining investments. In the case of investments with a carrying amount of EUR 204 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why the share prices agreed in the transactions were to be used without adjustment for the measurement as of March 31, 2020. In the case of investments with a carrying amount of EUR 63 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 60 million, for which the last arm's length transactions relating to shares in these companies took place some time ago, a measurement performed more recently relating to shares in similar companies provides the most reliable representation of the fair values. Here, multiples to the reference variable of expected revenue (ranging between 3.3 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 7 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 335 million when translated into euros. The options, which can be exercised by T-Mobile US at any time, allow early redemption of the bonds at fixed exercise prices. Observable market prices are available regularly and also at the reporting date for the bonds as entire instruments, but not for the options embedded therein. The termination rights are measured using an option pricing model. Historical interest rate volatilities of bonds issued by T-Mobile US and comparable issuers are used for the measurement because these provide a more reliable estimate at the reporting date than current market interest rate volatilities. The absolute figure used for the interest rate volatility at the current reporting date was between 1.6 and 2.3 percent. The spread curve, which is also unobservable, was derived on the basis of current market prices of bonds issued by T-Mobile US and debt instruments of comparable issuers. The spreads used at the current reporting date were between 4.4 and 4.7 percent for the maturities of the bonds and between 4.1 and 4.4 percent for shorter terms. For the mean reversion input, which is likewise unobservable, 10 percent was used. In our opinion, the values used constitute the best estimate in each case. If other values had been used for interest rate volatility, spread curve or mean reversion, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table below. In the reporting period, a net expense of EUR 307 million when translated into euros was recognized under the Level 3 measurement in other financial income/expense for unrealized losses for the options in the portfolio at the reporting date. 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: 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	6			
Multiple next-level-down quantile	(13)			
Expected revenues +10%	4			
Expected revenues -10%	(4)			
Interest rate volatility[b] +10%		27		
Interest rate volatility[b] -10%		(30)		
Spread curve[c] +100 basis points		(110)		
Spread curve[c] -100 basis points		135		
Mean reversion[d] +100 basis points		(4)		
Mean reversion[d] -100 basis points		5		
Future energy prices +10%			18	41
Future energy prices -10%			(19)	(41)
Future energy output +5%			6	(3)
Future energy output -5%			(7)	3
Future prices for renewable energy credits[e] +100%			5	17
Future prices for renewable energy credits[e] from zero			(6)	(16)

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

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

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

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

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

With a carrying amount of EUR -166 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 15 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 20 years from the commencement of commercial operation. In the case of three 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 2,899 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 14.05/MWh and EUR 62.64/MWh when translated into euros and off-peak prices of between EUR 7.97/MWh and EUR 39.20/MWh when translated into euros. An average on-peak/off-peak ratio of 46 percent was used. In our opinion, the values used constitute the best estimate in each case. If other values had been used for future energy prices, future energy output, or future prices of renewable energy credits, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table above. In the reporting period, a net expense of EUR 1 million (when translated into euros) was recognized under the Level 3 measurement in other operating income/expense for unrealized losses 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. Due to their distinctiveness, these instruments constitute a separate class of financial instruments. In the view of T-Mobile US, the contracts were entered into at current market conditions, and the most appropriate parameters for the unobservable inputs were used for measurement purposes. The transaction price at inception was zero in each case. Since the unobservable inputs have a material influence on the measurement of the derivatives, the respective amount resulting from initial measurement was not carried on initial recognition. Instead, these amounts are amortized in profit or loss on a straight-line basis over the period of commercial energy generation (for a total amount of EUR 13 million per year when translated into euros). This amortization adjusts the effects from measuring the derivatives in each accounting period using the respective valuation models and updated parameters. All amounts from the measurement of the derivatives are presented in net terms per contract in the statement of financial position (derivative financial assets/liabilities) and in the income statement (other operating income/expenses). The difference yet to be amortized in the income statement developed as follows during the reporting period:

Energy forward agreements

millions of €	Development of the not yet amortized amounts
Measurement amounts on initial recognition	**178**
Measurement amounts on initial recognition (additions during the reporting period)	0
Measurement amounts amortized in profit or loss in prior periods	(9)
Measurement amounts amortized in profit or loss in the current reporting period	(2)
Currency translation adjustments	7
MEASUREMENT AMOUNTS NOT AMORTIZED AS OF MARCH 31, 2020	**174**

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

The financial liabilities measured at fair value through profit or loss and assigned to Level 3 include derivative financial liabilities with a carrying amount of EUR -8 million resulting from an option granted to third parties for the purchase of shares in an associate of Deutsche Telekom. The option was granted in connection with a sale of shares in this associate, and no notable fluctuations in value are expected. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments.

DISCLOSURES ON CREDIT RISK

In line with the contractual provisions, in the event of insolvency, all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. The net amounts are normally recalculated every bank working day and offset against each other. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 2,811 million (December 31, 2019: EUR 1,273 million). The credit risk was thus reduced by EUR 2,805 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 3,580 million as of the reporting date (December 31, 2019: EUR 1,703 million) had a maximum credit risk of EUR 140 million as of March 31, 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 1,144 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 1,133 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.

According to agreement, no cash collateral is provided for interest rate swaps concluded by T-Mobile US with a nominal value of EUR 4.2 billion (when translated into euros). The fair values at the reporting date were negative in each case from the perspective of T-Mobile US and amounted to EUR -974 million when translated into euros (December 31, 2019: EUR -490 million).

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

RELATED-PARTY DISCLOSURES

There were no significant changes at March 31, 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.

Dirk Wössner, Board of Management member for Germany, has notified the General Committee of 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. The General Committee has already begun the search for a successor on the basis of a structured succession management process.

EVENTS AFTER THE REPORTING PERIOD

For information on the **business combination of T-Mobile US with Sprint**, consummated on April 1, 2020, 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."

Refinancing measures at T-Mobile US. In connection with the business combination with Sprint, on April 1, 2020, the "new" T-Mobile US drew down on bridge loan facilities agreed with a total of 16 banks and with a total volume of USD 19 billion (EUR 17.3 billion). In connection with the financing provided with these bridge loan facilities, fees of USD 0.4 billion (EUR 0.3 billion) were paid to the banks. In addition, the "new" T-Mobile US raised a new secured term loan facility of USD 4 billion (EUR 3.7 billion). The loan facilities were used, among other things, for the early repayment of intragroup loan liabilities of USD 8 billion (EUR 7.3 billion) to Deutsche Telekom AG and to refinance debt of the Sprint group. 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.

Termination of forward-payer swaps at T-Mobile US. In connection with the issue of senior secured notes, T-Mobile US terminated existing forward-payer swaps in early April 2020. Taking into account cash collateral totaling USD 1.2 billion (EUR 1.1 billion), T-Mobile US made a total net payment of USD 1.1 billion (EUR 1.0 billion).

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

Spectrum auction at T-Mobile US. At the auction of mobile licenses that ended in March 2020, T-Mobile US acquired licenses in the 37 GHz, 39 GHz, and 47 GHz bands for a total value of USD 873 million (EUR 797 million). This additional spectrum will be used to further improve the company's 5G spectrum position. By March 31, 2020, advance payments of USD 175 million (EUR 160 million) had been made. The remaining amount was transferred on April 8, 2020, at which point the licenses were officially assigned and they have been available for commercial use since that date.

Early repayment of euro bonds. As part of the liabilities management in the Group, early repayments were made on three euro bonds of Deutsche Telekom International Finance B.V. which fall due in 2021. These repayments took the form of a partial buyback totaling EUR 0.8 billion.

REVIEW REPORT

To Deutsche Telekom AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to March 31, 2020, which are part of the quarterly financial report pursuant to § 115 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to 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 Standards on Review Engagements, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU and that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

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

Frankfurt/Main, May 14, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels	Thomas Tandetzki
Wirtschaftsprüfer	Wirtschaftsprüfer

ADDITIONAL INFORMATION

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]

May 14, 2020	June 19, 2020	August 13, 2020
Publication of the Interim Group Report as of March 31, 2020	Virtual 2020 shareholders' meeting	Publication of the Interim Group Report as of June 30, 2020

November 12, 2020	February 26, 2021	April 7, 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

[a] The 2020 shareholders' meeting of Deutsche Telekom AG, originally scheduled for March 26, 2020, had to be postponed on account of the developments in the coronavirus pandemic. In connection with the merger of T-Mobile US and Sprint, which has now been completed, the publication dates set out in the 2019 Annual Report have been amended from the Interim Group Report as of June 30, 2020.

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 March 31, 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:
nexxar GmbH, Vienna - Online annual reports and online sustainability reports